

Exhibit 1 – Administration

1-Staff-1

Ref: Responses to Letters of Comment

Question(s):

- a) **Going forward, please ensure that responses to letters of comment that may be submitted are filed on the record of this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.**

Response:

- (a) FNEI confirms that any responses to letters of comment provided by FNEI will be filed on the record in this proceeding.

1-Staff-2

Ref: Exhibit 1 / Tab 1 / Schedule 1 / p. 1 UPDATED
Exhibit 1 / Tab 1 / Schedule 3 / p. 1
Revenue Requirement Workform / p. 7

Question(s):

- a) Please explain why the revenue deficiency amount of \$1,567,100 set out at Exhibit 1 / Tab 1 / Schedule 1 / p. 1 does not match the revenue deficiency provided at Exhibit 1 / Tab 1 / Schedule 3 / p. 1 or in the Revenue Requirement Workform. If there are errors, please explain.

Response:

- (a) The revenue deficiency is \$1,512,098. The figure in the Application of \$1,567,100 is incorrect.

1-Staff-3

Ref: Exhibit 1 / Tab 1 / Schedule 2 / p. 11 UPDATED

Question(s):

- a) Please confirm that the Uniform Transmission Rates (UTRs) were calculated using the transmission revenue requirement of \$7.839 million (as opposed to \$7.989 million – as cited in Exhibit 1 / Tab / Schedule 2 / p. 11).

Response:

(a) Confirmed.

1-Staff-4

Ref: Exhibit 1 / Tab 1 / Schedule 2 / Appendix I

Question(s):

a) Please explain how the return on equity (ROE) was calculated in the table at Exhibit 1 / Tab 1 / Schedule 2 / Appendix I. Please show the calculation for each year.

b) Please advise whether “other revenues” are included in the total transmission revenue requirement amount in the table at Exhibit 1 / Tab 1 / Schedule 2 / Appendix I. If so, please explain why other revenue would be included in the calculation of transmission revenue requirement.

Response:

(a) The ROE figures below were calculated using a capital structure based on the OEB deemed standard: Short Term Debt of 4%, Long Term Debt of 56% and Equity of 40%, and a 6.40% total return component. Here are the calculations:

	Structure	Capital	Indicated	Return	Return
<u>2010 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,141.9	4.00%	3.24%	0.13%	37.0
Long Term Debt	15,986.6	56.00%	4.41%	2.47%	705.0
Common Equity	11,419.0	40.00%	9.50%	3.80%	1,084.8
Total	28,547.5	100.00%		6.40%	1,826.8
	Structure	Capital	Indicated	Return	Return
<u>2011 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,108.9	4.00%	3.24%	0.13%	35.9
Long Term Debt	15,525.2	56.00%	4.41%	2.47%	684.7
Common Equity	11,089.4	40.00%	9.50%	3.80%	1,053.5
Total	27,723.5	100.00%		6.40%	1,774.1
	Structure	Capital	Indicated	Return	Return
<u>2012 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,092.3	4.00%	3.24%	0.13%	35.4
Long Term Debt	15,292.1	56.00%	4.41%	2.47%	674.4
Common Equity	10,922.9	40.00%	9.50%	3.80%	1,037.7
Total	27,307.3	100.00%		6.40%	1,747.5

	Structure	Capital	Indicated	Return	Return
<u>2013 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,119.8	4.00%	3.24%	0.13%	36.3
Long Term Debt	15,677.9	56.00%	4.41%	2.47%	691.4
Common Equity	11,198.5	40.00%	9.50%	3.80%	1,063.9
Total	27,996.2	100.00%		6.40%	1,791.5
<u>2014 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,214.9	4.00%	3.24%	0.13%	39.4
Long Term Debt	17,008.2	56.00%	4.41%	2.47%	750.1
Common Equity	12,148.7	40.00%	9.50%	3.80%	1,154.1
Total	30,371.9	100.00%		6.40%	1,943.6
<u>2015 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,266.3	4.00%	3.24%	0.13%	41.0
Long Term Debt	17,728.6	56.00%	4.41%	2.47%	781.8
Common Equity	12,663.3	40.00%	9.50%	3.80%	1,203.0
Total	31,658.2	100.00%		6.40%	2,025.9

The ROE for 2016 is based on the same methodology however the Indicated Cost Rate used is 9.19% and the Return Component is set at 6.60%:

	Structure	Capital	Indicated	Return	Return
<u>2016 - Deemed</u>	<u>Principal</u>	<u>Component</u>	<u>Cost Rate</u>	<u>Component</u>	<u>Component</u>
	<u>(\$000's)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(\$000's)</u>
Short Term Debt	1,431.1	4.00%	1.65%	0.07%	23.6
Long Term Debt	20,034.7	56.00%	5.10%	2.85%	1,021.1
Common Equity	14,310.5	40.00%	9.19%	3.68%	1,315.1
Total	35,776.3	100.00%		6.60%	2,359.9

(b) As noted in paragraph 2 of the Application (Exhibit 1/Tab 1/Schedule 1, p.1, lines 15-17), FNEI's revenue requirement for 2016 was forecasted to be \$7,989,200 – which is comprised of a transmission revenue requirement of \$7,839,200 and other forecasted revenue of \$150,000. In other words, FNEI anticipated \$150,000 in revenues from sources other than transmission rates, which would offset its 2016 revenue requirement, resulting in an application to recover the remainder (\$7,839,000) through provincial transmission revenues.

1-Staff-5

Ref: Revenue Requirement Workform (RRWF)

Question(s):

- a) Please file the RRWF in live excel format as previously requested and required by the OEB.
- b) Please explain why Five Nations Energy has set the working capital rate in the RRWF to 3.46% (as opposed to the applied for working capital rate of 3.55%)?
- c) If necessary, upon responding to all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the previous version of the RRWF filed as part of the initial application. Entries for changes and adjustments should be included in the middle column on Sheet 3 - Data Input Sheet. Please include documentation of the corrections and adjustments in the final sheet of the model, such as a reference to an interrogatory response or an explanatory note.

Response:

- a) The RRWF is being provided. It was previously provided to the Board on November 28, 2016 via email.
- b) The working capital rate in the RRWF of 3.46% is based on the first draft of the lead/lag study prepared by Navigant. When Navigant released their second draft of the lead/lag study they had updated this to 3.55% however this change was missed, and the detailed financial schedules were finalized using the rate of 3.46%. The 3.46% rate resulted in a working capital allowance of \$150,000 while the 3.55% rate has the working capital allowance of \$153,900. It was determined at that time to leave the working capital allowance in the financial schedules at \$150,000. In order to have the RRWF spreadsheet calculate the working capital allowance at \$150,000 the rate of 3.46% was used in cell E21 on tab 3, Data_Input_Sheet.
- c) FNEI does not believe changes are required, based on materiality.

1-Staff-6

Ref: Exhibit 1 / Tab 2 / Schedule 1

Question(s):

- a) Please advise whether any of Five Nations Energy's transmission customers raised concerns with service reliability (or other issues) in any of the meetings / communications referenced in Exhibit 1 / Tab 2 / Schedule 1 / pp. 1-2. If so, please advise how Five Nations Energy addressed these concerns.

Response:

(a) FNEI's customers' concerns about reliability related to the Hydro One energization of the second circuit (T8M) between Otter Rapids and Moosonee (south of the FNEI system) in September 2015. Since then, FNEI's customers have commented on the reduction in the frequency and duration of unplanned outages. No other significant issues were raised.

1-Staff-7

Ref: Exhibit 1 / Tab 3 / Schedule 2

Question(s):

a) Please update the pro-forma financial statement for 2016 based on the best available information.

b) Please advise when Five Nations Energy's audited financial statements for 2016 will be available. If available, please file the 2016 audited financial statements.

Response:

(a) Please see attached.

(b) It is anticipated that audited financial statements will be available in early May. Please see response to 7.0-Energy Probe-12(g) and attached draft 2016 financial statements.

Five Nations Energy Inc.
2016 Proforma Financial Statements

2016 BALANCE SHEET

1000 Current Assets	
Cash	1,672,335
Restricted Cash (Includes Insurance Reserve)	4,500,000
1005 Cash (Total)	6,172,335
1100 Customer Accounts Receivable	1,211,733
1102 Accounts Receivable - Services	25,256
1104 A/R-Recoverable Work	546,110
1110 Other Accounts Receivable	444
1130 Accum Prov. Uncollectible Acco	
1180 Prepayments	38,922
Total Current Assets	7,994,801

1600 Electric Plant in Service	
1708 Station Buildings & Fixtures	4,431,397
1715 Station Equipment	32,412,622
1725 Poles and Fixtures	50,928,530
1730 Overhead Conductors and Device	20,441,101
1905 Land-Office Building	250,644
1908 Buildings and Fixtures	5,110,958
1915 Office Furniture and Equipment	63,667
1920 Computer Equipment - Hardware	103,026
1925 Computer Software	9,978
1930 Transportation Equipment	665,346
1940 Tools, Shop and Garage Equipme	490,503
1950 Power Operated Equipment	551,803
1995 Contributions&Grants-Credit	(66,798,592)
Total Electric Plant in Service	48,660,983

2105 Accumulated Amortization	
2105 Total Accumulated Amortization	(12,572,078)
Total Amortization	(12,572,078)

TOTAL ASSETS	44,083,706
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2200 Current Liabilities	
2205 Accounts Payable	857,776
2220 Miscellaneous Current and Accr	146,057
2260 Current Portion-Long Term Debt	772,411
2290 Commodity Taxes	-

Five Nations Energy Inc.
2016 Proforma Financial Statements

Total Current Liabilities	1,776,244
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2500 Long Term Debt	
2520 Other Long Term Debt	13,747,969
Total Long Term Debt	13,747,969

TOTAL LIABILITY	15,524,213
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3000 Utility Equity	
Equity in Capital Fund	19,942,466
Equity in Capital Reserve	
Equity in Insurance Reserve Fund	4,000,000
3040 Appropriated Retained Earnings	23,942,466
3045 Unappropriated Retained Earnings	4,369,766
3046 Balance Transferred from Income-Unappropriated	247,261
Total Equity	28,559,493

TOTAL EQUITY	28,559,493
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TOTAL LIABILITIES AND EQUITY	44,083,706
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BALANCE SHEET TOTAL	(0)
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2016 INCOME STATEMENT

Revenue	
4105 Transmission Charges Revenue	6,263,342
4235 Miscellaneous Service Revenues	90,829
4355 Gain/(Loss) on Disposal of Utility Assets	(1,075)
4405 Interest & Dividend Income	56,304
Total Revenue	6,409,400

Expenses

4800 Transmission Expenses-Operation	
4810 Load Dispatching	349,660
4815 Station Buildings&FixturesExpe	55,082
4820 TransformerStnEquip.OperLabour	396,741
4850 Rents	117,775
Total Transmission Operation Expense	919,258

4900 Transmission Expenses-Maintenance	
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Five Nations Energy Inc.
2016 Proforma Financial Statements

4916 Maintenance-Transformer Station Equipment	293,780
4930 Maintenance of Towers, Poles and Structures	597,378
Total Transmission Maintenance Expense	891,157

5600 Administrative&General Expense	
5410 Community Relations - Sundry	60,198
5415 Energy Conservation	68,910
5420 Community Safety Program	-
5605 Executive Salaries and Expense	439,806
5610 Management Salaries & Expenses	355,484
5615 General AdminiSalaries&Expense	123,810
5620 Office Supplies and Expenses	26,322
5630 Outside Services Employed	125,241
5635 Property Insurance	263,037
5640 Injuries and Damages	161,895
5655 Regulatory Expenses	385,365
5665 Miscellaneous General Expenses	3,132
5675 Maintenance of General Plant	92,211
Total Administrative&General Expenses	2,105,411

5700 Amortization Expense	
5705 Amort.Exp.-Property, Plant&Equipment	1,473,350
Total Amortization Expense	1,473,350

6000 Interest Expense	
6005 Interest on Long Term Debt	762,397
6035 Other Interest Expense	10,565
Total Interest Expense	772,962

Total Expenditures	6,162,139
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Net income	247,261
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1-Staff-8

Ref: Exhibit 1 / Tab 5 / Schedule 9

**EB-2015-0368 / Five Nations Energy Letter – Request for Interim Revenue
Requirement / December 17, 2015
EB-2015-0368 / Decision and Interim Order / December 29, 2015
EB-2016-0231 / OEB Incomplete Letter / August 18, 2016**

Preamble:

On December 17, 2015, Five Nations Energy notified the OEB that it intended to file a cost of service application for transmission revenue requirement and charge determinants for the 2016 rate year in April 2016. In its letter, Five Nations Energy also requested that the OEB declare its existing transmission revenue requirement and charge determinants interim effective January 1, 2016. In its EB-2015-0368 Decision and Order, the OEB approved Five Nations Energy's request.

In the Decision and Order, the OEB stated that the establishment of an interim revenue requirement and charge determinants in no way fetters the OEB's discretion to determine the 2016 revenue requirement and charge determinants to be ultimately set nor the effective date. Specifically in regard to the effective date issue, the OEB stated that given the expectation that the issue of the appropriate effective date will arise in the course of the 2016 proceeding itself, this determination is also not to be construed as prejudicial to any party's ability to argue for any effective date.

Five Nations Energy filed its 2016 revenue requirement application on July 27, 2016.

The OEB sent a letter to Five Nations Energy requiring certain updates to the originally filed application on August 18, 2016 as the application was not complete in accordance with the OEB's filing requirements for cost of service applications.

Five Nations Energy filed a completed version of its application in accordance with the OEB's August 18, 2016 letter on November 25, 2016.

Question(s):

- a) Please provide detailed rationale supporting Five Nations Energy's request for a January 1, 2016 effective date in the context of the late filing of its completed application.
- b) Please provide Five Nations Energy's position on changing the effective date to January 1, 2017 with the revenue requirement for 2017 being based on the proposed 2016 revenue requirement (as adjusted by the OEB in its decision). The term would be changed to January 1, 2017 to December 31, 2021 with rates during the 2018-2021 period adjusted through an IR mechanism (if approved by the OEB). Please provide the answer in the context of the completed application being filed near the end of 2016 (November 25, 2016).
- c) Please provide Five Nations Energy's position on changing the effective date to January 1, 2017 with the revenue requirement for 2017 being based on the proposed 2016 revenue requirement (as adjusted by the OEB in its decision) plus an IRM-based adjustment for inflation minus productivity. The term would be changed to January 1, 2017 to December 31, 2021 with rates during the 2018-2021 period adjusted through an IR mechanism (if approved by the OEB). Please provide the answer in the context of the completed application being filed near the end of 2016 (November 25, 2016).

Response:

(a) A key driver for this rate application was FNEI's purchase of 80 km of transmission line from Hydro One Networks Inc. ("HONI") on October 15, 2015. In rough terms, this acquisition increased FNEI's rate base by 17%, which is material. FNEI is entitled to earn a fair return on this asset. However, given the timing of the acquisition in late 2015, FNEI would not have been in a position to prepare and file, and have the Board fully process and dispose of any rate application until well into 2016 at the earliest. FNEI had hoped to file its application in spring 2016, but a number of factors delayed this until summer: (i) the replacement of FNEI's Chief Executive Officer in late January 2016; and (ii) the Board's release of new, more robust, transmission filing requirements in February 2016. A rebasing application is a significant undertaking for all utilities, but particularly so for smaller utilities such as FNEI. These two additional factors, and FNEI's decision to propose a five-year IR Plan for the first time, delayed the filing by a few months.

1 At law, FNEI is entitled to earn a fair return on its invested capital. FNEI's actual ROE for 2016
2 was 0.87%. These information requests suggest that delay may be a reason to prevent FNEI
3 from earning a fair return on its asset base in 2016. FNEI disagrees, for the following reasons:
4 (i) the timing of FNEI's acquisition meant that it would have been impossible to have a
5 transmission revenue requirement for 2016 in place much before the latter half of 2016 at the
6 earliest; (ii) the OEB has strictly held FNEI to compliance with filing requirements promulgated
7 in February 2016 despite the fact that in many respects they are not well suited to a small non-
8 profit utility; and (iii) FNEI's applied for revenue requirement in 2016 would have zero impact
9 on transmission rates (i.e., no ratepayers will be prejudiced, or even affected, by allowing FNEI
10 to earn a fair return in 2016). With respect to the last item, if this proceeding resulted in a new
11 (higher) revenue requirement for 2016 for FNEI, there would be no issue of retroactive rate-
12 making. What would happen is that the Board would require HONI to make a payment to FNEI
13 so that FNEI would recoup its revenue requirement shortfall for 2016. In other words, a new
14 revenue requirement for 2016 for FNEI would mean that FNEI should have received a greater
15 allocation of provincial transmission revenues in 2016 (and HONI should have received less).
16 This scenario is not unique, and the Board has required such payments to Great Lakes Power and
17 FNEI in the past on the same basis.

18
19 (b) and (c) For the reasons in (a) above, FNEI does not support the OEB preventing FNEI from
20 earning a fair return in 2016.

1-Staff-9

Ref: Exhibit 1 / Tab 5 / Schedule 17

Question(s):

- a) Please describe any non-utility activities that Five Nations Energy is currently (or plans to be) involved in.

Response:

(a) FNEI is not currently, nor does it plan to be, involved in non-transmission activities. Subsection 71(1) of the *Ontario Energy Board Act, 1998* (as amended) restricts transmitters from carrying on such activities (subject to certain limited exemptions).

1-Staff-10

Ref: Exhibit 1 / Tab 5 / Schedule 18 / OEB Directive #1

Question(s):

- a) Please provide the date on which the Master Service Agreements (MSAs) with each of Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power Corporation were filed with the OEB in accordance with the OEB's directive. Please confirm that the MSAs were filed on the record of the EB-2009-0387 proceeding.

Response:

- (a) Based on the OEB's webdrawer for EB-2009-0387, the MSAs were filed with the Board on January 4, 2011.

1-Staff-11

**Ref: Exhibit 1 / Tab 5 / Schedule 18 / OEB Directive #2
EB-2009-0387 / Decision and Order / pp. 14-15**

Preamble:

Five Nations Energy stated that it tracked the incremental tax credit for a period of six months and determined the applicable amount to be approximately \$5,000 during this period. Therefore, Five Nations Energy did not establish a deferral account on the basis that such an amount was well short of Five Nations Energy's materiality threshold.

The OEB's EB-2009-0387 decision stated "the Board directs that, beginning July 1, 2010, FNEI shall record in a deferral account, the incremental input tax credit it receives on revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of FNEI's next rate application. While the actual amounts recorded in such an account may well be small as FNEI contends, there is insufficient evidence at this point to determine whether the administrative costs outweigh the benefits. As a result the Board finds that in order to ensure consistency across regulated utilities, a deferral account is appropriate."

Question(s):

- a) **Please explain why Five Nations Energy did not establish a deferral account for tracking incremental tax input credits as the OEB was already aware, in making its decision, that it was possible that the amounts recorded in the deferral account could prove to be minimal.**
- b) **Please provide an estimate of the total incremental input tax credit that would be recorded in the account as of December 31, 2016 if the account had been established. Please provide 50% of the amount that would be recorded in the account as of December 31, 2016 if the account had been established.**

Response:

(a) FNEI operates a transmission line and three transformer stations that are for the benefit of three First Nation communities known as reserves. FNEI's ownership structure flows directly through to the First Nations of Attawapiskat, Kashechewan, and Fort Albany. As such, an argument was made that FNEI functions as a "band empowered entity" and goods and services

are being delivered to a reserve for use and consumption on a reserve. Up until the implementation of the HST in Ontario, FNEI paid little to no PST taking advantage of this exemption where possible. Certain items such as commercial air travel, phone bills, hotel charges, etc. were subject to PST and FNEI included the PST added to those costs as part of its cost-of-service. In the previous rate application process evidence was filed indicating that the amount of PST not being paid was \$5,001.74 over the six month period July 1st to December 31, 2010. Subsequent to this and going forward, FNEI standardized its purchasing policy to fall in line with the requirements of an HST Registrant under the Retail Sales Tax act and informed its suppliers to add HST to goods and services procured by FNEI. FNEI no longer sought any exemptions as a 'Band Empowered Entity.' As an HST registrant, FNEI is required to collect and pay HST on its commercial transactions that are subject to the HST. In order to establish a deferral account and accurately track the incremental tax credit FNEI would have to, for each and every financial transaction determine: a) Was this good or service subject to PST previously, b) If so, did FNEI claim the band empowered exemption for this good or service previously. If the answer to question a) was yes and if the answer to question b) was no, then a calculation would need to be made to determine what the PST portion of the HST for this specific transaction would be. This analysis would have to be made for each and every transaction and for each transaction that would have an incremental tax credit a separate bookkeeping entry would have to be processed increasing the administrative burden exponentially.

(b) Estimate of Total Incremental Tax Credit July 1, 2010 to December 31, 2016:

Period	Estimated Incremental Tax Credit Amount	50%
July 1 to December 31, 2010:	\$ 5,001.74	\$ 5,001.74
2011:	\$ 11,915.80	\$ 5,957.90
2012:	\$ 11,998.61	\$ 5,999.30
2013:	\$ 15,321.08	\$ 7,660.54
2014:	\$ 14,990.03	\$ 7,495.02
2015:	\$ 11,773.77	\$ 5,886.89
2016:	\$ 15,093.38	\$ 7,546.69

1-Staff-12

Ref: Exhibit 1 / Tab 5 / Schedule 18 / OEB Directive #2
Exhibit 1 / Tab 3 / Schedule 1
EB-2009-0387 / Decision and Order / pp. 17-24

Preamble:

The OEB's EB-2009-0387 Decision and Order stated that it "remains very concerned that FNEI's current Operating fund and Capital reserve remain unfunded. In the Board's view, reserves provide a cushion against unplanned expenses and therefore FNEI must maintain sufficient operating and capital reserves."

In its decision, the OEB further directed that the Insurance Reserve was appropriate as configured but made specific findings related to the Operating Reserve and the Capital Reserve.

The OEB approved the recovery of revenue in excess of costs amounting to 9.5% to be used to fund Operating and Capital reserves (and directed Five Nations Energy to refer to these amounts as Internally Generated Funds).

The OEB established caps for both the Operating Reserve and the Capital Reserve. The Operating Reserve was capped at an amount equal to the sum of the highest six months of OM&A expenses incurred by the utility over the previous two years of operation. The Capital Reserve was capped at \$275,000.

The OEB directed Five Nations Energy to file a reserves policy within three months of the date of the decision. The OEB also set out a number of accounting rules regarding the operation of the Operating and Capital reserves in Appendix A to the EB-2009-0387 Decision and Order. The OEB stated that any deviation from those rules would be strictly on consent of the OEB and acquired in advance.

The OEB also ordered that once both reserves were fully funded, Five Nations Energy would file an application for revised rates and stated that "under no circumstances shall the Company collect any funds in excess of revenue requirement once the Reserves are fully funded."

Five Nations Energy stated that it prepared and filed with OEB staff a draft reserves policy on August 8, 2011. Five Nations Energy stated that it subsequently (in 2012) met with senior OEB personnel to discuss the implications of the OEB's directive on Five Nations Energy's ability to operate.

1
2 In Five Nations Energy's audited financial statements, the following note is included: "pursuant
3 to the OEB rate decision dated November 1, 2010, the company must establish an operating
4 reserve fund and a capital reserve fund. The OEB requires that these be cash funded. The
5 maximum permitted amounts of these funds is currently \$1,750,000 and \$275,000 respectively.
6 The policies for funding and accessing these reserves have been established and approved by the
7 company and are subject to OEB approval. Application of the policies will commence upon
8 approval by the OEB. Once fully funded, transmission rates will be reduced by approximately
9 \$1,000,000 annually."

10
11 **Question(s):**

12
13 **a) Please advise whether the Operating and Capital Reserves were established by Five**
14 **Nations Energy in accordance with the OEB's EB-2009-0387 Decision and Order.**
15 **As part of this response, please discuss whether the requirements set out in**
16 **Appendix A of the EB-2009-0387 Decision and Order were met. If not, please**
17 **provide an explanation.**

18
19 **b) Please file the "draft reserves policy" that Five Nations Energy filed with OEB staff**
20 **on August 8, 2011.**

21
22 **c) Please summarize any guidance provided by OEB staff on the "draft reserves**
23 **policy."**

24
25 **d) Please advise whether the "draft reserves policy" was filed on the record of any**
26 **proceeding. If not, please explain why Five Nations Energy never filed the policy on**
27 **the record of an OEB proceeding.**

28
29 **e) Please provide Five Nations Energy's actual annual profit (or revenues in excess of**
30 **costs) for each year of the 2010-2016 period. Please also provide the actual annual**
31 **profits (or revenues in excess of costs) in terms of an ROE (%).**

32
33 **f) Please advise whether Five Nations Energy earned in excess of the 9.5% ROE (or**
34 **revenue in excess of costs) that was approved by the OEB in any year(s) during the**
35 **2010-2016 period.**

36
37 **g) Please provide the length of time (years / months) it took (or would have taken) to**
38 **fully fund the Operating and Capital reserves based on actual revenues in excess of**

1 costs and using the caps established by the OEB in its EB-2009-0387 Decision and
2 Order.

3
4 h) Please provide the length of time (years / months) it would have taken to fully fund
5 the Operating and Capital reserves based on the OEB's approved revenues in excess
6 of costs (deemed) and using the caps established by the OEB in its EB-2009-0387
7 Decision and Order.

8
9 i) Please advise whether Five Nations Energy earned revenues in excess of costs in
10 years after which the Operating and Capital reserves were (or would have been)
11 fully funded. If so, please provide the revenues in excess of costs earned during the
12 2010-2016 period incremental to the amount required to fully fund the Operating
13 and Capital reserves.

14
15 j) Please advise whether Five Nations Energy sought approval to adjust its revenue
16 requirement at any time between the EB-2009-0387 Decision and Order and its
17 current filing (EB-2016-0231).

18
19 k) Please provide the amount of cash that Five Nations Energy had in its accounts
20 (excluding the Insurance Reserve) at the end of each year during the 2010-2016
21 period. Please discuss whether Five Nations Energy maintained sufficient cash in its
22 accounts (excluding the Insurance Reserve) to fully fund the Operating and Capital
23 reserves at all times during the 2010-2016 period (if they were not already fully
24 funded). Please also provide the amount of cash that Five Nations Energy currently
25 holds in its accounts (excluding the Insurance Reserve).

26
27 l) Please provide a detailed explanation of how revenues in excess of costs that Five
28 Nations Energy earned during the 2010-2016 period were accounted for and used if
29 they were not directed towards the funding of the Operating and Capital reserves.

30
31
32 **Response:**

33 (a) Yes. The Operating and Capital Reserves were established in accordance with the EB-2009-
34 0387 Decision and Order. Please refer to Note 3(e) in FNEI's financial statements (part of the
35 evidentiary record in this proceeding).

1 While the required reserves have been set up, no appropriations have been made to those
2 reserves. In the OEB Decision and Order for EB-2009-0387 dated November 1, 2010, at the
3 bottom of page 23 and continuing on to the third paragraph of page 24, it states:

4 *The Board approves the recovery of revenue in excess of costs amounting to*
5 *9.50%, instead of the requested 9.85%, to be included in revenue requirement.*
6 *This amount is to be used to fund the Operating and Capital Reserves,*
7 *respectively. FNEI will refer to these amounts as Internally Generated Funds.*
8 *The Operating Reserve shall be funded until it reaches its cap which is*
9 *established at an amount equal to the sum of the highest six months Operating,*
10 *Maintenance, and Administration expenses experienced by the utility over the last*
11 *two years of operation. The Capital Reserve shall be funded until it reaches*
12 *\$275,000, which has been derived from the Company's projected capital spending*
13 *requirement for the test year.*
14 *The operation of the Reserves shall be subject to the rules appearing in Appendix*
15 *"A" to this Decision, and any deviation there from shall be strictly on consent of*
16 *the Board, acquired in advance.*
17

18 The wording here speaks to FNEI being allowed to earn enough revenue to set aside cash in two
19 specific reserve 'funds' similar to FNEI's fully funded 'insurance reserve'. The wording in
20 Appendix A of the Decision, however, states:

21 *1. At the end of each year before the net income or loss is closed to retained*
22 *earnings, the amount of "net income" that first arises shall be appropriated to the*
23 *Retained Earnings for Operating Reserve and to Retained Earnings for Capital*
24 *Reserve. . . .*
25 *4. Once the limits for both Operating and Capital reserves are reached, the*
26 *excess revenues shall no longer be required and will cease by way of an*
27 *application for new rates. FNEI is expected to promptly file such an application*
28 *and may include revisions to its reserves, if applicable.*
29

30 The direction that appears to be given in the wording above is that FNEI is to take its net income
31 and transfer first to the Retained Earnings for Operating Reserve and then to Retained Earnings
32 for Capital Reserve. This conflicts with the wording in the text of the Decision that stipulates that
33 a fund (i.e., a bank account/cash) needs to be setup and funded. Net income does not equate to
34 cash available to be set aside. The availability of cash is dependent on many factors, the net
35 income of an entity for a specific period being only one factor. Further along in the body of the
36 decision referenced above the amount for the capital reserve fund was set at \$275,000 and
37 subsequent to this order the amount for the operating reserve fund was set at \$1, 750,000. FNEI

sought direction from Board staff who indicated that he would like to review the draft reserves policy prior to FNEI formally filing the policy with the Board and then enacting the policy. A copy of the policy is included in answer (b) below.

(b) The draft FNEI Reserves Policy sent to Board Staff is set out in full, below:

FIVE NATIONS ENERGY INC. (“FNEI”)

RESERVES POLICY

Pursuant to the decision of the Board in EB-2009-0387 (FNEI 2010 Transmission Rates), the Board directed FNEI to file a reserves policy in accordance with the specifications set out in the Board decision.

Establishment and Maintenance of Reserve Funds

FNEI will establish and maintain three reserve funds, as follows:

- Insurance Reserve Fund
- Operating Reserve Fund
- Capital Reserve Fund

Insurance Reserve Fund

Purpose: The Insurance Reserve Fund will be used as a form of self-insurance coverage on FNEI’s transmission line poles and wires.¹ FNEI would utilize funds from this Insurance Reserve Fund to cover costs associated with events that would typically be covered by insurance (see below).

Insurance Reserve Cap: \$4 million. This amount is what FNEI’s senior lenders have stipulated as a covenant in its current Credit Agreement.

Status: As at June 30, 2011, the Insurance Reserve Fund was fully funded.

Funding Priority: First. In the event that money from this fund is drawn down, the funding of other Reserve Funds by FNEI shall cease until such time as the Insurance Reserve Fund is replenished.

¹ FNEI has purchased insurance for its transformer stations.

1 **Withdrawal Authorization Process:** No withdrawal may be made from the Insurance
2 Reserve Fund until three conditions are satisfied: (a) FNEI's transmission line/pole assets
3 have suffered an event of significant damage requiring repair that would normally trigger
4 an insurance claim; (b) FNEI's Board of Directors has passed a resolution to request
5 FNEI's senior lenders to permit a withdrawal of funds from the Insurance Reserve Fund;
6 and (c) the withdrawal has been approved by FNEI's senior lenders.

7 **Investment Policy:** Due to the need for amounts in this Reserve Fund to be liquid (i.e.,
8 available immediately), FNEI will hold the entire amount of this Reserve Fund in an
9 interest bearing bank account with no restrictions on withdrawals.

10 **Reporting Obligations:** The balance held in the Insurance Reserve Fund (as well as any
11 withdrawals or replenishments) shall be reported on FNEI's quarterly financial
12 statements.

13 **Operating Reserve Fund**

14 **Purpose:** The Operating Reserve Fund will be used to fund operations, maintenance and
15 administration ("OM&A") expenditures. This fund may be the most "fluid" of the three
16 reserve funds for the following reason. While rates will generate cash for FNEI on a
17 relatively steady basis, FNEI's OM&A expenditures are often quite "lumpy" (more than
18 other utilities) because of the climatic and geographic environment in which FNEI
19 operates. The James Bay lowlands area is almost completely inundated during the
20 spring, summer and fall months. As a result, most of the major maintenance activities on
21 the transmission line can only be done during the winter months. This has resulted in the
22 annual maintenance budget for the transmission line being expended in two or three
23 months. This impacts the cash flows and can result in cash shortages during this time.
24 Consequently, withdrawals from this Operating Reserve Fund can occur in one of two
25 circumstances: (a) in order to overcome the disconnect between OM&A expenditures and
26 FNEI's cash flows; and (b) in the event of a significant unplanned OM&A expense.

27 **Operating Reserve Cap:** \$1,750,000. This methodology for establishing this cap was
28 established by the Board in the FNEI 2010 Transmission Rates decision. It is based on
29 the total of the highest six months OM&A costs in the preceding two years. The
30 \$1,750,000 figure was calculated using the period September 1, 2008 to September 30,
31 2010. This amount will be adjusted annually by FNEI, at the time of the finalization of
32 the annual audited financial statements.

33 **Status:** As at June 30, 2011, there are no amounts in the Operating Reserve Fund.

1 **Funding Priority:** Second. Contributions to the Operating Reserve Fund are only made
2 if the Insurance Reserve Fund is fully funded. The Operating Reserve Fund will be
3 funded before the Capital Reserve Fund.

4 **Withdrawal Authorization Process:** No withdrawal may be made from the Operating
5 Reserve Fund unless FNEI's general bank account is forecasted to fall below \$500,000
6 between monthly IESO payments.

7 **Investment Policy:** Amounts in the Operating Reserve Fund will be invested in some
8 combination of an interest bearing bank account or short term GIC or money market
9 funds with a minimum investment period of 90 days, as management and the Finance
10 Committee of the Board of Directors deems advisable from time to time.

11 **Reporting Obligations:** The balance held in the Operating Reserve Fund (as well as any
12 withdrawals or replenishments) shall be reported on FNEI's quarterly financial
13 statements.

14 **Capital Reserve Fund**

15 **Purpose:** The Capital Reserve Fund will be used to fund capital expenditures that are
16 part of FNEI's capital plan (i.e., as assets depreciate) as well as unplanned capital
17 expenditures that are not covered by insurance.

18 **Capital Reserve Cap:** \$275,000. This amount was established by the Board in the FNEI
19 2010 Transmission Rates decision. FNEI will monitor this amount on an ongoing basis,
20 in conjunction with its five-year capital plan to ensure that sufficient funds are available
21 to make necessary capital additions, repairs or modifications. There are three options for
22 dealing with the Capital Reserve Cap going forward: (a) leave the cap at \$275,000,
23 monitor its sufficiency, and make an application to the Board to increase the cap where
24 FNEI believes that a greater amount should be accumulated; or (b) establish the cap at
25 40% (the Board-deemed equity slice) of FNEI's five year rolling planned capital budget
26 (currently \$2,095,000 for the years 2011 to 2015; 40% of which is \$838,000). An order
27 of the Board would be required to change the \$275,000 cap.

28 **Status:** As at June 30, 2011, there are no amounts in the Capital Reserve Fund.

29 **Funding Priority:** Last. Contributions to the Capital Reserve Fund are only made if the
30 Insurance Reserve Fund and Operating Reserve Fund are fully funded.

31 **Withdrawal Authorization Process:** No withdrawal may be made from the Capital
32 Reserve Fund until the following two conditions are met: (a) FNEI's general bank
33 account is forecasted to fall below \$500,000 between monthly IESO payments; and (b)

1 FNEI requires funds to make unanticipated capital expenditures (i.e., expenditures not
2 within FNEI's capital plan and not meant to be funded from the Insurance Reserve Fund).

3 ***Investment Policy:*** Amounts in the Capital Reserve Fund (or at least a portion of them)
4 should not have to be as liquid as amounts in the Insurance Reserve Fund. Consequently,
5 amounts can be invested in some combination of an interest bearing bank account or
6 short term GIC or money market funds with a minimum investment period of 90 days, as
7 management and the Finance Committee of the Board of Directors deems advisable from
8 time to time.

9 ***Reporting Obligations:*** The balance held in the Capital Reserve Fund (as well as any
10 withdrawals or replenishments) shall be reported on FNEI's quarterly financial
11 statements.

12 **Contributions to Reserve Funds**

13 At each Board of Directors meeting where quarterly financial statements are being
14 approved, FNEI will review and determine contribution amounts to be made to the
15 above-noted reserve funds, taking into account: (a) ensuring FNEI retains sufficient cash-
16 on-hand in its general bank account (currently considered to be \$500,000) to carry on
17 day-to-day business; and (b) the provisions of this Reserves Policy (noted above).

18 The reporting of contributions to and withdrawals from the reserve funds will be
19 disclosed as a separate schedule in FNEI's quarterly reviewed financial statements. Since
20 net income does not represent cash (see statement of cash flows which reconciles net
21 income to cash) and since the reserves must be funded in separate bank account there will
22 be a delay between the earning of the net income and funding the reserves. Amounts
23 which have been earned but have not and/or cannot be deposited to the reserve bank
24 account will be reported in the general fund which effectively reports unappropriated
25 retained earnings.

26 Once the three Reserve Funds noted above are fully funded, FNEI will promptly file a
27 transmission rate application with the Ontario Energy Board.

28 (c) FNEI raised concerns with the reserves policy aspect of the Board's decision with Board
29 staff. The difficulty in setting aside net income as cash was noted. The staff member indicated
30 that once a draft policy was created by FNEI to forward this draft policy to the OEB for review
31 and comment prior to formally filing the policy. FNEI drafted a reserve policy, had it approved
32 by its board of directors, and forwarded a copy to OEB staff. Confirmation of his receipt of the
33 policy was received but no comments or feedback were ever received by FNEI.

(d) No. FNEI never filed the ‘draft reserves policy’ on the record in any proceeding. FNEI was following the advice of OEB staff and was waiting on staff feedback.

(e) FNEI’s actual annual net income for 2010 to 2016 and actual ROE are set out below:

(\$)	2010 Audited	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Audited
NET INCOME	1,695,700	1,710,267	2,007,809	2,014,691	1,669,483	974,649	247,260
UTILITY EQUITY, beginning of year	18,239,634	19,935,334	21,645,601	25,653,410	25,668,101	27,337,584	28,312,233
UTILITY EQUITY, end of year	19,935,334	21,645,601	23,653,410	25,668,101	27,337,584	28,312,233	28,559,493
Return on Equity	9.30%	8.58%	9.28%	8.52%	6.50%	3.57%	0.87%

(f) No. FNEI at no point earned in excess of 9.5% ROE in any of the years 2010-2016.

(g) If the instructions in Appendix A of the Board Decision (EB-2009-0387) were possible to follow, then based on a net income of \$1,695,700 in 2010 and \$1,710,267 in 2011, both the operating reserve and the capital reserve would have been fully funded by the end of the second quarter of 2011. As noted above the instructions in Appendix A assume that there is cash equal to net income available to be set aside in a separate reserve fund(s).

(h) With the same caveat to the response in (g) above, it would have taken FNEI just under two years (22.3 months at \$90,831/mth) to fully fund the Operating and Capital Reserves.

(i) Again, assuming that net income equals cash available for funding reserves, the following table demonstrates the cumulative revenues in excess of costs for the period 2010 to 2016 (based on best numbers for calendar year 2016):

Five Nations Energy Inc.			
Revenues in Excess of Costs			
2010 to 2016			
Year	Net Income	Appropriations	Cumulative Balance
2010	1,695,700		1,695,700
2011	1,710,267	(2,025,000)	1,380,967
2012	2,007,809		3,388,776
2013	2,014,691		5,403,467
2014	1,669,483		7,072,950
2015	974,649		8,047,599
2016	247,260		8,294,859
	10,319,859	(2,025,000)	

(j) Five Nations Energy Inc. did not seek to have its revenue requirement adjusted between the EB-2009-0387 Decision and Order and this current filing.

(k) Below is the table outlining the cash that Five Nations Energy had in its accounts excluding the Insurance Reserve as at December 31st for each of the years 2010-2016:

Five Nations Energy Inc.				
Cash Balances at year end				
2010 to 2016				
Year	Operating Account	GIC Investment	Restricted Deposits	Total
2010	373,924			373,924
2011	2,031,308			2,031,308
2012	1,431,549		1,250,000	2,681,549
2013	2,606,912		1,250,000	3,856,912
2014	3,783,308		1,250,000	5,033,308
2015	1,907,086	750,000	500,000	3,157,086
2016	922,335	750,000	500,000	2,172,335
Cash Balance as at March 16th:				
	Operating Account	GIC Investment	Restricted Deposits	Total
	463,241	750,000	500,000	1,713,241

During this time period, by the end of 2011, FNEI maintained sufficient cash on hand to fully fund both the Operating and Capital Reserves.

(l) As noted in the response (a) above, FNEI (reference to financial statements) uses fund accounting procedures. At the end of the fiscal period, Net Income is appropriated in the equity section to Capital Asset Additions, Amortization, and repayment of Long Term Debt. These appropriations are equal to the actual amounts of these three items for that fiscal period. The following table summarizes the information contained in the Annual Audited Financial Statements for 2010 to 2016, Notes To Financial Statements, entitled Utility Equity, and shows how Net Income was accounted for in each of these fiscal periods:

<u>Year</u>	<u>Income</u>
2010	1,695,700
2011	1,710,267
2012	2,007,809
2013	2,014,691
2014	1,669,483
2015	974,649
2016	247,260
Total	10,319,859

<u>Uses</u>	
Change in cash	2,279,912
Change in non-cash working capital	704,157
Change in restricted deposits	500,000
Net investment in property, plant and equipment (see below)	6,835,790
Total	10,319,859

	Property, Plant and Equipment	Property, Plant and Equipment	Net Debt Repayment				
	Opening	Additions	Amortization	(Proceeds)	Closing		
2010	14,732,737	261,233	-	1,186,503	347,757	14,155,224	
2011	14,155,224	539,613	-	1,207,495	1,184,916	14,672,258	
2012	14,672,258	1,439,492	-	1,217,605	1,238,860	16,133,005	
2013	16,133,005	3,541,665	-	1,050,303	-	1,388,598	17,235,769
2014	17,235,769	979,485	-	1,192,526	1,595,982	18,618,710	
2015	18,618,710	6,712,069	-	1,262,954	-	4,125,357	19,942,468
2016	19,942,468	2,383,745	-	1,473,350	715,664	21,568,527	
Total		15,857,302	-	8,590,736	-	430,776	6,835,790

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2
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Exhibit 2 – Transmission System Plan

2-Staff-13

Ref: Exhibit 2 / Tab 1 / Schedule 1

Question(s):

- a) **Please file the annual capital budgets approved by Five Nations Energy's Board of Directors, referenced at Exhibit 2 / Tab 1 / Schedule 1, for each year in the 2010-2017 period.**
- b) **Please provide a list of all material approvals granted by the Finance Committee for capital projects that were not part of a capital budget. Please provide documentation supporting those approvals.**
- c) **Please provide all examples of capital projects that resulted in OM&A savings. Please provide estimates of the OM&A savings.**

Response:

(a) Please see attached.

(b) Material approvals (> \$50,000) granted by the Finance Committee that were not part of a capital budget were as follows:

- 2010 NIL
- 2011 Purchase of land for office building (\$250,682.78)
- 2012 NIL
- 2013 Purchase of brushing equipment (\$256,328.25)
- 2014 NIL
- 2015 Oil preservation system (\$80,100)
Fibre shelters backup generation (\$113,068)
Purchase of 80 km (\$4,997,946.72)
Station emergency communication upgrades (\$97,387.17)
- 2016 Fibre shelter battery replacement (\$83,609)

Please see attached document prepared with Finance Committee excerpts. Obviously, the land purchase and asset acquisition would not be part of a capital budget. These decisions did receive Board of Director approval, but were not part of a prospective capital budget.

1 (c) This is not a straightforward task, because there may be a variety of reasons for a capital
2 investment, a variety of benefits associated with such investments (including cost savings), and
3 imprecision in trying to quantify such benefits (including cost savings). The most obvious (and
4 perhaps most straightforward) capital expenditure by FNEI that resulted in a material cost
5 savings was the purchase of brushing equipment. FNEI estimates that the purchase of the two
6 brushers reduced OM&A expenditures by about \$300,000 per year (when compared to renting
7 the equipment).

8 A less straightforward example of capital expenditures that result in cost savings is all of the
9 various capital projects aimed at avoiding extended outages – both unplanned (due to equipment
10 failures) and planned (to perform necessary maintenance activities). Given FNEI's remote
11 location, the costs to mobilize emergency/temporary crews to resolve these outages are
12 significant (greater than \$100,000 per day). To avoid these extended outages (and meet FNEI's
13 delivery point performance standards), FNEI has undertaken a number of capital projects (e.g.,
14 the bus isolation project). In this context (a variety of projects aimed at reducing outages and the
15 uncertainty associated with how many days of unplanned outages FNEI has "avoided"), it is
16 difficult to provide a precise cost-benefit analysis for any particular investment. This question
17 highlights in particular the unique environment in which FNEI operates.

18 Another example would be the fibre shelter backup generation project. This capital project
19 avoids the need to position technicians from Timmins or elsewhere to restore communications
20 after an extended outage. The cost of one of these trips can easily exceed \$10,000.

21

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ATTACHMENT 13(a)

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2010 Budget
Spare MV Breakers for FA and Kash	60,000
Spare MV Regulators (1 set per year/3 yr plan)	35,000
Contingency for major failure-Stations	25,000
Contingency for major failure-Poles	25,000
Contingency for major failure-Lines and Overhead devices	25,000
Restricting HV M3K Skywire Crossing Kashechewan	25,000
Extend Kashechewan Garage by 12 ft	20,000
Start Program to replace battery chargers (1 location/yr)	20,000
Subtotal Capital Projects Budget:	235,000
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Leasehold Improvements-Office Renovations	2,000
Office Furniture and Equipment	2,000
Computer Equipment-Hardware	2,000
Computer Software	500
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	40,000
Total Annual Capital Budget:	275,000

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2011 Budget
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	200,000
Spare MV Regulators (1 set per year/3 yr plan)	35,000
Contingency for major failure-Stations	25,000
Contingency for major failure-Poles	25,000
Contingency for major failure-Lines and Overhead devices	25,000
Start Program to replace battery chargers (1 location/yr)	25,000
Subtotal Capital Projects Budget:	335,000
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Leasehold Improvements-Office Renovations	2,000
Office Furniture and Equipment	2,000
Computer Equipment-Hardware	2,000
Computer Software	500
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	40,000
Total Annual Capital Budget:	375,000

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2012 Budget
New Office Building	981,317
Brushing equipment for the pole line (Two Units)	50,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	25,000
Second Medium Voltage Feeder into Kashechewan	25,000
Start Program to replace battery chargers (1 location/yr)	25,000
Attawapiskat Feeder 3	25,000
Subtotal Capital Projects Budget:	1,131,317
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	5,000
Computer Equipment-Hardware	2,000
Computer Software	2,000
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	4,500
Subtotal Misc. Capital Budget:	45,000
Total Annual Capital Budget:	1,176,317

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2013 Budget
New Office Building	3,346,187
Second Medium Voltage Feeder into Kashechewan	200,000
Two new pickup trucks (replacement)	100,000
Spare MV Breakers for FA and Kash	60,000
Albany Garage (FAPC Yard)	60,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	25,000
UPS Upgrade for Communication equipment	25,000
Protection cover for control buildings foundations	25,000
Stone replacement substation sites (1 sub./ year)	20,000
Subtotal Capital Projects Budget:	3,861,187
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	3,500
Computer Equipment-Hardware	6,000
Computer Software	2,000
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	45,000
Total Annual Capital Budget:	3,906,187

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2014 Budget
Bus Isolation Project (\$4.5MM)	1,500,000
Attawapiskat Feeder 3	100,000
Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)	66,100
Two new pickup trucks (replacement)	50,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	40,000
Spare MV Regulators (1 set per year/3 yr plan)	35,000
Replace one Argo (next one following year)	30,000
Spare MV Breakers for FA and Kash	30,000
Upgrade remote control & security systems	30,000
Protection cover for control buildings foundations	25,000
UPS Upgrade for Communication equipment	25,000
Stone replacement substation sites (1 sub./ year)	20,000
Extend Kashechewan Garage by 12 ft	20,000
Subtotal Capital Projects Budget:	1,971,100
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	2,000
Computer Equipment-Hardware	18,500
Computer Software	2,000
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	56,000
Total Annual Capital Budget:	2,027,100

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2015 Budget
Bus Isolation Project (\$4.5MM)	1,000,000
Spare MV Breakers for FA and Kash	200,000
Stone replacement substation sites (1 sub./ year)	200,000
Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)	66,100
Two new pickup trucks (replacement)	65,000
Replace one Argo (next one following year)	50,000
Upgrade remote control & security systems	30,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	25,000
Start Program to replace battery chargers (1 location/yr)	25,000
New Office Building	20,000
Subtotal Capital Projects Budget:	1,681,100
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	2,000
Computer Equipment-Hardware	10,000
Computer Software	2,000
Transportation Equipment	1,500
Tools, Shop and Garage Equipment	4,000
Subtotal Misc. Capital Budget:	49,500
Total Annual Capital Budget:	1,730,600

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2016 Budget
Bus Isolation Project (\$4.5MM)	1,500,000
Brushing equipment for the pole line (Two Units)	180,000
Station Fence extension, storage	120,000
Stone replacement substation sites (1 sub./ year)	100,000
Fibre Shelters Backup Generators	50,000
Spare MV Regulators (1 set per year/3 yr plan)	35,000
Two new pickup trucks (replacement)	30,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	30,000
Oil Preservation System	25,000
Subtotal Capital Projects Budget:	2,070,000
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Computer Equipment-Hardware	15,000
Tools, Shop and Garage Equipment	5,000
Subtotal Misc. Capital Budget:	50,000
Total Annual Capital Budget:	2,120,000

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2017 Budget
Bus Isolation Project (\$4.5MM)	1,000,000
Accommodations in Kashechewan	250,000
Station Fence extension, storage	150,000
Attawapiskat Feeder 4	150,000
Two new pickup trucks (replacement)	50,000
M9K spare structure	50,000
PLCC spare module	50,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	25,000
Server replacement FA-1 Kash-2 Atta - 2	15,000
Oil Preservation System	10,000
Subtotal Capital Projects Budget:	1,750,000
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	3,000
Computer Equipment-Hardware	10,000
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	45,000
Total Annual Capital Budget:	1,795,000

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2

ATTACHMENT 13(b)

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April 4, 2017

PREPARED BY FNEI STAFF FOR THE PURPOSES OF ANSWERING 2-Staff-13

"Please provide a list of all material approvals granted by the Finance Committee for capital projects that were not part of a capital budget. Please provide documentation supporting those approvals."

Year 2011

2011: Purchase of land for FNEI office building: \$ 250,682.78:

a. Initial Discussions on new FNEI office building: Excerpt for June 22/10 Finance Minutes

June 22, 2010, Finance & Human Resources Committee Meeting Minutes

- **Update on possible office move:**

Mr. Joe Gaboury noted that there could be a potential office move, and from the operations perspective, a warehouse will also be required to ensure our equipment is located in one area. We also need to maintain additional spare parts for the fibre optics, and can be stored in the warehouse.

Mr. Ed Chilton noted that there could be other organizations which might want to share an office building. Mr. Joe Gaboury indicated that an office move would not happen this year, but perhaps to start looking next year for other office accommodations that will meet our needs.

b. March 10/2011 Finance Committee meeting: Excerpt:

"Update on Possible Office Move:

Mr. Derek Stephen noted that the current office space of FNEI is too small, and a bigger office area is required to be able to accommodate all staff and our equipment. Mr. Vladimir Govorov indicated there is a building that is approximately 7000 square feet and the purchase price is \$410,000. This building would also accommodate a boardroom.

Mr. Ed Chilton recommended that Mr. Derek Stephen and Mr. Vladimir Govorov develop a proposal on the estimate of costs, for the Board of Directors to review."

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c. From the Board of Directors Teleconference Meeting July 19/11 on purchase of land:

**“Five Nations Energy Inc., (FNEI)
Board of Directors Special Board Meeting
Held via Teleconference, Tuesday July 19, 2011**

In Attendance: Board of Directors

**Mr. J. George Hookimaw, Attawapiskat Power Corporation
Mr. Peter Paulmartin, Attawapiskat Power Corporation
Mrs. Jessie Kooses, Kashechewan Power Corporation
Mr. Andrew J. Linklater, Fort Albany Power Corporation
Mr. Dwight Sutherland, Taykwa Tagamou Nation**

Officers:

**Mr. James A. Wesley Vice President, FNEI
Mr. Ed Chilton Secretary-Treasurer, FNEI**

Staff:

**Mr. Derek Stephen Interim CEO, FNEI
Mr. Vladimir Govorov Maintenance Supervisor, FNEI
Mr. Rod Reimer Finance Controller**

Regrets:

Ms. Mary Williams Kashechewan Power Corporation

The meeting was called to order at 10:20 AM.

The purpose of this special teleconference meeting was to discuss the purchase of vacant land on the west side of highway 655 just north of the Timmins and District Hospital.

Mr. Govorov had prior to the call circulated a description of the land and proposed lot layout as well as proposed driveway access to the highway. The price quoted was around \$75k per acre and FNEI staff are suggesting a purchase of four acres which comes up to \$300k. There was some discussion on the total cost to develop this land, put up a building, services including telecommunications, etc. Rough estimates were given to the board to be in the \$800k to \$950k range. There is a possibility of buying a prefabricated steel building package from a company that originally wanted to purchase the land and setup a transportation company on that site but whose plans have changed. The price quoted for the building was about 40% less than the original purchase price.

There was some discussion about how this purchase would be paid for and whether or not the OEB or the lenders needed to have prior approval. It was stated that FNEI is currently in a position to pay for this with funds in the operating bank account. It was also stated that FNEI did not need the lender's approval as FNEI was not seeking additional lending to pay for it. Previous discussions with FNEI's regulatory lawyer confirmed that FNEI also did not need the OEB's approval. It was recommended to include 2012 expected expenditures for this building in the 2012 capital budget as part of FNEI's five year capital plan.

After some further discussion the following motion was passed:

Motion: “To authorize FNEI Staff to proceed with the purchase of four acres of land at an offer of around \$240k and to pursue the purchase of the prefabricated steel building at a price in the \$65k range.”

Moved by: Andrew J. Linklater

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Seconded by: Peter Paulmartin
All were in favour and the motion carried.

The meeting was then adjourned at 10:35AM."

YEAR 2013

2013: Purchase of Brushing Equipment: \$256,328.25

a. From the Sept. 18/12 Finance Meeting minutes - Excerpt on discussion of brushcutting machines:

"Review of 2012 Budget/Expenditures to Date including new FNEI Office Building:

"Further, FNEI has to have enough funds in the bank for the right of way clearing this winter on the transmission line. The Operations Manager researched costs to purchase two brushcutting machines and employ our own labour versus putting the work out for tender. Since it would provide the ability to manage our costs, the better option was to purchase two brushcutting machines via a 0% financing arrangement with the dealership, and FNEI then has more control on the costs rather than put the whole project out for tender, which we would have had to do, and it would have cost more with machine rental costs, labour costs, mobilization and demobilization costs. This way, FNEI has the machines, and FNEI can hire our power line contractor to do the work by the line where it needs it the most. The costs of this project will also be put into our next Rates Application plan, and Mr. Richard King, FNEI lawyer from Norton Rose, has been provided this information to keep on file as well."

b. June 4/13 Finance Meeting minutes: Excerpt on brushcutting machines

"Review of the 2013 Budget/Expenditures to Date:

Discussing the capital expenditures compared to budget the Finance Controller noted that the brushcutting machines were not included in the capital asset budget but the cost for these units were included in the maintenance budget. FNEI entered into a three year financing agreement with Roynat. The type of agreement that they had available is classified as a capital lease. This required that the entire purchase price of both units be recorded as a capital asset and not expensed every month as the payments are made. This makes the budget to actual capital expense report show expenses above what was budgeted for."

After review of the Expenditures and Budget to Date, the following motion had been made:

"Motion 16-13:

RESOLVED THAT the 2013 Budget/Expenditures, to Date, be hereby accepted for recommendation and approval by the Board of Directors at their next Board of Directors meeting, as amended.

Moved by: Mr. James A. Wesley

Seconded by: Ms. Kimberley Stephen

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All in favour.
Carried.”

YEAR 2015**2015: Oil Preservation system: \$80,100.00****a. From the May 12, 2016, Board meeting minutes – Excerpt****“12. Maintenance and Operations Report:**

The Operations Manager noted his report covers from September 22, 2015, to May 10, 2016.

The quarterly inspections at the substations were completed and oil samples were processed. There is increased moisture in one of the reactors and we are planning to install an oil preservation system which will be completed before the winter season is over. The oil moisture content in the voltage regulator at Feeder 1 in Fort Albany has been resolved using a new filtration system and a drying process. We will be ordering a new second voltage regulator, and the current voltage regulator can be used for parts, since to fix it would cost about the same as buying a new one.”

b. From the draft Dec. 6, 2016, Board Meeting minutes: Excerpt from the Operations Manager’s report**“Operations Manager’s Report:**

The Oil Preservation System is another big project. We purchased nine units, and six are already installed in Fort Albany and Kashechewan, and the rest installed in Attawapiskat. These automated units should keep the pressure in the tanks at acceptable levels in order to protect the transformers.”

“Oil Preservation system.

It was necessary to compensate pressure fluctuations in the tanks from significant temperature difference between winter and summer, this automated units should keep pressure in the tanks in acceptable levels. Six of nine units already installed in Fort Albany and Kashechewan, week of December 5 planning to install the rest at Attawapiskat TS.”

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2015: Fibre Shelters Backup Generators: \$113,068.00**a. From the May 12, 2016, Board of Directors meeting minutes: Excerpt from the Maintenance Supervisor's report****"12. Maintenance and Operations Report:****Generators for fiber shelters.**

Fiber optic initially installed by FNEI as remote access tools for the substations is currently start playing key role in communication link, high speed internet and telephone bell line now connected through our fiber- optic system. It is become critical to provide reliable services for this communication link, in 2015 FNEI purchased four generators to connect shelter, generators was delivered to each of 4 locations including Moosonee. We have installed two generators in place, prepared connection in Fort Albany and planning to do connection in Attawapiskat from May 10-12."

b. From the draft Dec. 6, 2016, Board Meeting minutes: Excerpt from the Operations Manager's report**"Operations Manager's Report:**

We purchased backup generators for the fibre shelters, and are functioning well. They were tested during the last planned outage on November 29, 2016. We also purchased new batteries for the fibre shelters as the old ones were not efficient enough, which had an impact on the communication links during extended power outages. These batteries were unplanned purchases. This is important for the Communities to have fibre optic telecommunications."

2015: 80 km Line Purchase: \$4,997,946.72**a. From the Sept. 18, 2013, Finance Committee meeting minutes: Excerpt*****Update on the Possible Purchase of the 80 kms of Transmission Line North of Moosonee:***

The CEO indicated that information was forwarded to the Bank of Montreal (BMO) for possible financing but the BMO is requesting further information. She indicated that Mr. Richard King, Regulatory Lawyer for FNEI, will be providing a presentation at the Board of Directors meeting September 19, 2013, on legal issues if FNEI makes a decision to purchase the 80 kms of line. Currently, the purchase price is at \$6 million (Six Million Dollars), however, the purchase price could decrease.

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In the initial development stages on the construction of the transmission line, FNEI was short approximately \$12 million (Twelve Million Dollars), therefore, the Ontario government directed Hydro One Networks, as part of Ontario's responsibility to participate in the FNEI project, to negotiate with FNEI an agreement for Hydro One Networks to purchase the assets from the Moosonee Tapping station and the first 80 kms of the transmission line going north, for \$11 million (Eleven Million Dollars) and that this investment was to be funded by redirecting the Remote and Rural Rate Assistance Program (RRRP) subsidies for Attawapiskat, Kashechewan, and Fort Albany. The amount was approximately \$1.5 million (One Million Five Hundred Dollars) for the Communities, and these funds were re-directed to Hydro One Networks, to cover the costs of operating and maintaining the assets by Hydro One Networks. If there were surpluses identified by Hydro One Networks, the surpluses would be forwarded to the Power Corporations, and this calculation was to have been done every five years. When and if FNEI buys back the 80 kms of line, the subsidies would go straight to the Power Corporations provided the RRRP regulation doesn't change.

Manulife and Pacific and Western Bank of Canada were approached for financing but they have no funds to lend at this time. FNEI will continue to work the BMO to try and obtain financing for this purchase."

b. From the Sept. 19, 2013, Board of Directors Meeting minutes: Excerpt

"Other Business:

1. Presentation by Mr. Richard King, FNEI Regulatory Lawyer, Osler, Hoskin, Harcourt, LLP, Toronto, ON:

Possible Purchase of 80 kms of Line North of Moosonee:

Mr. Richard King noted that the first 80 kms of line north of Moosonee is owned by Hydro One. In the initial development stages of the transmission line, the project was short on financing, and an agreement was made with Hydro One to buy the first 80 kms of line, with the understanding that FNEI could purchase back the line. The best time frame to buy back the line is end of 2014, and FNEI can then add this amount into its rates application. This will also free up the Remote and Rural Rate Assistance Program (RRRP) funds that were going directly to Hydro One, for maintaining the line, to then go back to the Communities. Each Community will either receive their funds monthly or annually.

For the De Beers Canada line that runs from Otter Rapids to Moosonee, and running adjacent to Hydro One's old line, Hydro One has not indicated, at this point, to take over that line. It would be in the best interest of the Communities to have Hydro One take over the line as it is newer than Hydro One's old line. This would alleviate unplanned outages due to malfunctions on the old Hydro One line that ultimately affect the Communities.

The Ontario Energy Board (OEB) has amended their transmission code in that there are new obligations for transmitters. Under the new requirements, all transmitters are to undertake "regional planning" in various regions of Ontario. For FNEI, it would be responsible for the area North of Moosonee. The Ring of Fire is not included in this region, but rather in the Northwest Region. Mr. Andrew Solomon wanted clarification that the transfer of the De Beers Assets to FNEI south of Kashechewan does not have any impact on FNEI. Mr. Richard King noted that, at that time, the OEB provided two choices, either force FNEI to twin the line from Moosonee to Kashechewan or have De Beers construct a line, and De Beers chose to twin and construct the line. For the FNEI assets transferred from De Beers, there is no book value in the FNEI financial books. It is the same for Hydro One, the (De Beers) line will not be in their rate base. The transfer

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has to happen for one dollar though. Regarding the De Beers line south of Moosonee, it was further noted that the owner of the adjacent line, in this case, Hydro One, will take over the De Beers line, as per current government laws."

c. From the Nov. 26, 2013 Finance Meeting minutes: Excerpt**"1. Update on the 80 kms of Transmission Line north of Moosonee:**

The Chief Executive Officer (CEO) indicated we need to put forth a recommendation to the Board of Directors to approve the process towards purchasing the transmission line north of Moosonee. She deferred to the Finance Controller to inform the Committee on the status of the financing. The Finance Controller indicated that FNEI is in a good financial position, and further indicated that FNEI's regulatory lawyer, Mr. Richard King, recommends to start the purchasing process in January, 2014, in order to include this possible purchase in FNEI's Rates Application in the fall of 2014, but approval is required by the Board of Directors to move forward."

The following motion had been made by the Finance Committee:**Motion 31-13:**

To recommend to the Board of Directors to authorize the process to move forward on the purchase of the 80 kms of the transmission line north of Moosonee, including the borrowing of up to the purchase price of \$6.4 million (Six Million Four Hundred Thousand Dollars).

Moved by: Mr. Brent Edwards
All in favour.
Carried."

Seconded by: Mr. Derek Chum

d. From the Nov. 27, 2013, Board of Directors Meeting minutes-Excerpt**"Update on Status of Possible Purchase of the 80 kms of Transmission Line north of Moosonee:**

The CEO noted that the possible financing for the 80 kms of line was talked about at the last Board of Directors meeting, and the financial forecast looks good to proceed with the possible purchase. This will benefit the Communities through the RRRP (Remote and Rural Rate Assistance Program) monies to be directed to them. We are asking the Board of Directors for a formal motion to proceed with the possible purchase of the 80 kms of line. The regulatory process to transfer assets from one transmitter to another will take a lot of time and effort. We had originally hoped to be able to have this transfer completed by the end of December for January 1, 2014, however, Hydro One can only make changes to its rate base once every two years. The next window for this is January 1, 2015. We need a firm commitment from the lenders to ensure that we have the funds in place for December 31, 2014 for this purchase. The Finance Controller noted that he is working for a commitment from the lenders by April 30, 2014, to allow for sufficient time for the regulatory process as well as to file a rate application for the additional cost of operating those 80 kms. We have the report of what Hydro One spent on those 80 kms of line since they purchased it to use as a basis for this rate application requesting additional funds to operation and maintenance of these 80 kms. We also need to keep in mind the bus isolation project which has an estimated cost of \$4.5 million (Four Million Five Hundred Thousand Dollars) over the next three years. The actual purchase of the line from Hydro One is fairly straightforward as the original term sheet already anticipated FNEI eventually buying back this portion of the line. At this point, we are asking for authorization from the Board of Directors to move forward on purchasing back these 80 kms of line."

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The following motion had then been made:

Motion 55-13:

The Board of Directors authorize the process to move forward with the purchase of the 80 kms of line north of Moosonee, including the borrowing of up to \$6.4 million (Six Million Four Hundred Thousand Dollars) as recommended by the Finance and Human Resources Committee at their November 26, 2013, Committee meeting.

Moved by: Mr. Andrew Solomon

Seconded by: Mr. Derek Chum

All in favour.

Carried."

e. From the Sept. 16, 2014, Finance Committee Meeting minutes: Excerpt

"Update on the 80 km Line:

The CEO noted that FNEI is waiting on Manulife to respond to go ahead with the purchase of the line. Pacific and Western Bank of Canada were fine with the purchase but we need a formal response from them. Hydro One has indicated that this is doable. FNEI is currently in the process of compiling its information for the Rates Application and we are aiming to submit our application by January 1, 2015. For the OEB requirements, we need to send the formal approval from Pacific and Western Bank of Canada, and Manulife, to the OEB, and also to the BMO, and the Royal Bank of Canada, for financing.

The Finance Controller reported that the purchase price is just over \$5 million (Five Million Dollars). We have \$750,000 (Seven Hundred and Fifty Thousand Dollars), and the \$500,000 (Five Hundred Thousand Dollars) at the BMO, which are sitting in the Guaranteed Investment Certificate (GIC) accounts. We also have the \$250,000 (Two Hundred and Fifty Thousand Dollars) Letter of Credit with the City of Timmins that will be released once the City is satisfied that the construction of the FNEI office building has met the City's requirements. There is approximately \$2 million (Two Million Dollars) in our Operating account.

The Finance Controller noted the FNEI Rates application should be forwarded to the OEB by the end of December, 2014, but as we get closer to the end of the year, we can revise the application to include the 80 km purchase, before submitting it to the OEB."

f. From the March 24, 2015, Board of Directors Meeting minutes: Excerpt

"10. Chief Executive Officer (CEO) Report:

The CEO provided an update on the 80 km line purchase, and indicated that Hydro One has now filed an application to the OEB to transfer the line to FNEI. Mr. Richard King, FNEI Lawyer from Osler, Hoskin, & Harcourt, LLP, Toronto, ON, is working on the legal aspects of this 80 km line purchase. FNEI will then include these assets in its Rates Application to the OEB."

g. From the Oct. 6, 2015, Board of Directors Meeting minutes: Excerpt

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“Review Process on the 80 km Line Purchase:

The Chair noted, that, for the Board of Directors information, the process on the 80 km line purchase running from Moosonee to the north, is what we must follow to complete this purchase. The legal counsel from Osler, Hoskin, and Harcourt, LLP, will explain the process.

He then turned it over to Mr. Richard King to start the review. Mr. Richard King noted that the work on the whole process to buy back the 80 kms of line from Hydro One (H1) was divided between he and his associates. He referred everyone to the document titled, “*Five Nations Energy M3K Transmission Line Transfer Closing Agenda-Draft*”, and indicated the following:

Mr. Adam Gutkin: will speak on Items 1, 4, 5, 6, 7;
Mr. Greg Walters: will speak on Items 2 & 8;
Mr. Richard King: will speak on Item 3-The Remote Rural Rate Assistance Program (RRRP)

Mr. Adam Gutkin indicated that the “*Agreement of Purchase and Sale*” is fairly straightforward, and outlines the purchase by FNEI and sale by H1. The standard “*Bill of Sale*” outlines the purchase and sale of the assets, which is the 80 km line north of Moosonee.

The “*Receipt*” of the sale is, basically, an acknowledgement by H1 on receipt of funds from FNEI on FNEI's purchase of the 80 kms of line north of Moosonee. The “*Indemnity & Release*” document outlines the indemnity provisions to H1 from FNEI after closing of the sale.

Mr. Adam Gutkin asked if there were any questions/comments.

The Finance Controller noted that FNEI does not anticipate any significant changes to the draft documents put forth by H1. Other than that, these documents are final. He further indicated that, in the original Term Sheet signed between FNEI and H1, FNEI anticipated that it would buy back the 80 kms of line at a future date, and there really is no real negotiation on this. There should be no changes to the agreements between today, October 6, 2015, and October 15, 2015.

Mr. Greg Walters explained the background on the November, 2006, credit agreement between FNEI and Manulife/Pacific and Western (PWB) that was entered into for \$11 million (Eleven Million Dollars), a construction term loan to assist in financing the construction of the FNEI transmission line, (the Omushkego Ishkotayo Project, as it was known back then), and the substations in the Communities of Fort Albany, Kashechewan, and Attawapiskat. This term loan expires in the year, 2027. There was also an operating line of credit with PWB in amount of \$2 million (Two Million Dollars) for general operating purposes, which expired in 2009.

As part of the new purchase of the 80 km line north of Moosonee, Manulife has agreed, via a signed term sheet, that it would provide \$6.2 million (Six Million Two Hundred Thousand Dollars) to FNEI on the purchase of the 80 km line north of Moosonee. The “*Amended and Restated Credit Agreement*” amends the original existing agreement between FNEI, Manulife, and PWB, in that the new facility of \$6.2 million (Six Million Two Hundred Thousand Dollars) will be included, which is repayable over twenty (20) years. This new facility will be used to pay for the 80 km line purchase, and to also repay the callable debt with the Bank of Montreal (BMO) in amount of about \$1 million (One Million Dollars). If FNEI chooses to prepay the loan with Manulife, FNEI must also pay interest on the prepaid portion. On prepaid loans, FNEI cannot re-borrow the amount of prepaids, these amounts would be applied to the loan repayments.

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The “*Amended and Restated Pari Passu Priority Agreement*” is the agreement between Manulife, PWB, and BMO, and FNEI, in that each Security Agreement has been granted by FNEI security of all personal properties of FNEI should FNEI become bankrupt, on an equal basis to each Security Agreement. Mr. Greg Walters noted that he does not anticipate any changes on the draft agreement, and the final agreement to be signed by November 15, 2015.

He asked if there were any questions. None was noted.

At this time, Mr. Richard King asked if the Board of Directors should deal with the Resolution first or have him do his presentation. The Board of Directors opted to have Mr. Richard King do his presentation first.

Mr. Richard King provided a brief background on the RRRP (Remote Rural Rates Assistance program) funds. When the FNEI transmission line was being built, FNEI was short on funds, and in order to complete the construction on the line, the Ontario provincial government directed H1 buy the 80 kms of line from FNEI with the option that FNEI can reacquire the line at a future date. The Term Sheet was signed back in February, 2000. The provincial government also amended the RRRP regulation in order to include Fort Albany, Kashechewan, and Attawapiskat, for RRRP funding, and that these funds would be redirected to H1, in order for H1 to have funds to own and operate the line. Each of the three Communities had to sign an agreement with H1 to assign their right of the RRRP funds to go to H1, and all three Communities signed Band Council Resolutions (BCRs) to this effect.

Now that FNEI has exercised their right to buy back the 80 km line, a termination agreement is being entered into in order to terminate the original agreement with H1, which will return the RRRP funds to the Power Corporations. The Power Corporations and the three Communities, in question, will have to sign the termination agreement by October 15, 2015. The three Communities, in question, will also have to pass BCR's allowing reversal of the original transaction. The RRRP funds will then go back to the Communities as opposed to going to H1. An FNEI Board resolution, however, is not required for this.

The Chair asked the Board, in his traditional language, if they understand what was just presented. The Board of Directors understood.

At this time, the Chair then referred to the “*Resolution*” which Mr. Richard King had eluded to earlier in the meeting. He indicated he will read out the “*Resolution*”, and proceeded to do so for the Board's benefit.

The following motion had been made:

Motion 48-15:

FIVE NATIONS ENERGY INC.
(the “Corporation”)
RESOLUTION OF THE BOARD OF DIRECTORS
RECITALS:
CREDIT FACILITIES

A. Pursuant to a credit agreement dated November 15, 2006 (as amended to the date hereof, the “**Original Credit Agreement**”) among the Corporation, as borrower, and The Manufacturers Life Insurance Company (“**Manulife**”) and Pacific & Western Bank of Canada (“**PW**” and together with Manulife, the “**Lenders**”), as lenders, the Lenders extended certain credit facilities to the Corporation.

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B. Pursuant to an amended and restated credit agreement (the “**A&R Credit Agreement**”) to be entered into by the Corporation, as borrower, and the Lenders, the Corporation and the Lenders have agreed to amend and restate the Original Credit Agreement and to maintain the existing credit facilities provided in connection with the Original Credit Agreement and Manulife has agreed to, among other things, provide a new acquisition credit facility in the maximum principal amount of \$6,200,000 in favour of the Corporation (the “**Acquisition Credit Facility**” and together with the other credit facilities contained in the A&R Credit Agreement, the “**Credit Facilities**”).

C. Pursuant to credit facilities (as amended, the “**BMO Credit Facilities**”) between the Corporation and Bank of Montreal (“**BMO**”), the Corporation obtained financing from BMO and granted security interest in favour of BMO.

D. Manulife, PW and BMO have requested that the corporation enter into a pari passu priority agreement among the Corporation, Manulife, PW and BMO (the “**Pari Passu Agreement**”) setting out the priorities of the Lenders, Manulife and BMO to the assets and undertakings of the Corporation.

RESOLVED THAT:

1. The Corporation is authorized to borrow from Manulife pursuant to the Acquisition Credit Facility and to continue to borrow from the Lenders under the Credit Facilities and to enter into and perform its obligations under the A&R Credit Agreement, all upon the terms and conditions set forth in the A&R Credit Agreement.
2. The Corporation is authorized to enter into and to perform its obligations under the Pari Passu Agreement.
3. Any director or officer of the Corporation, is authorized and directed, on behalf of the Corporation, to negotiate, finalize, execute and deliver the A&R Credit Agreement and the Pari Passu Agreement, with or without the corporate seal affixed, and with such additions, deletions or other changes to any such documents as such director or officer, in such director's or officer's sole discretion, may approve, such approval to be conclusively evidenced by such director or officer execution and delivery of the Credit Agreement and the Pari Passu Agreement, as the case may be.
4. Any director or officer of the Corporation, is authorized and directed, on behalf of the Corporation, to negotiate, finalize, execute and deliver, register or file such further documents, agreements, authorizations, elections, endorsements and instruments (with or without the corporate seal affixed) and to do all such other acts and things as are required or as such director or officer, in such director's or officer's sole discretion, may determine to be necessary or desirable in order to complete the transactions contemplated in this resolution and contemplated in the documents authorized hereby, such determination to be conclusively evidenced by such director's or officer's execution and delivery of any such documents or instruments or the taking of any such action, as the case may be.
5. Any agreements, instruments or other documents executed and delivered and any and all acts and things done by any officer or director on or before the date hereof determined to be necessary or desirable by such officer or director in order to complete the transactions contemplated by this resolution are ratified, approved and confirmed in all respects.

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www.fivenations.ca



Mailing Address:

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6. These resolutions may be executed in counterparts and by means of facsimile signature or other electronic means, each of which when so executed and delivered shall be an original, and all such counterparts shall together constitute one and the same instrument.

The foregoing resolution is passed as evidenced by the signatures of the directors of the Corporation pursuant to the provisions of the *Canada Business Corporations Act*.

DATED _____, 2015."

Moved by: Mr. George Reuben
All in favour.
Carried."

Seconded by: Mr. Derek Chum

2015: Station Emergency Communication: \$ 97,387.17

a. From the March 10, 2011, Finance Meeting minutes: Excerpt

"Year to Date Budget and Expenditures:

Off site retrieval fees is for work done on FNEI's communication system. Much time has been spent on this, and currently, FNEI has contracted with Mr. Dirk MacLeod's consulting firm, the Canadian Network Consulting and Services Group Inc. at a cost of approximately \$4,000 a month to provide regular monitoring services to our communications system. It was noted that two thirds of the costs on the repair of the fibre optic communication system will be covered by De Beers. It was also noted that Western James Bay Telecom Network (WJBTN) looks after the connections in the Communities, and FNEI looks after the fibre optic line.

Mr. Vladimir Govorov indicated that a conference call was held on March 8, 2011, with the Western James Bay Telecom Network (WJBTN) regarding liability issues. WJBTN would like to look at a liability policy similar to Bell Canada's liability policy. FNEI does not receive any funds for the telecommunications and it is felt by the OEB that the Communities benefit from this service, therefore, FNEI has been absorbing the costs. If the fibre optic fails, WJBTN will call us. Metering software has been installed to monitor the system and if anything goes down, WJBTN has steps to take for liability."

YEAR 2016

2015: Fibre Shelter Battery Replacement: \$83,609.00

a. From the draft Dec. 5, 2016, Finance Meeting minutes: Excerpt

"Review of 2016 Draft Budget/Expenditures to Date:

The Finance Controller continued and noted that the expenditures for the fibre shelters was over budget as FNEI had to purchase new batteries for the fibre shelters, which we did not anticipate. The old batteries

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would lose their capacity to provide power, thereby, causing an impact on the communication links during extended power outages. Therefore, new batteries were bought and installed by our technical employees."

The following motion had been made on the review of the financial report:

Motion 20-16:

RESOLVED THAT the Draft 2016 Budget/Expenditures to Date are hereby recommended to the Board of Directors for approval at their next scheduled Board of Directors meeting:

Moved by: Mr. Andrew J. Linklater
All in favour.
Carried."

Seconded by: Mrs. Patricia Sutherland

b. From the draft Dec. 6/16 Board meeting minutes: Excerpt

"Review of the 2016 Budget/Expenditures to Date & 2017 Draft Annual Budget:

The Capital expenditures are close to the budget amount for 2016. We will be moving approximately \$150,000 to the 2017 fiscal year for unplanned capital expenses related to replacement of batteries at all of the fibre shelters in Moosonee, Fort Albany, Kashechewan, and Attawapiskat."

The following motion had been made after review of the financial report:

Motion 29-16:

RESOLVED THAT the 2016 Budget/Expenditures, to Date; and the 2017 Annual Budget, are hereby approved as presented.

Moved by: Mr. Roger Archibald
All in favour.
Carried."

Seconded by: Mr. Edward Koostachin

2-Staff-14

**Ref: Exhibit 2 / Tab 1 / Schedule 2
Exhibit 2 / Tab 1 / Schedule 2 / Appendices
Exhibit 6 / Tab 3 / Schedule 3**

Question(s):

- a) Please confirm that the maintenance schedules set out Appendix I and Appendix II have been followed during the 2010-2016 period. Please advise when the maintenance schedules were first established.
- b) Please advise whether the inventory of assets provided at Appendix III is for the 2012 end of year. If so, please explain why information for 2012 was provided as opposed to more recent information.
- c) Please explain why the useful life estimates for a large number of assets were revised in Appendix III. For each asset where the useful life estimate was revised, please provide an explanation.
- d) Please advise whether the revised useful life estimates, set out in Appendix III, were used to calculate the depreciation expenses at Exhibit 6 / Tab 3 / Schedule 3. Please explain why or why not.
- e) If applicable, please provide an inventory of assets in the same format as provided at Appendix III for the 2016 year-end. If 2016 year-end is not available, please provide the 2015 year-end.
- f) Does Five Nations Energy's asset inventory include asset condition information? (Exhibit 2 / Tab 1 / Schedule 2 / p. 3)
 - i. If not, how does Five Nations Energy have asset condition information from its inspections?
- g) Does Five Nations Energy categorize asset condition information into levels (e.g., a ranking of 1 for poor condition, etc.)? If so, please describe the asset condition levels used by Five Nations Energy. If not, please describe how Five Nations Energy tracks asset condition.

- 1 **h) Please provide a summary of asset condition by major asset type (e.g., poles,**
2 **conductor, transformers, breakers, etc.).**
- 3
- 4 **i) How does Five Nations Energy use asset condition information to determine which**
5 **assets would require no action, maintenance, refurbishment, or replacement?**
- 6
- 7 **j) Please provide Five Nations Energy's historical capital expenditures on sustainment**
8 **(replacing assets), development (new assets) and operations (assets to support**
9 **operations).**
- 10
- 11 **k) Please provide Five Nations Energy's forecast capital expenditures on sustainment**
12 **(replacing assets), development (new assets) and operations (assets to support**
13 **operations).**
- 14
- 15

16 **Response:**

- 17 (a) Prior to 2010, FNEI had a services agreement with Hydro One for basic planned
18 maintenance. As of 2010, FNEI has established and implemented its own maintenance schedule
19 (using FNEI employees).
- 20 (b) The detailed inventory of assets at Appendix III is for the 2012 year end, and was specially
21 prepared for the IFRS asset componentization exercise. In the normal course of business,
22 FNEI's operations department maintains separate records for the purposes of maintenance, and
23 FNEI's financial department maintains records of asset additions, retirements, etc. for the
24 purposes of amortization and rate-making.
- 25 (c) The IFRS asset componentization exercise required FNEI to look at each component within
26 each OEB asset category and determine an asset-specific useful life. For example, the first Asset
27 ID# 1708-001 in the Appendix was in OEB Account 1715 (Station Equipment), which prior to
28 IFRS had an OEB amortization period of 40 years. That specific asset, when assessed
29 individually, was determined to have a useful life of 30 years.
- 30 (d) Yes. The revised useful life estimates set out in Appendix III were used.
- 31 (e) As noted in the response to (b) above, no such inventory of assets exists for 2015 or 2016.
- 32 (f) As part of FNEI's operations department's records, each asset has variable test and inspection
33 reports which are used as an indication of the condition of each asset class or item individually.

(g) FNEI does not categorize or rank assets into different conditions of repair but rather uses inspection and test results to evaluate actual status. These inspection and test results along with the expected remaining useful life are used to determine the necessity to replace or repair the particular asset.

(h) The poles, insulators and conductors are inspected from the air annually, and land patrolled every three years. The condition of the poles, insulators and conductors is currently classified as good. Transformers, breakers and disconnect switches are inspected and tested based on the industry standards and manufacturer's recommendations (with respect to scope and intervals). The condition of the station equipment is good. Some assets such as batteries, relays and servers have shorter life times and are replaced as needed without (or with minimal) service interruption.

(i) See response to (g) above.

(j) Please see response to question (k) below.

(k) Please see table below (all figures in dollars).

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
Sustainment	62,114	54,664	60,071	6,558	371,296	200,710	149,547
Development	141,660	250,683	1,338,043	3,360,038	448,165	6,396,857	2,007,174
Operations	57,468	186,493	41,378	359,774	110,369	114,502	204,211
TOTAL	261,243	491,840	1,439,492	3,726,339	929,831	6,712,069	2,360,933

You will note that the annual "Total" numbers above for 2011, 2013, 2014 and 2016 do not match the annual totals in the Numerical Summary of Capital Expenditures (Exhibit 2, Tab 2, Schedule 1, Appendix 1). The discrepancies for the years 2011, 2013 and 2014 are due to asset disposals (which do not show up in the Numerical Summary of Capital Expenditures). The discrepancy was particularly large for 2013 due to the asset componentization process. The discrepancy for 2016 was due to budget (at the time the evidence was prepared) versus actual.

2-Staff-15

Ref: Exhibit 2 / Tab 1 / Schedule 3

Needs Assessment Report / May 27, 2016 / Five Nations Energy's Website

Question(s):

- a) Please file all of the annual reports that Five Nations Energy filed with the OEB in accordance with section 3C.3.3. of the Transmission System Code (TSC).
- b) Please file the document titled, "Needs Assessment Report – Western James Bay Territory – North of Moosonee," dated May 27, 2016 (available on the Five Nations Energy website) on the record of this proceeding.
- c) Please advise whether the above noted report is the needs assessment that Five Nations Energy filed with the OEB in accordance with section 3C.4.4 of the TSC. If not, please explain the purpose of the report cited above and please advise as to any progress made on the needs assessment required to be completed by August 27, 2017 (as discussed in the evidence).
- d) Please explain the statement that "the Needs Assessment for this Region was triggered on March 12, 2016 and was completed on May 4, 2016" (p. 4 of Needs Assessment Report). Please explain the cited statement in the context of Five Nations Energy's evidence that there has been no need for FNEI to complete a needs assessment to date.
- e) Please advise whether it is Five Nations Energy's view that there will be 5% annual load growth (after the conservation adjustment) from 2015 to 2025 (p. 5 of Needs Assessment Report).
 - i. If not, please explain.
 - ii. If so, please explain whether that forecast of load growth is reflected in Five Nations Energy's evidence. If it is not reflected in Five Nations Energy's evidence, please explain.
- f) The "Needs Assessment Report" states that the 132 kV side of the transformer stations in Kashechewan and Fort Albany require modifications to allow bypass options for required regular maintenance procedures. These modifications will reduce the frequency and duration of planned outages otherwise required for

1 regular station maintenance work. These upgrades are planned to be completed in
2 2016. Please advise whether this project is included in the Five Nations Energy's
3 capital plan. If so, please provide a reference to this project in the evidence. Please
4 also advise whether the project was completed in 2016.
5

6 g) The "Needs Assessment Report" references the "study team's recommendation that
7 no further coordinated regional planning is required for this region at this time."
8 The "Needs Assessment Report" also states that the next regional planning cycle is
9 expected to be undertaken in Q1 2021.
10

11 i. Please advise who was part of the study team.

12 ii. Please confirm that Q1 2021 for the next regional planning cycle is in
13 accordance with the TSC.
14

15 h) If applicable, please update the evidence in the relevant sections to reflect that the
16 needs assessment required under section 3C.4.4 of the TSC was completed and
17 summarize the results as part of Five Nations Energy's evidence. Please also explain
18 how the Needs Assessment Report impacted Five Nations Energy's Transmission
19 System Plan.
20
21

22 **Response:**

23 (a) Please see attached.

24 (b) Please see attached.

25 (c) Yes. The Needs Assessment Report dated May 27, 2016 is the report required to be filed in
26 accordance with section 3C.4.4 of the TSC by August 27, 2017.

27 (d) For regional planning purposes, FNEI is the lead transmitter for the "North of Moosonee"
28 region. The "North of Moosonee" region was placed in Group 3 in terms of priority. FNEI had
29 not planned to conduct a needs assessment prior to 2017. However, on March 12, 2016, the
30 IESO contacted FNEI and requested that FNEI complete the needs assessment as early as
31 possible (for the purposes of the IESO's long-term energy planning process). This was the
32 "trigger" noted in the Needs Assessment Report. The IESO has noted the regional planning
33 process for North of Moosonee on the IESO website at: [www.ieso.ca/get-involved/regional-](http://www.ieso.ca/get-involved/regional-planning/northeast-ontario/north-of-moosonee)
34 [planning/northeast-ontario/north-of-moosonee](http://www.ieso.ca/get-involved/regional-planning/northeast-ontario/north-of-moosonee). As noted, the IESO website concludes "The
35 regional planning process for this region is complete for this planning cycle, and will begin again
36 in 2021, unless there is sufficient load growth or a trigger event that requires it to begin earlier."

1 (e) FNEI does not believe that there will be 5% annual load growth (after a conservation
2 adjustment) from 2015 to 2025. For the purposes of the Needs Assessment Report, FNEI's
3 operations department took the peak demand trend over the past several years as the basis for its
4 assessment. This is a safe assumption for the purposes of regional planning. In terms of a more
5 accurate forecast for rate-setting purposes, FNEI believes its forecasting approach set out in
6 Exhibit 5, Tab 1, Schedule 3 is more appropriate.

7 (f) This work refers to the Bus Isolation Project identified in FNEI's forecasted capital
8 expenditures in this rate application. The work in Fort Albany and Kashechewan was completed
9 in 2016, on schedule.

10 (g) The study team was comprised of Vladimir Govorov (Operations Manager) and Rod Reimer
11 (Finance Controller), with input from the three LDC managers and DeBeers, as well as First
12 Nation administration and leadership. The IESO has acknowledged that regional planning for
13 north of Moosonee is now settled until the 2021 cycle (subject to an earlier trigger event). Please
14 see <http://www.ieso.ca/get-involved/regional-planning/northeast-ontario/north-of-moosonee>

15 (h) No evidentiary amendment is required as a result of the Needs Assessment. As a stand-alone
16 item, the Needs Assessment Report did not really impact FNEI's transmission system planning.
17 FNEI's system is the end of a radial line, and FNEI has only four customers (with whom FNEI is
18 in constant communication) so managing the customer load/demand aspect of planning is
19 somewhat straightforward. The more challenging aspects of system planning for FNEI has to do
20 with the remoteness and inaccessibility of the region, minimizing outages, and ensuring
21 appropriate operations and maintenance activities as the FNEI system begins to age.

22

1

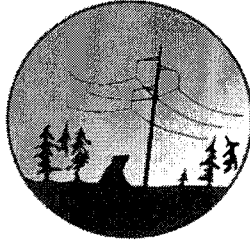
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ATTACHMENT 15(a)

FIVE NATIONS ENERGY INC.

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November 1, 2013

Ontario Energy Board
2300 Yonge Street
27th Floor, P.O. Box 2319
Toronto, ON
M4P 1E4

Attention: Ms Kirsten Walli

Re: Annual Report for the Transmission System Code (Regional Planning)

Dear Ms. Walli,

Further to Section 3C.3.3 of the Transmission System Code ("TSC"), please accept this letter in support of the TSC requirement for Five Nations Energy Inc. ("FNEI") to provide an Annual Report to the Ontario Energy Board ("OEB") by November 1st of each year.

In recent correspondence with the OEB, the below two questions were provided to assist FNEI prepare an Annual Report. FNEI responses are listed below.

1. Has a Needs Assessment been completed to ascertain if regional planning is necessary for the region?

A Needs Assessment has been completed and it has been determined that regional planning is not needed.

In support of this, we have reviewed the document "*Planning Process Working Report to the Board: The Process for Regional Infrastructure Planning in Ontario*", revised May 17, 2013, (the "OEB Report"). Specifically, we have reviewed the Planning Triggers listed under "PLANNING PROCESS" at page 41 of the OEB Report, and determined that none of the Planning Triggers have occurred or are likely to occur over the next five years.

FNEI canvassed the three local distribution companies that we work with, those being Fort Albany Power Corporation, the Attawapiskat Power Corporation, and Kashechewan Power

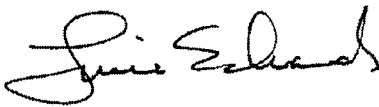
Corporation (the "LDCs"). Fort Albany Power Corporation and Kashechewan Power Corporation indicated that they are not expecting any material additional load; Attawapiskat Power Corporation indicated that they will be adding new base load in Spring 2014 in order to support a newly constructed school. However, the new load is not so significant as to meet the threshold required for regional planning.

Separately, FNEI is planning to engage in a series of upgrades to the transmission lines to support system flexibility and maintenance. These upgrades will occur over the next three to four years. These upgrades are not expected to require regional planning.

2. If regional planning was determined to be necessary, where is Five Nations in the process?

As indicated above, FNEI has determined that regional planning is not necessary.

Yours very truly,

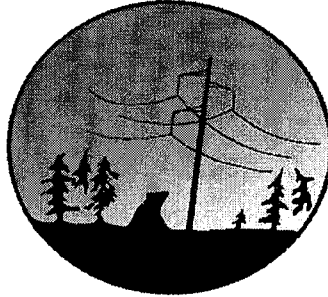
A handwritten signature in black ink, appearing to read "Lucie Edwards". The signature is fluid and cursive, with the first name "Lucie" being more prominent than the last name "Edwards".

Lucie Edwards
CEO

FIVE NATIONS ENERGY INC.

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October 29, 2014

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, Ontario, Canada
M4P 1E4

Re: Regional Infrastructure Planning Report

Dear Ms. Walli:

Further to Section 3C.3.3 of the Transmission System Code ("TSC"), please accept this letter in support of the TSC requirement for Five Nations Energy Inc. ("FNEI") to provide an Annual Report to the Ontario Energy Board ("OEB") by November 1st of each year.

In support of this, we have reviewed the document "*Planning Process Working Report to the Board: The Process for Regional Infrastructure Planning in Ontario*", revised May 17, 2013, (the "OEB Report"). Specifically, we have reviewed the Planning Triggers listed under "PLANNING PROCESS" at page 41 of the OEB Report, and determined that none of the Planning Triggers have occurred in until October 2014, the new request from Victor mine indicating that we should start the process in year 2015.

FNEI canvassed the three local distribution companies that we work with, those being Fort Albany Power Corporation, the Attawapiskat Power Corporation, and Kashechewan Power Corporation (the "LDCs"). Fort Albany Power Corporation and Kashechewan Power Corporation indicated that they are not expecting any material additional load.

Separately, FNEI is currently working on the series of upgrades to the transmission lines to support system flexibility and maintenance. These upgrades will occur over the next three to four years. These upgrades are not expected to require regional planning.

Yours very truly,

A handwritten signature in black ink, appearing to read "Lucie Edwards". The signature is fluid and cursive, with the first name "Lucie" being more prominent than the last name "Edwards".

Ms. Lucie Edwards
Chief Executive Officer

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March 21, 2016

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, Ontario M4P 1E4

Attn: Ms. Kristen Walli

Re: Annual Regional Planning Report

Dear Ms. Walli,

The Transmission System Code (“TSC”) requires that each licensed transmitter in Ontario submit an annual report (“**Annual Report**”) on the status of regional planning to the Ontario Energy Board (“OEB”) by November 1st of each year, pursuant to Section 3C.3.3 of the TSC.

Five Nations Energy Inc. (“FNEI”) is the transmitter responsible for the North of Moosonee region for the purposes of regional planning. FNEI has been in regular contact with each of the local distribution companies in the North of Moosonee region (Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power Corporation) and FNEI confirms that since the inception of the regional planning process there has not been any forecasted load or demand growth, or other events that would trigger the need for investment in transmission or distribution facilities in the North of Moosonee Region, as per Section 3C.2.2(c) of the TSC. As such, FNEI has not been required to perform a needs assessment to date and, unless any information arises that would require a needs assessment to be completed arises, it is the expectation of FNEI that the first needs assessment for the North of Moosonee region will be required by August 26, 2017, pursuant to Section 3C.4.4 of the TSC.

FNEI requests that this letter be accepted as the FNEI Annual Report for 2015. The late submission of this report stems from a corporate reorganization of FNEI, coupled with a significant amount of effort being allocated to FNEI’s transmission rate application which will be submitted in the second quarter of 2016. FNEI will act prudently to ensure that the November 1st annual deadline is met for 2016 and subsequent years. A copy of this letter has been made publicly available on the FNEI website, in accordance with the requirements of Section 3C.3.3 of the TSC.

Yours very truly,

A handwritten signature in blue ink, appearing to read 'P. Chilton', is written over a horizontal line.

Patrick S. Chilton
Chief Executive Officer

¹ This letter has been posted at: <http://www.fivenations.ca/index.php/regulatory/regional-planning1>

1

2

ATTACHMENT 15(b)

NEEDS ASSESSMENT REPORT

Western James Bay Territory

North of Moosonee

Revision: FINAL R1

Date: May 27, 2016

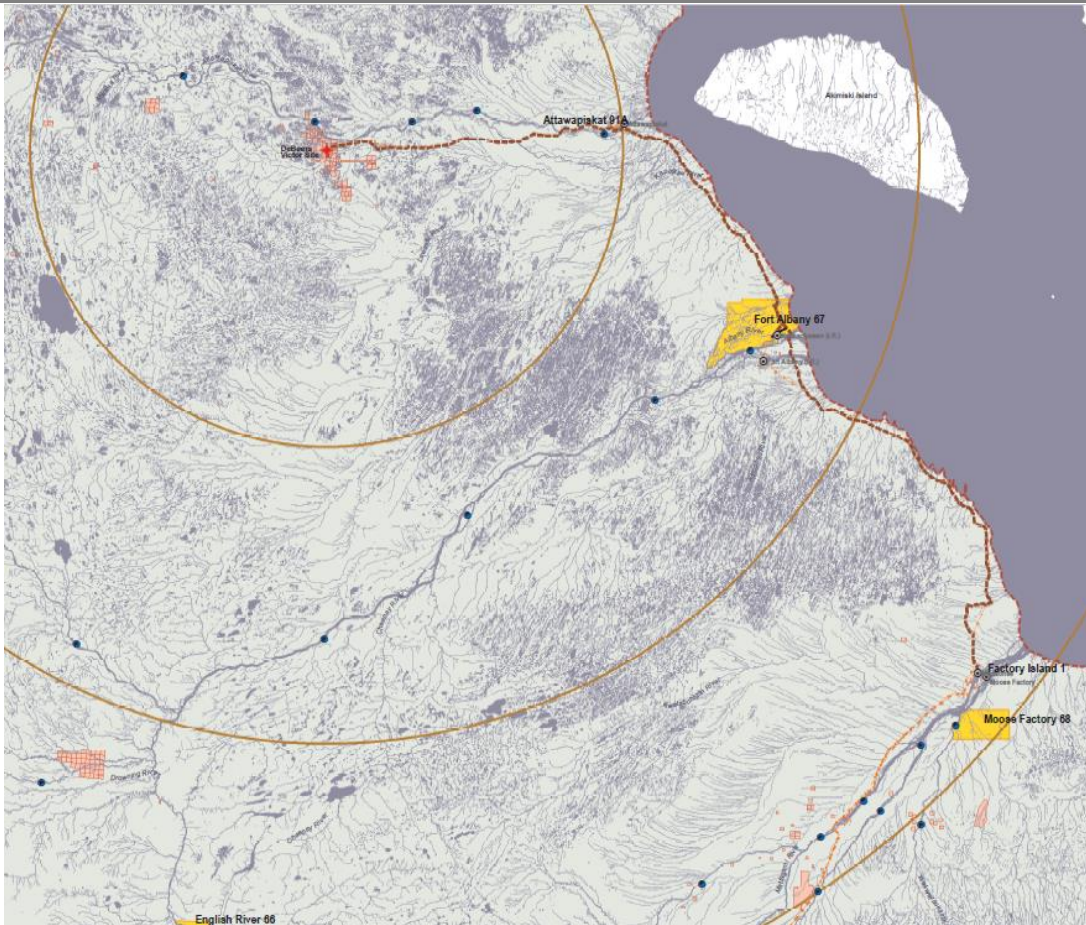


Prepared by: Five Nations Energy Inc. Operations Department

DISCLAIMER

This Needs Assessment Report was prepared for the purpose of identifying potential needs in the Western James Bay Region and to assess whether those needs require further coordinated regional planning. The potential needs that have been identified through this Needs Assessment Report may be studied further through subsequent regional planning processes and may be reevaluated based on the findings of further analysis. The load forecast and results reported in this Needs Assessment Report are based on the information and assumptions provided by study team participants.

Study team participants, their respective affiliated organizations, and Five Nations Energy Inc. (collectively, “the Authors”) make no representations or warranties (express, implied, statutory or otherwise) as to the Needs Assessment Report or its contents, including, without limitation, the accuracy or completeness of the information therein and shall not, under any circumstances whatsoever, be liable to each other, or to any third party for whom the Needs Assessment Report was prepared (“the Intended Third Parties”), or to any other third party reading or receiving the Needs Assessment Report (“the Other Third Parties”), for any direct, indirect or consequential loss or damages or for any punitive, incidental or special damages or any loss of profit, loss of contract, loss of opportunity or loss of goodwill resulting from or in any way related to the reliance on, acceptance or use of the Needs Assessment Report or its contents by any person or entity, including, but not limited to, the aforementioned persons and entities.



NEEDS ASSESSMENT SUMMARY REPORT

NAME	Western James Bay Region Study		
LEAD	Five Nations Energy Inc.,		
REGION	Group 3 - North of Moosonee		
START DATE	March 12, 2016	END DATE	May 27, 2016

1. INTRODUCTION

The purpose of this Needs Assessment report is to undertake an assessment of the Western James Bay Region (WJB-Region) to determine if there are regional needs that would lead to coordinated regional planning. Where regional coordination is not required and a “wires” only solution is necessary such needs will be addressed among the relevant Local Distribution Companies (LDCs), FNEI and other parties as required.

For needs that require further regional planning and coordination, the Independent Electricity System Operator (IESO) will initiate the Scoping process to determine whether an IESO-led Integrated Regional Resource Planning (IRRP) process or the transmitter-led Regional Infrastructure Plan (RIP) process (wires solution) is required, or whether both are required.

2. REGIONAL ISSUES/TRIGGER

The Needs Assessment for the Western James Bay Region was triggered in response to the Ontario Energy Board's (OEB) new Regional Planning process approved in August 2013. To prioritize and manage the regional planning process, Ontario's 21 regions were assigned to one of three groups, where Group 3 (North of Moosonee) Regions are to be reviewed in 2014. Western James Bay Region belongs to Group 3 (North of Moosonee) and the Needs Assessment for this Region was triggered on March 12, 2016 and was completed on May 4, 2016.

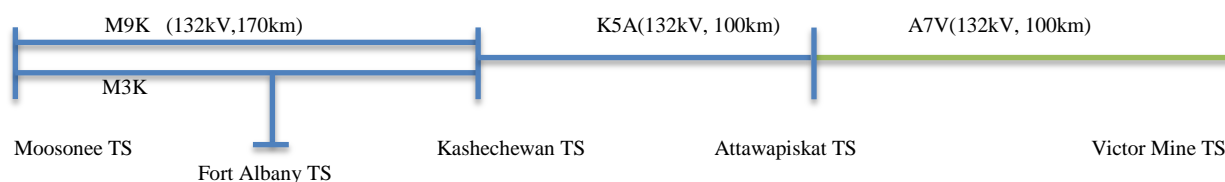
3. SCOPE OF NEEDS ASSESSMENT

The scope of this Needs Assessment was limited to the next 10 years because relevant data and information was collected up to the year 2025. Needs emerging over the near-term (0-5 years) and mid-term (6-10 years) that require coordinated regional planning should be further assessed as part of the IESO-led Scoping Assessment and/or IRRP, or in the next planning cycle to develop a 20-year plan and strategic direction for the Region.

The assessment included a review of transmission system connection facilities capacity which covers station loading, thermal and voltage analysis, system reliability, operational issues such as load restoration and asset sustainment plans.

The electricity supply to the Western James Bay region is via two single circuit 132 kV transmission lines from Moosonee TS to Kashechewan TS, Fort Albany TS tapped to one of those lines, from Kashechewan TS to Attawapiskat TS is single line. The lines are owned and operated by Five Nations Energy Inc. The area includes four transformer stations, Attawapiskat TS (132/4.16kV), Kacheshwan TS, Fort Albany TS (132kV/8.32kV) as well as single transmission line and station to service the Victor mine on the western edge of the region owned and operated by De Beers Canada.

The area includes three LDCs, Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power Corporation as well as De Beers Victor Mine.



The only generation facilities of note are communities remaining diesel generators, which are on occasion used for backup purposes. These are two 1.285MW units at Attawapiskat TS, and three 1.1MW units at Kashechewan TS. Victor Mine backup generators, is 6MW in total.

4. INPUTS/DATA (INFORMATION REQUIRED TO COMPLETE ASSESSMENT)

Study team participants, the IESO, local LDCs and FNEI provided information and input to FNEI for the Western James Bay Region. The information provided includes the following:

- Actual 2015 regional coincident peak load and historical load;
- Community development plans and forecast;
- Conservation and Demand Management (CDM) and Distributed Generation (DG) data provided by IESO;
- Any known reliability and/or operating issues conditions identified by LDCs or the IESO;
- Planned transmission and distribution investments provided by the transmitter and LDCs, etc.

As per the data provided by the study team, the net load (after conservation adjustment) is expected to grow at an average rate of 5.% annually from 2015 to 2025.

5. ASSESSMENT

The assessment's primary objective over the study period (2015 to 2025) is to identify the electrical infrastructure needs in the region. The study reviewed available information; load forecast and conducted single contingency analysis to confirm need, if and when required.

The following methodology and assumptions are made in this Needs Assessment:

1. The region typically has a winter peak; therefore this assessment is based on a winter peak load. Non-coincident forecasts by station are assumed.
2. The gross demand is used to develop a worst case scenario to identify needs; gross demand and net demand (considering conservation) are both used to determine timing of needs. All assessments are made using the non-coincident peak load.
3. Consider impact of any planned developments, including planned work on the transmission system in the area.
4. Station capacity is assessed by comparing the non-coincident peak load with the station's normal planning supply capacity by assuming a 90% lagging power factor. Normal planning supply capacity is determined by the 10-Day Limited Time Rating (LTR).

5. Transmission adequacy assessment is primarily based on the following criteria:
- With all elements in service, the system is to be capable of supplying forecast demand with equipment loading within continuous ratings and voltages within normal range.
 - With one element out of service, the system is to be capable of supplying forecast demand with circuit loading within their long-term emergency (LTE) ratings and transformers within their summer 10-Day LTR.
 - All voltages must be within pre- and post-contingency ranges as per Ontario Resource and Transmission Assessment Criteria (ORTAC).
 - The system is capable of meeting the load restoration time limits as per ORTAC criteria.

6. RESULTS

A. Connection Facilities

- Based on the demand forecast, there is sufficient capacity at all three 132kV connected load stations throughout the study period. No action is required at this time and the capacity needs will be reviewed in the next planning cycle. The 4.16kV distribution side in Attawapiskat will have to be upgraded by 2020 with an additional feeder and the 8.32 kV distribution side in Kashechewan will require an additional feeder by 2022.
- Based on the demand forecast over the study period, no overload or capacity need was identified for the loss of a single 132kV circuit in the region.
- The 132 kV side of the transformer stations in Kashechewan and Fort Albany require modifications to allow bypass options for required regular maintenance procedures. These modifications will reduce the frequency and duration of planned outages otherwise required for regular station maintenance work. These upgrades are planned to be completed in 2016.
- The secondary side of all FNEI stations also required related upgrades to reduce power outages for required regular maintenance work. These modifications included MV bus tie breaker installation as well as feeder tie disconnect switches. These feeder tie disconnect switches were installed by the respective LDC.

B. System Reliability, Operation and Restoration Review

- There are no significant system reliability and operating issues identified for one element out of service for the sections of the system where there are two or more parallel elements.
- In the case of a single line failure from Kashechewan TS to the Attawapiskat TS, the Ontario Resource and Transmission Assessment Criteria (ORTAC) restoration criteria of 8 hours (plus travel time) cannot always be met due to remoteness, lack of all-season road access and the often extreme weather conditions that accompany an unplanned outage.

C. Sustainment Replacement Plans

Sustainment activities are scheduled within the study period at the stations listed below. The new equipment ratings at these stations were considered in this need assessment. Plans to replace major equipment do not affect the needs identified based on the demand forecast.

FNEI Stations.

- Attawapiskat TS (equipment, relaying & communication)
- Kashechewan TS (equipment, relaying & communication)
- Fort Albany TS (equipment, relaying & communication)
- Moosonee Fiber shelter (communication equipment)

7. RECOMMENDATION

Based on the findings of the Needs Assessment, the study team's recommendations are that no further coordinated regional planning is required for this region at this time. FNEI will continue with planned upgrades to the transformer stations as well as planned sustainment work. The next regional planning cycle is expected to be undertaken in Q1 2021 or earlier if a new need emerges.

PREPARED BY: FNEI Operations Manager: Vladimir Govorov

2-Staff-16

Ref: Exhibit 2 / Tab 2 / Schedule 1 / pp. 1- 12 (Historic Major Capital Projects)

Question(s):

- a) Please provide the sale price to Hydro One of the 80 km of transmission line sold in 2000 (Exhibit 2 / Tab 2 / Schedule 1 / p. 1). Please advise whether the sale was made at net book value.
- b) Please provide the total depreciation on the 80 km transmission line sold to Hydro One from the sale date to the repurchase date (Exhibit 2 / Tab 2 / Schedule 1 / p. 1).
- c) Please advise whether Five Nations Energy will use the same depreciation rate for this asset as Hydro One used during the period that Hydro One owned the line (Exhibit 2 / Tab 2 / Schedule 1 / p. 1).
- d) Five Nations Energy stated that “the purchase has always been a priority for FNEI, subject to the availability of capital to complete the transaction” (Exhibit 2 / Tab 2 / Schedule 1 / p. 1). Please explain how the purchase was financed.
- e) Please advise whether the Timmins Head Office is a combined administrative / operations / storage facility (Exhibit 2 / Tab 2 / Schedule 1 / p. 3). If not, please advise as to the functions that it serves.
- f) Please provide the total space (Sq. Ft) of the Timmins Head Office (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
- g) Please provide the total land (acres) purchased for the Timmins Head Office (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
- h) Please provide the amount of inside square footage at the Timmins Head Office that is used for:
 - i. administrative functions;
 - ii. operational functions;
 - iii. storage (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).

- 1 i) Please provide the amount of outside square footage at the Timmins Head Office
2 that is available for storage (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
3
- 4 j) Please advise whether Five Nation's Energy's previous leased location was a
5 combined administrative / operations / storage facility (Exhibit 2 / Tab 2 / Schedule
6 1 / p. 3). If not, please advise as to the functions that it served.
7
- 8 k) Please provide the total space (Sq. Ft) of Five Nation's Energy's previous leased
9 location (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
10
- 11 l) Please provide the total land (acres) of Five Nation's Energy's previous leased
12 location (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
13
- 14 m) Please provide the amount of inside square footage at the Five Nation's Energy's
15 previous leased location that was used for:
16
- 17 i. administrative functions;
18 ii. operational functions;
19 iii. storage (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
20
- 21 n) Please provide the amount of outside square footage at Five Nation's Energy's
22 previous leased location that was available for storage (Exhibit 2 / Tab 2 / Schedule
23 1 / p. 3).
24
- 25 o) Please provide the total amount of: (i) space for administrative functions; (ii) space
26 for operational functions; and (iii) space for storage (inside and outside storage
27 separately) that Five Nations Energy actually requires. Please provide evidence
28 supporting the space requirements. As part of this answer, please also provide the
29 overall utilization of the Timmins Head Office (separated by function –
30 administrative, operational and storage) (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
31
- 32 p) Please provide a detailed breakdown of the costs for the Timmins Head Office (land,
33 construction, etc.) (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
34
- 35 q) Please explain how the purchase of the Timmins Head Office was financed (Exhibit
36 2 / Tab 2 / Schedule 1 / p. 3).
37

- 1 r) Please provide Five Nations Energy's total number of FTEs and the total number of
2 FTEs that work at the Timmins Head Office (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
3
- 4 s) Please show the total cost of the Timmins Head Office on a \$/FTE basis and a \$/Sq.
5 Ft. basis (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
6
- 7 t) Please provide Five Nations Energy's total number of FTEs and the total number of
8 FTEs that worked at the previous leased location (Exhibit 2 / Tab 2 / Schedule 1 / p.
9 3).
10
- 11 u) Please provide the annual cost of Five Nation's Energy's previous leased location
12 (including any maintenance costs) (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
13
- 14 v) Please provide the amount included in the general plant maintenance category
15 (\$80,000 for 2016) (Exhibit 6 / Tab 2 / pp. 2 and 7) that is for maintenance of the
16 Timmins Head Office.
17
- 18 w) Please provide the annual cost of the Timmins Head Office (on a revenue
19 requirement basis including the associated maintenance expenses) (Exhibit 2 / Tab 2
20 / Schedule 1 / p. 3).
21
- 22 x) Please provide a detailed list of all of the alternatives considered when deciding to
23 move the locations of Five Nations Energy's head office. The list should include a
24 detailed description of the alternative and rationale for not selecting the alternative
25 (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
26
- 27 y) Please provide the documentation provided by and / or provided to the Five Nations
28 Energy's Board of Directors associated with the decision to move locations of the
29 head office (Exhibit 2 / Tab 2 / Schedule 1 / p. 3).
30
- 31 z) Provide any cost-benefit analysis comparing the Timmins Head Office to other
32 alternatives (including staying at the previous leased location) (Exhibit 2 / Tab 2 /
33 Schedule 1 / p. 3).
34
- 35 aa) Five Nations Energy stated that "FNEI has self-completed the brushing work in this
36 manner during the last four winters and expects to undertake a portion of brush
37 clearing every winter on a go-forward basis." Please provide a % breakdown of the

brush clearing work that will be completed by Five Nations Energy and third-parties on a go-forward basis (Exhibit 2 / Tab 2 / Schedule 1 / p. 5).

bb) Please advise whether the proposed annual OM&A costs associated with the brush clearing activities is \$450,000. Please provide the OM&A costs separately by work that will be completed by Five Nations Energy and by third-parties (Exhibit 2 / Tab 2 / Schedule 1 / p. 5).

cc) Five Nations Energy stated that it “compared the relative benefits of (i) subcontracting out all brushing work, (ii) completing brushing work with FNEI staff and rented equipment, and (iii) completing brushing work with FNEI staff and FNEI owned equipment.” Please provide the cost-benefit analysis associated with each of the scenarios listed above (Exhibit 2 / Tab 2 / Schedule 1 / p. 5).

dd) Please provide a breakdown of the total cost of the Fort Albany Garage (land, construction, etc.) (Exhibit 2 / Tab 2 / Schedule 1 / p. 7).

ee) Please provide a detailed list of the alternatives that were considered when making the decision to construct the Fort Albany Garage. The list should include a detailed description of the alternative and rationale for not selecting the alternative (Exhibit 2 / Tab 2 / Schedule 1 / p. 7).

ff) Please discuss whether, when determining the appropriate sizing of the storage facilities that were being constructed at the Timmins Head Office, Five Nations Energy considered that in the future it may require storage space in locations other than Timmins for reliability reasons (Exhibit 2 / Tab 2 / Schedule 1 / pp. 3 & 7).

gg) What capital contribution, if any, was made by the respective LDCs for the station work associated with the Attawapiskat Third Feeder and Kashechewan Second Feeder projects? (Exhibit 2 / Tab 2 / Schedule 1 / p. 8 and 12)

hh) Please discuss the reasons that the noted ABB protective relays had internal failures (Exhibit 2 / Tab 2 / Schedule 1 / p. 10).

ii) Please provide the age of the ABB protective relays that required replacement and how many years away they were from their expected end of useful life (Exhibit 2 / Tab 2 / Schedule 1 / p. 10.).

1 **jj) Please provide a breakdown of the cost of emergency communication equipment by**
2 **community (Exhibit 2 / Tab 2 / Schedule 1 / p. 11).**

3
4 **kk) Please advise whether there have been any communication blackouts experienced**
5 **since the installation of the emergency communications systems (Exhibit 2 / Tab 2 /**
6 **Schedule 1 / p. 11).**

7
8 **Response:**

9 (a) The sale price to Hydro One of the 80 km of transmission line plus the Moosonee tapping
10 station in 2000 was \$11,000,000. The sale was made at net book value.

11 (b) The total depreciation (transmission line) was \$3,764,833.25.

12 (c) As noted in section 3.2 of the MAAD application (EB-2015-0127) seeking approval for the
13 sale of the 80 km of transmission line, the line was depreciated in accordance with HONI's
14 standard depreciation rates (although the 80 km was not in HONI's, or any other transmitter's,
15 rate base). FNEI uses OEB-approved depreciation rates for transmission line assets.

16 (d) FNEI amended and restated its existing Credit Agreement (2006) with Manulife.

17 (e) Yes. FNEI's Timmins Head Office is a combined administrative, operations and storage
18 facility.

19 (f) The total space is 7500 square feet for the Timmins Head Office.

20 (g) Five acres of land was purchased for the Timmins Head Office.

21 (h) The amount of inside square footage at the Timmins Head Office that is used for:

- 22 • administrative functions = 2370 square feet
23 • operational functions = 3230 square feet
24 • storage = 1900 square feet

25 (i) The amount of outside square footage at the Timmins Head Office that is currently available
26 for storage is 3000 square feet (gravelled section).

27 (j) FNEI's previous leased location was a combined administrative / operations / storage facility.

28 (k) The total space at FNEI's previous leased location was 800 square feet.

29 (l) FNEI leased office space in a multi-tenant building. There was no outside storage space other
30 than three parking spots.

(m) The amount of inside square footage at FNEI's previous leased location that was used for:

- administrative functions = 330 square feet
- operational functions = 390 square feet
- storage = 80 square feet

(n) There was no outside storage space at FNEI's previous leased location.

(o) The new office size was determined based on FNEI's required administrative, operation and storage needs. The space is already fully utilized. The building was designed to allow for future expansion if required. See FNEI's response to (h) above. Part of the planning for the new Head Office was driven by FNEI coming to understand its staffing needs (as outside services were moved in-house) and having a facility that accommodated the needs of its administrative and operational staff.

(p) The detailed breakdown of costs are as follows:

Land	\$250,644
Engineering & Project Management	\$520,233
Construction	\$4,085,378
TOTAL	\$4,856,255

(q) The Timmins Head Office was financed through a combination of self-financing and a mortgage (Bank of Montreal).

(r) Until the beginning of January 2017, FNEI had ten FTE all working out of the Timmins Head Office. There are currently nine FTEs, with plans to re-fill the tenth position soon. FNEI may add an eleventh employee in 2017.

(s) The cost of the Timmins Head Office on a per FTE basis is \$485,626. The cost of the Timmins Head Office on a per square foot basis (inside) is \$647.50.

(t) The number of FTEs that worked at the previous location varied from two to five over the occupancy period.

(u) For the last full year that FNEI occupied the previous location (2012), FNEI's costs were \$40,920 (rent), \$8,301 (maintenance) and \$776 (amortization of leasehold improvements).

(v) All of the \$80,000 is for maintenance of the Timmins Head Office.

(w) The annual cost of the Timmins Head Office (on a revenue requirement basis (including the associated maintenance expenses) is approximately \$500,523, broken down as follows:

OM&A:	\$80,000
Interest on mortgage:	\$70,570
amortization:	\$171,437
rate base:	\$178,516
Total:	\$500,523

(x) Timmins is a city of only 45,000 residents, and has a very limited supply of existing facilities that would have been able to meet FNEI's requirements (i.e., high security, operations including a repair and test shop, and sufficient storage room). This was FNEI's conclusion after monitoring the rental and purchase markets for existing facilities in Timmins for a period of at least two years. Over this entire time period, there was only one potential option that was considered potentially suitable; however, the facility was simply an insulated shell of a warehouse (without offices, etc.), with no land base for future expansion. FNEI's management was considering putting an offer on the facility but before a Board meeting could be convened to discuss the property, it was purchased. Based on this two year search, it became very clear that a new build was FNEI's only real option. After purchasing the current site of FNEI's Head Office, the existing building was designed based on then-current and anticipated facility needs. At the time, an engineer provided an "opinion of probable cost" indicating an estimated cost of \$2.4 million to construct. When FNEI went to tender, bids were received in the range of \$3.4 to \$5.5 million, largely due to an increase in construction demand related to a spike in gold mining activity in the region. FNEI selected the lowest cost bidder.

(y) and (z) It had been obvious to FNEI's Board of Directors that staying in the 800 square foot multi-occupant building was not an option. The process of considering and discussing options for a new head office was ongoing both formally and informally among FNEI officers, staff, external advisors and Board of Directors for years. There was no formal cost-benefit analysis done or placed before the Board. Staying in the former rental space was not an option.

(aa) FNEI thinks OEB Staff may have misunderstood the excerpted phrase in this information request. FNEI does 100% of the brush clearing on the 275 km FNEI transmission line route, and will continue to do so. The phrase "a portion of brush clearing every winter" does not refer to a plan to outsource a portion of the work, but rather refers to carrying out brush clearing on a portion (i.e., percentage) of the 275 km long route each year.

(bb) The figure of \$450,000 is confirmed, all of which will be done by FNEI (see response to (a) above).

(cc) The cost-benefit analysis associated with purchasing the brushing equipment and having FNEI staff do the work was straightforward. The cost advantages associated with purchasing the equipment and using local staff are a direct result of the location of FNEI's assets (remote).

Unlike other parts of the province, subcontracting the James Bay region can only be done on a time and materials basis. There are no local or regional crews that can be mobilized to do this work. The logistical issues associated with subcontracting add significantly to costs. FNEI estimated that renting the brushing equipment for four months (including delivery of the equipment to the region) costs the same as purchasing the equipment (which should last four seasons). In the “best case” rental scenario, FNEI would rent machines for two months every season. The “purchase” option saves approximately \$260,000 per season, and significantly more (up to \$500,000) if the winter road season is shorter than normal. Using local distribution company staff such as qualified linemen to operate the brushing machines (and hand brush around the poles) can save approximately \$135,000 in accommodation (since local crews live at home). As evidence of these cost savings, FNEI notes that it spent about 25% less per km on brushing when compared to Hydro One’s costs of brushing M3K in 2013.

(dd) The breakdown of the total cost of the Fort Albany Garage is as follows:

Materials	\$32,413.74
Freight, Travel & Accommodation	\$24,424.83
Labour & Equipment	\$57,375.88
TOTAL	\$114,214.45

(ee) The alternatives considered were as follows:

- Maintain the emergency and operations vehicle outside, which is problematic due to harsh weather conditions and vandalism. For example, vehicles had in the past had their fuel tank drilled from below to extract fuel, fuel hose cut, and windows smashed.
- Rent similar space. Fort Albany is a very small community, and a search for similar rental space had no success.
- Rent vehicles for each occasion. The difficulty with this approach is that there are no car rental establishments in Fort Albany, and there is no road connection to Fort Albany, so no guarantee that a vehicle could be found if needed in an emergency situation.

(ff) FNEI has operated the system since 2001. Of course, FNEI understands its equipment storage needs. The Timmins Head Office storage space houses equipment that is high-value or temperature sensitive, and should be stored in a higher security, heated facility. These items are transported (when required) along with an FNEI technical crew via air charter to the communities. Other equipment is more appropriately and cost-effectively transported via road to

Cochrane, train to Moosonee, and then either barge or winter road to the coastal communities.
This equipment is then normally stored at the communities at either FNEI or LDC facilities.

(gg) None. Each LDC was responsible for distribution system related work up to the station fence.

(hh) and (ii) The normal life span of digital relays is 12 years, although a typical warranty (including that of ABB) is a five year initial warranty (with a five year purchased extension). It is recommended that relays be replaced after 12 years of service. Some relays which were originally commissioned in 2001 and 2002 started to have intermittent communication problems. Based on this, FNEI anticipates all old relays over three years.

(jj) Please see below:

Attawapiskat	Kashechewan	Fort Albany
\$36,576.45	\$36,576.45	\$36,576.45

(kk) There have been none.

2-Staff-17

**Ref: Exhibit 2 / Tab 2 / Schedule 1 / pp. 13- 20 (Proposed Major Capital Projects)
Exhibit 2 / Tab 2 / Schedule 1 / Appendix I**

Preamble:

Five Nations Energy provided a list of three major capital projects that it proposes to complete in the test year and forecast period (2016-2020). The total cost of the proposed major capital projects is \$5.36 million. None of the listed major capital projects are expected to conclude later than 2017.

Five Nations Energy proposed 2016 capital expenditures of \$2.12 million.

Question(s):

- a) **For each of the proposed major capital projects, please provide a breakdown of spending by year.**
- b) **For the proposed major capital projects that are already under construction, please provide the amount spent to date and the amount remaining to be spent.**
- c) **For 2016, please provide all of the projects (listed individually) that comprise the \$2.12 million of proposed capital spending (Exhibit 2 / Tab 2 / Schedule 1 / Appendix I). Please update the 2016 capital spending amount if the actual spending was different than what is proposed in the application.**
- d) **Please discuss any capital projects that Five Nations Energy is planning to undertake during the 2017-2021 period. If there are projects over that period, please provide detailed information for each project. If there are no forecast projects, please provide rationale. Please also provide a detailed capital budget for 2017 (similar to what is requested in part (c) above).**
- e) **Currently, when Five Nations Energy performs maintenance work on a transformer station does it result in an outage (Exhibit 2 / Tab 2 / Schedule 1 / p. 13)?**
- f) **Are there switches capable of opening under load at Five Nations Energy's stations that could be used to isolate equipment? If so, could the switches be used as an alternative to installing breakers?**

- g) Please provide a single-line diagram of each of the three stations both before and after the proposed bus isolation project (Exhibit 2 / Tab 2 / Schedule 1 / p. 13).
- h) Please discuss the health and safety requirements that are being met through the Transformer Station Stone Replacement project (Exhibit 2 / Tab 2 / Schedule 1 / p. 15).
- i) Please advise whether Five Nations Energy would be willing, for its next rebasing application, to complete a review of North American transmitters to determine whether there are any transmission utilities that could form part of a peer group for the purposes of developing a cost benchmarking study (or utility cost comparison) (Exhibit 2 / Tab 2 / Schedule 1 / p. 18 Updated).

Response:

(a) and (b)

Project	2014	2015	2016	Total to Date	Forecast
Bus Isolation	\$343,878	\$1,016,864	\$1,614,203	\$2,974,945	\$1,000,000
Tx Stn Stone Replacement	\$227,220	\$135,543	\$45,696	\$408,459	\$150,000
Back-up Gens at Fibre Shelters	NIL	\$113,068	\$145,470	\$258,538	NIL

(c) Please see attached.

(d) Please see table attached. In terms of planned or potential capital projects after 2017, there are several projects currently being considered including: (a) a battery replacement project in each control room at each of FNEI's three stations; (b) twinning the line from Kashechewan to Attawapiskat; (c) replacement of brush clearing equipment; and (d) replacement of aging equipment for the fibre optic system. As FNEI's system begins to age, FNEI anticipates that its capital expenditures will be less predictable than it has been in the earlier years of FNEI's operations. With respect to item (b) above, this would be a significant capital expenditure (roughly estimated at \$35 million), for which FNEI would need to start to set aside funds.

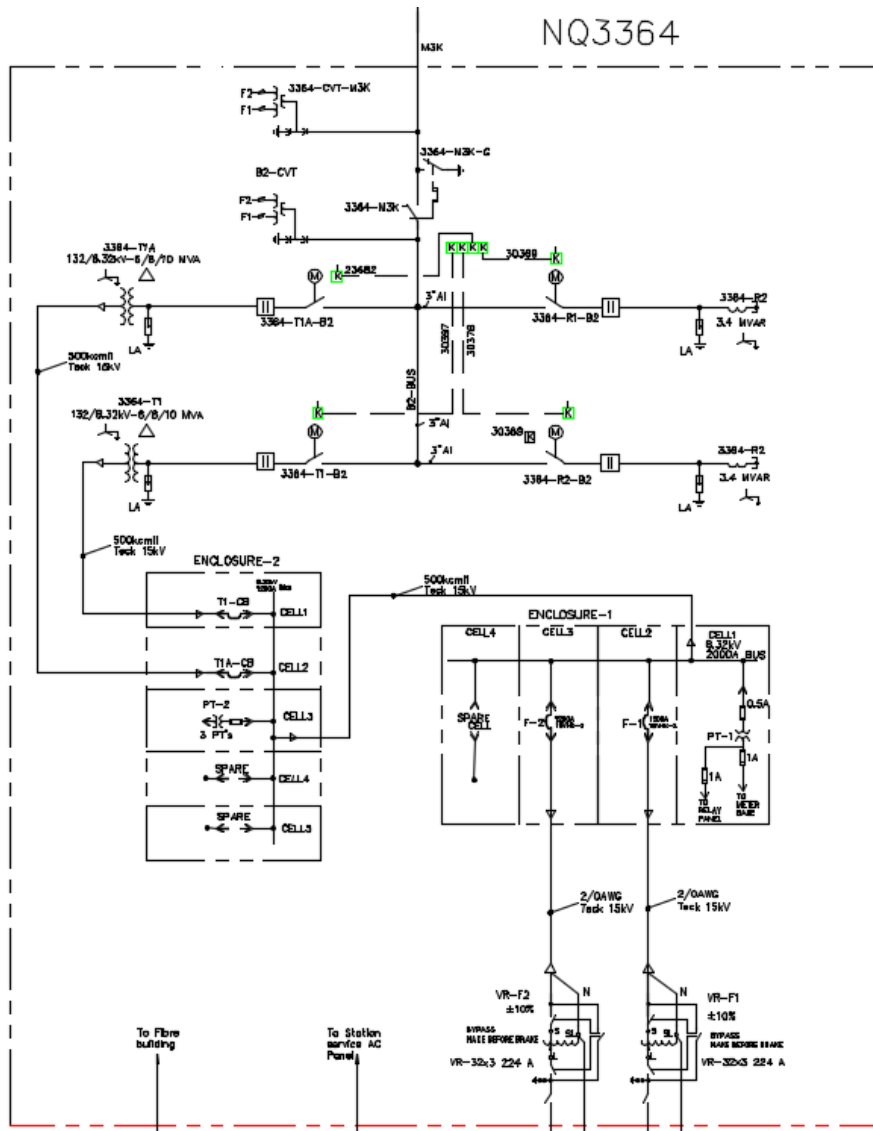
(e) Yes. Certain testing and maintenance activities are performed with less frequency than FNEI would prefer, because such activities would require significant outages in the communities. Upon completion of the Bus Isolation Project, certain maintenance activities will still require

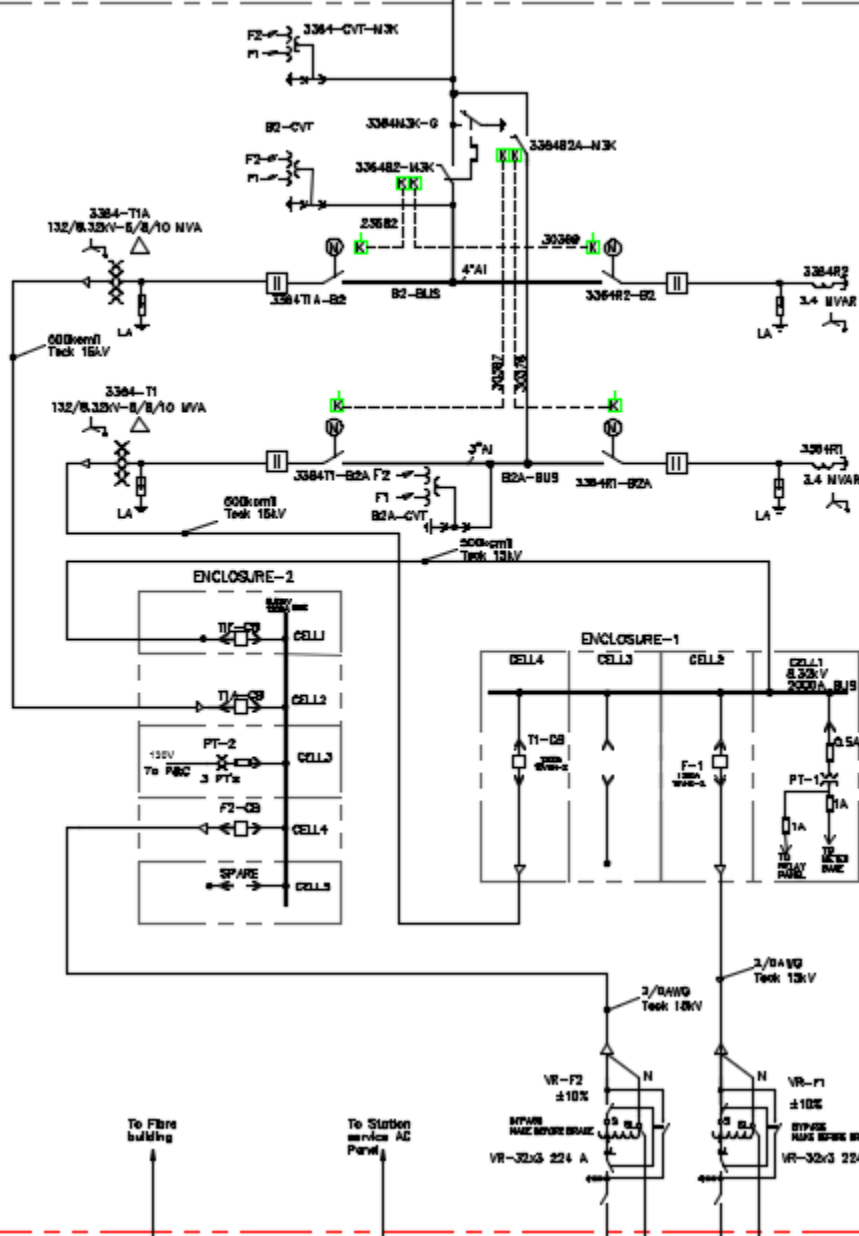
1 outages, but the frequency and duration of such outages will be greatly reduced and in-line with
2 FNEI's CDPPS.

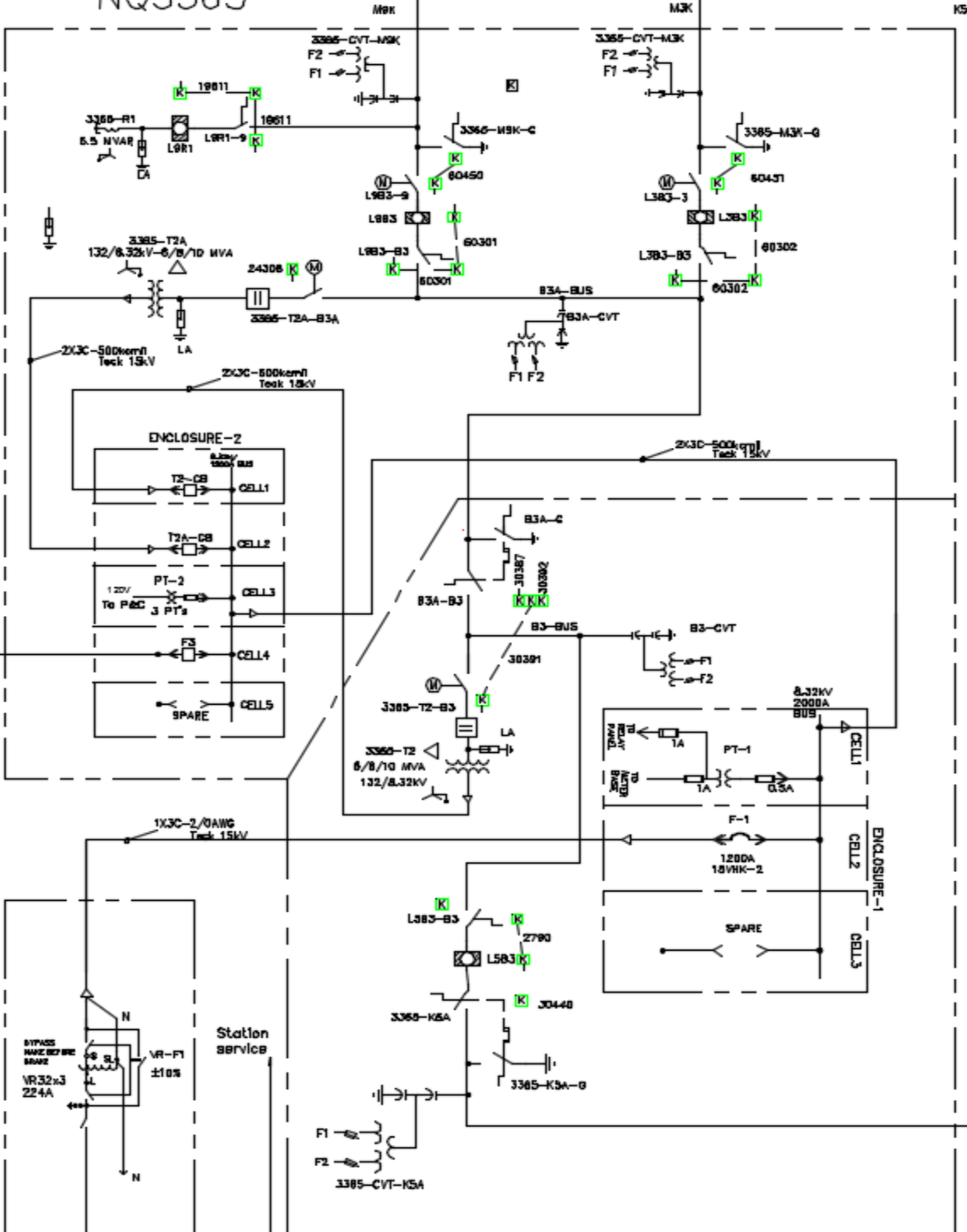
3 (f) Load break switches and breakers have separate and unique functions, and are not
4 interchangeable. Prior to the completion of the Bus Isolation Project there was only one bus, or
5 pathway as it were, for electricity to go through the station. All equipment was connected to this
6 one pathway. It was not physically possible to disconnect equipment from this one pathway to
7 allow maintenance work to be done without shutting down the entire pathway of electricity
8 through the station. With the completion of the Bus Isolation Project, a separate parallel pathway
9 for electricity has been created allowing individual pieces of equipment to be disconnected and
10 isolated while still allowing the electricity to flow through the station. The purpose of the Bus
11 Isolation Project is to provide an alternative path of electricity through the station.

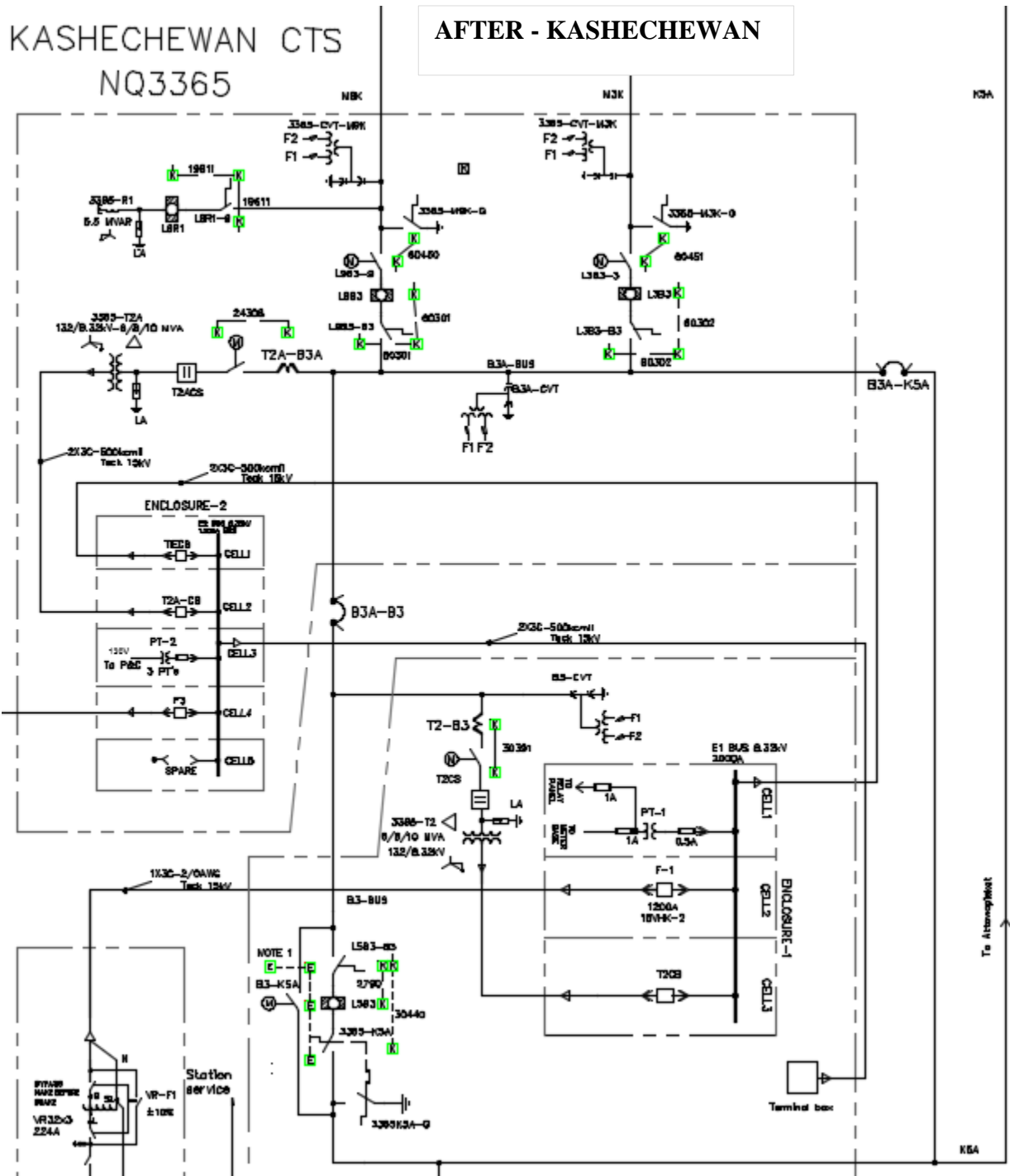
12 (g) Below are the single-line diagrams for the Kashechewan and Fort Albany stations (both
13 before and after the proposed bus isolation project). Work on Attawapiskat is not complete yet.

14 **BEFORE – FORT ALBANY**









1

- 2 (h) To maintain the original project step and touch voltages, clean gravel is required within the
- 3 station yards (i.e., free from dust and fill between the stone). The stone must also meet certain
- 4 insulation and thickness requirements. Asphalt is not available in the communities (location,
- 5 remoteness), and the stations are generally exposed to the elements (allowing for dust and mud to

1 transfer to the yards, as is typical. Over time, the yard stone degraded and contaminated, which
2 triggered health and safety concerns (dust in between the yard stone is a conductor of electricity).
3 FNEI washed the existing stone and added additional new stone, with testing of the stone carried
4 out at the Kinetrics lab.

5 (i) It is not a question of willingness. In terms of physical asset considerations, FNEI does not
6 believe a comparable transmitter exists. There may be similar sized transmitters in North
7 America, but FNEI is not aware of any with FNEI's ownership structure (aboriginal, non-profit),
8 customer make-up (three small, fly-in only First Nation communities and one large diamond
9 mine), geography (swampy muskeg), harsh climate, and the inability to access its transmission
10 line via land outside of a handful of weeks each year (in the coldest part of a harsh winter).

11

1

2

ATTACHMENT 17(c)

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2016 Budget	2016 Actual
Bus Isolation Project (\$4.5MM)	1,500,000	1,614,202.97
Brushing equipment for the pole line (Two Units)	180,000	180,371.11
Station Fence extension, storage	120,000	180,739.47
Stone replacement substation sites (1 sub./ year)	100,000	45,696.42
Fibre Shelters Backup Generators	50,000	145,469.55
Spare MV Regulators (1 set per year/3 yr plan)	35,000	
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	30,000	10,344.79
Two new pickup trucks (replacement)	30,000	2,938.60
Oil Preservation System	25,000	37,323.42
Albany Garage (FAPC Yard)		3,738.69
Battery replacement		83,609
New Office Building		13,358.05
PLCC spare module		13,656
Station Emergency Communications upgrades		12,342.17
Subtotal Capital Projects Budget:	2,070,000	2,343,790.24
Misc Capital Budget Items Total Not to Exceed \$50,000		
Station Equipment	10,000	3,853.85
Poles and Fixtures	10,000	1,996.70
Overhead Conductors and Devices	10,000	735.47
Office Furniture and Equipment		1,706.41
Computer Equipment-Hardware	15,000	8,849.98
Tools, Shop and Garage Equipment	5,000	
Subtotal Misc. Capital Budget:	50,000	17,142.41
Total Annual Capital Budget:	2,120,000	2,360,932.65

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ATTACHMENT 17(d)

Five Nations Energy Inc.
Annual Capital Expenditure Budget

Capital Projects	2017 Budget
Bus Isolation Project (\$4.5MM)	1,000,000
Accommodations in Kashechewan	250,000
Station Fence extension, storage	150,000
Attawapiskat Feeder 4	150,000
Two new pickup trucks (replacement)	50,000
M9K spare structure	50,000
PLCC spare module	50,000
Tools etc. - Testing Equipment(Doppler, Relay, etc.)	25,000
Server replacement FA-1 Kash-2 Atta - 2	15,000
Oil Preservation System	10,000
Subtotal Capital Projects Budget:	1,750,000
Misc Capital Budget Items Total Not to Exceed \$50,000	
Station Equipment	10,000
Poles and Fixtures	10,000
Overhead Conductors and Devices	10,000
Office Furniture and Equipment	3,000
Computer Equipment-Hardware	10,000
Tools, Shop and Garage Equipment	2,000
Subtotal Misc. Capital Budget:	45,000
Total Annual Capital Budget:	1,795,000

Exhibit 3 – Rate Base

3-Staff-18

**Ref: Exhibit 3 / Tab 1 / Schedule 1
Exhibit 3 / Tab 1 / Schedule 1 / Appendix I
Exhibit 3 / Tab 1 / Schedules 2-9**

Preamble:

Five Nations Energy stated that its proposed rate base for 2016 is calculated based on its gross Property, Plant & Equipment (PP&E) (based on the average of the test year monthly asset values at cost) less accumulated depreciation plus an allowance for working capital.

Question(s):

- a) **Please advise whether Five Nations Energy used the average of monthly asset values at cost methodology for determining its rate base in its last rebasing application (Exhibit 3 / Tab 1 / Schedule 1 / p. 1).**
- b) **Please advise whether both the gross PP&E and accumulated depreciation are calculated on the basis of an average of monthly average balances or an average of monthly closing balances for the purposes of calculating rate base. Please provide rationale supporting the proposed methodology and explain the difference between the two methodologies (Exhibit 3 / Tab 1 / Schedule 1 / p. 1).**
- c) **Please advise whether the schedules showing “asset values at cost” reflect gross PP&E. Please advise whether the asset values at cost amounts have been reduced in situations where a portion of the asset class has been fully depreciated (Exhibit 3 / Tab 1 / Schedules 2-9).**
- d) **Please explain the heading in a number of tables included as part of Exhibit 3 / Tab 1 / Schedules 2-9 that state, “Property, Plant & Equipment – Average of Opening & Closing Balances.” Please advise whether this heading is incorrect and the summary schedules (as part of Exhibit 3 / Tab 1 / Schedules 2-9) actually reflect the average of monthly balances for gross PP&E, accumulated depreciation and the resulting net fixed assets.**

1 e) Please file updated versions of the tables set out at Exhibit 3 / Tab 1 / Schedule 1 /
2 Appendix I and Exhibit 3 / Tab 1 / Schedule 9 using actual 2016 PP&E and
3 depreciation amounts.
4

5 f) Please explain why the amounts set out in the Inventory of Assets for PP&E,
6 Accumulated Amortization and Net Book Value as of December 31, 2012 (Exhibit 2
7 / Tab 1 / Schedule 2) do not align with the amounts set out in Exhibit 3 / Tab 1 /
8 Schedule 1 / Appendix I for 2012. Please reconcile the two schedules.
9

10
11 **Response:**

12 (a) Yes.

13 (b) FNEI uses the average of the monthly closing balances. Please see attached answer to IR
14 #12 from Board Staff in FNEI's last rate proceeding.

15 (c) The answer to the first question is yes. The answer to the second question is no, with the
16 exception of when FNEI did its asset componentization as part of the move to IFRS and certain
17 fully depreciated assets were removed.

18 (d) Board Staff is correct – a more appropriate heading would be “PP&E – Average of Monthly
19 Closing Balances”.

20 (e) Please see attached.

21 (f) The figures in the Inventory of Assets were the result of the asset componentization study
22 completed as part of IFRS. To explain the difference, please see Exhibit 3, Tab 1, Schedule 5,
23 last page which shows the closing balance for December 2012 of \$27,236,000 (the same as the
24 Inventory of Assets) and the \$26,850,400 (the average of the monthly closing balances).
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ATTACHMENT 18(b)

12. Ref: Ex 2/T1/S1/p.1/lines 3-6 & Filing Requirements for Transmission and Distribution Applications, May 27, 2009 (Filing Requirements")

Preamble: At the above reference, FNEI states that the methodology used for calculating rate base is "... the total of the average of the forecasted opening and closing net fixed assets". However, the schedules provided in Ex 2/T11/S1 for 2010 and other historic years suggest that gross assets (and accumulated depreciation) are calculated as an average of total assets by month. For example, the Total Asset of \$33,226 appears to be an average of total monthly asset balance in Ex 2/T11/S2/p.1 and not an average of 2010 opening and closing balances.

It also appears that FNEI's methodology for calculating asset balances and accumulated depreciation does not use December closing balance from the past year as the opening balance for the following year. For example, the December 2008 Asset balance differs from the January 2009 balance.

(a) Is Board staff's interpretation of the methodology to calculate total assets, accumulated depreciation and the approach used to determine the opening/closing balances correct? If staff's interpretation is incorrect, please clarify the approach used.

(b) Please explain why has FNEI not relied on the approach outlined in Section 2.3 of the Filing Requirements (i.e. average of opening and closing balances) to calculate total assets and accumulated depreciation?

(c) In the rate base calculations, please explain why December balances from the prior year, were not used as the opening balance for the following year. In your response, please also explain why this particular approach was used to estimate rate base, while a different approach was used to calculate the depreciation expense.

(d) Please provide a detailed description of the methodology used to calculate Total Assets, Accumulated Depreciation and Net Assets.

(e) How long has FNEI been using this approach?

(f) Please identify other distributors, transmitters or regulated entities that follow this approach.

RESPONSE

(a) Staff's interpretation of the methodology used to calculate total assets, accumulated depreciation and the approach used to determine the opening/closing balances is correct. The methodology used for calculating rate base is based on the average of the monthly closing balances. These monthly closing balances are shown in Schedule 2 of Exhibit 2, Tabs 3 through 11 for 2002 through 2010, respectively. The heading on Schedule 1 in the corresponding Tabs 3

through 11 are labelled incorrectly as "Average of Opening and Closing Balances" and should be labelled "Average of Monthly Closing Balances".

(b) The average of the opening and closing balances does not provide an accurate calculation of total assets and accumulated depreciation. This can be seen by comparing the net book value of the property, plant and equipment shown in Exhibit 2, Tab 1, Schedule 2 with the corresponding figures provided in the response to Board Staff IR 13. These two sets of figures are reproduced here for ease of comparison.

Year	Average of Monthly Closing Balances (Exhibit 2, Tab 1, Schedule 2)	Average of Opening and Closing Balances (Board Staff # 13)	Difference
2002	15,051.9	23,729.7	(8,677.8)
2003	14,224.8	16,858.6	(2,633.8)
2004	10,235.4	11,122.6	(887.2)
2005	9,679.9	9,651.8	28.1
2006	11,063.8	10,893.1	170.7
2007	12,355.7	12,487.7	(132.0)
2008	14,794.1	14,527.2	266.9
2009	17,599.8	22,371.7	(4,771.9)
2010	28,180.2	28,206.7	(26.5)

In the early years of FNEI (2002 through 2004), use of the average opening and closing balances substantially overestimates rate base. This is due to both the change in the monthly fixed assets and also due to the timing of the addition and removal of assets from rate base in these early years.

In 2009, use of the opening and closing balance methodology again overestimates rate base significantly since most of the capital expenditures placed into service in 2009 were done so in December of that year.

In the remaining years (2005, 2006, 2007, 2008 and forecast 2010) the difference between the figures produced by the two methodologies is relatively small. This reflects the low level of capital expenditures in these years and the timing of when the assets were put into service.

(c) As explained above, rate base has been calculated using the average of the monthly closing balances. As a result the January monthly figure used in the calculation is equal to the December closing balance, plus any additions or deletions from rate base that took place in the month of January. Because accumulated depreciation at the end of January is higher than it was at the end of the previous December, the January figure has been lower than the December figure in five out of the 8 years from 2003 through 2010 including the 2010 test year (Schedule 2 of Exhibit 2, Tabs 3 through 11).

FNEI is not clear by what is meant a different approach was used to calculate the depreciation expense from the approach used to estimate rate base. The accumulated depreciation used in the calculation of rate base is equal to the accumulated depreciation at the end of the previous year, plus depreciation for the current year plus any adjustments as shown in Exhibit 4, Tab 3, Schedule 3. These schedules show that the opening and closing balances are consistent with the corresponding figures shown in Schedule 2 of Exhibit 2, Tabs 3 through 11.

FNEI calculates its depreciation expense on a monthly basis based on all assets in service at the end of the month. The depreciation expense calculation shown in Exhibit 4, Tab 3, Schedule 3 is consistent with this approach. More detail is provided in the response to Board Staff IR 13.

(d) Total assets is the cost of all assets in service and is calculated on a monthly basis. Accumulated depreciation is also calculated monthly and is the sum of all depreciation expenses for previous months and the current month, net of adjustments to reflect the disposal of assets to that point in time. Net assets is the difference between total assets and accumulated depreciation.

(e) Since its inception as a corporation.

(f) FNEI is aware that the regulated natural gas distributors in Ontario use a similar approach to calculate the property, plant and equipment component of rate base. Rather than using an average of the monthly closing balances, they use an average of the average monthly balances methodology. Mathematically this is very similar to the method used by FNEI. Both methodologies use the closing balance figures for January through November. The difference between the two methodologies is that the average of the monthly average approach uses one-half the current December closing balance and one-half of the previous December closing balance as compared to the current December closing balance only used in the FNEI approach.

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ATTACHMENT 18(e)

FIVE NATIONS ENERGY INC.

Numerical Summary of Rate Base
(\$000's)

	<u>Board Approved</u> <u>EB-2009-0387</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Property, Plant & Equipment</u>								
Asset Values at Cost	33,226.0	33,123.7	33,450.1	34,253.3	35,767.0	39,164.5	41,634.1	47,619.9
Accumulated Depreciation	<u>5,045.8</u>	<u>5,038.5</u>	<u>6,211.0</u>	<u>7,402.9</u>	<u>8,265.7</u>	<u>9,306.6</u>	<u>10,537.0</u>	<u>11,887.8</u>
Net Book Value	28,180.2	28,085.2	27,239.1	26,850.4	27,501.2	29,858.0	31,097.0	35,732.1
<u>Allowance for Working Capital</u>								
Working Cash Allowance	<u>503.2</u>	<u>462.3</u>	<u>484.4</u>	<u>456.9</u>	<u>495.0</u>	<u>513.9</u>	<u>561.2</u>	<u>135.5</u>
Total Working Capital	<u>503.2</u>	<u>462.3</u>	<u>484.4</u>	<u>456.9</u>	<u>495.0</u>	<u>513.9</u>	<u>561.2</u>	<u>135.5</u>
Utility Rate Base	28,683.5	28,547.5	27,723.5	27,307.3	27,996.2	30,371.9	31,658.2	35,867.6

	<u>Variance</u> <u>2010 vs. B.A.</u>	<u>Variance</u> <u>2011 vs. 2010</u>	<u>Variance</u> <u>2012 vs. 2011</u>	<u>Variance</u> <u>2013 vs. 2012</u>	<u>Variance</u> <u>2014 vs. 2013</u>	<u>Variance</u> <u>2015 vs. 2014</u>	<u>Variance</u> <u>2016 vs. 2015</u>
<u>Property, Plant & Equipment</u>							
Asset Values at Cost	(102.3)	326.4	803.2	1,513.7	3,397.6	2,469.5	5,985.9
Accumulated Depreciation	(7.3)	<u>1,172.4</u>	<u>1,191.9</u>	<u>862.9</u>	<u>1,040.9</u>	<u>1,230.4</u>	<u>1,350.8</u>
Net Book Value	(95.0)	(846.1)	(388.7)	650.8	2,356.7	1,239.1	4,635.1
<u>Allowance for Working Capital</u>							
Working Cash Allowance	(41.0)	<u>22.1</u>	<u>(27.5)</u>	<u>38.1</u>	<u>18.9</u>	<u>47.3</u>	<u>(425.7)</u>
Total Working Capital	(41.0)	<u>22.1</u>	<u>(27.5)</u>	<u>38.1</u>	<u>18.9</u>	<u>47.3</u>	<u>(425.7)</u>
Utility Rate Base	(136.0)	(824.0)	(416.2)	688.9	2,375.6	1,286.4	4,209.4

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - Average of Opening & Closing Balances - 2016
(\$000's)

<u>Asset Class</u>	<u>Gross Property Plant & Equip.</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
1608 - Franchises & Consents	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	1,021.1	3,410.3
1710 - Leasehold Improvements	0.0	0.0	0.0
1715 - Station Equipment	31,518.1	7,516.8	24,001.3
1720 - Towers and Fixtures	0.0	0.0	0.0
1725 - Poles and Fixtures	50,928.4	16,833.2	34,095.1
1730 - Overhead Conductors & Devices	20,441.0	5,844.8	14,596.2
1735 - Underground Conduit	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0
1908 - Buildings and Fixtures	5,098.3	635.6	4,462.8
1910 - Leasehold Improvements	0.0	0.0	0.0
1915 - Office Furniture & Equipment	62.1	50.4	11.7
1920 - Computer Equipment - Hardware	100.5	79.2	21.3
1925 - Computer Software	10.0	9.4	0.6
1930 - Transportation Equipment	664.6	277.4	387.2
1935 - Stores Equipment	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	486.5	402.2	84.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0
1950 - Power Operated Equipment	399.5	95.6	303.9
1955 - Communication Equipment	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,771.1)	(20,877.8)	(45,893.3)
2005 - Property Under Capital Leases	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	47,619.9	11,887.8	35,732.1

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

<u>Asset Values at Cost</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4	4,431.4
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	30,338.4	30,593.3	30,991.1	31,088.8	31,137.1	31,277.3	31,653.8	31,963.3	32,184.2	32,224.3	32,352.6	32,413.0	31,518.1
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	50,926.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.5	50,928.4
1730 - Overhead Conductors & Devices	20,440.4	20,440.4	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.2	20,441.1	20,441.0
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	5,093.9	5,093.9	5,093.9	5,093.9	5,093.9	5,098.0	5,098.0	5,098.0	5,098.0	5,098.0	5,110.1	5,111.0	5,098.3
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	63.7	62.1
1920 - Computer Equipment - Hardware	94.2	97.4	97.4	99.0	99.0	100.3	103.0	103.0	103.0	103.0	103.0	103.0	100.5
1925 - Computer Software	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
1930 - Transportation Equipment	659.7	662.4	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	665.3	664.6
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	477.6	479.1	486.9	487.0	487.0	487.0	487.9	487.9	487.9	490.1	490.1	490.1	486.5
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	366.2	366.2	366.2	366.2	371.4	371.4	371.4	371.4	371.4	371.4	548.4	551.8	399.5
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,768.6)	(66,798.6)	(66,771.1)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Assets	46,382.2	46,646.5	47,055.9	47,155.2	47,208.8	47,354.3	47,734.5	48,044.0	48,265.0	48,307.2	48,624.6	48,661.0	47,619.9

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

<u>Accumulated Depreciation</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Average</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	961.4	972.3	983.1	994.0	1,004.8	1,015.7	1,026.5	1,037.4	1,048.2	1,059.1	1,069.9	1,080.8	1,021.1
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	7,089.6	7,165.3	7,241.1	7,318.5	7,395.8	7,473.2	7,553.2	7,633.1	7,713.0	7,792.9	7,872.9	7,952.8	7,516.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	16,244.8	16,351.8	16,458.8	16,565.8	16,672.8	16,779.7	16,886.7	16,993.7	17,100.7	17,207.7	17,314.6	17,421.6	16,833.2
1730 - Overhead Conductors & Devices	5,671.4	5,702.9	5,734.5	5,766.0	5,797.5	5,829.0	5,860.6	5,892.1	5,923.6	5,955.1	5,986.7	6,018.2	5,844.8
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	549.5	565.1	580.8	596.5	612.1	627.8	643.4	659.1	674.7	690.4	706.0	721.7	635.6
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	49.3	49.5	49.7	49.9	50.1	50.3	50.5	50.6	50.8	51.0	51.2	51.4	50.4
1920 - Computer Equipment - Hardware	72.9	73.9	74.9	76.0	77.1	78.3	79.6	80.9	82.2	83.5	84.8	86.1	79.2
1925 - Computer Software	9.1	9.1	9.2	9.2	9.3	9.3	9.4	9.4	9.5	9.5	9.6	9.7	9.4
1930 - Transportation Equipment	254.0	261.2	245.6	253.5	261.5	269.4	277.4	285.3	293.3	301.2	309.2	317.1	277.4
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	380.7	385.4	389.5	392.1	394.7	397.3	402.2	407.1	412.1	417.0	421.9	426.8	402.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	79.4	82.0	84.6	87.6	90.7	93.8	96.9	100.1	103.2	106.4	109.5	112.6	95.6
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(20,121.5)	(20,259.0)	(20,396.5)	(20,534.0)	(20,671.5)	(20,809.0)	(20,946.5)	(21,084.0)	(21,221.5)	(21,359.0)	(21,496.5)	(21,634.0)	(20,877.8)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Accumulated Depreciation	11,240.5	11,359.5	11,455.2	11,575.1	11,695.0	11,814.8	11,939.8	12,064.8	12,189.8	12,314.8	12,439.7	12,564.7	11,887.8

FIVE NATIONS ENERGY INC.

Property, Plant & Equipment - 2016
(\$000's)

Net Fixed Asset Values	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Average
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	3,470.0	3,459.1	3,448.3	3,437.4	3,426.6	3,415.7	3,404.9	3,394.0	3,383.2	3,372.3	3,361.5	3,350.6	3,410.3
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	23,248.8	23,427.9	23,750.1	23,770.4	23,741.3	23,804.0	24,100.6	24,330.2	24,471.2	24,431.3	24,479.8	24,460.2	24,001.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	34,681.7	34,576.7	34,469.7	34,362.8	34,255.8	34,148.8	34,041.8	33,934.8	33,827.9	33,720.9	33,613.9	33,506.9	34,095.1
1730 - Overhead Conductors & Devices	14,769.0	14,737.4	14,706.7	14,675.2	14,643.6	14,612.1	14,580.6	14,549.1	14,517.5	14,486.0	14,454.5	14,422.9	14,596.2
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,544.4	4,528.8	4,513.0	4,497.4	4,481.7	4,470.2	4,454.5	4,438.9	4,423.2	4,407.6	4,404.0	4,389.3	4,462.8
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	12.7	12.5	12.3	12.1	11.9	11.7	11.5	11.3	11.1	10.9	10.7	12.2	11.7
1920 - Computer Equipment - Hardware	21.3	23.5	22.5	22.9	21.8	22.0	23.5	22.2	20.9	19.6	18.2	16.9	21.3
1925 - Computer Software	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.6
1930 - Transportation Equipment	405.7	401.2	419.8	411.8	403.9	395.9	388.0	380.0	372.1	364.1	356.2	348.2	387.2
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	96.9	93.7	97.3	94.8	92.2	89.6	85.7	80.8	75.9	73.1	68.2	63.3	84.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	286.8	284.2	281.6	278.5	280.7	277.6	274.5	271.4	268.2	265.1	438.9	439.2	303.9
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(46,647.1)	(46,509.6)	(46,372.1)	(46,234.6)	(46,097.1)	(45,959.6)	(45,822.1)	(45,684.6)	(45,547.1)	(45,409.6)	(45,272.1)	(45,164.6)	(45,893.3)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Fixed Assets	35,141.7	35,287.0	35,600.7	35,580.1	35,513.8	35,539.5	35,794.7	35,979.2	36,075.2	35,992.4	36,184.9	36,096.3	35,732.1

3-Staff-19

Ref: Exhibit 3 / Tab 2 / Schedule 2

Question(s):

- a) Please advise whether Five Nations Energy's capitalization policy has changed since its last rebasing. If so, please describe each change and provide rationale for the change.

Response:

(a) No.

Exhibit 4 – Service Quality and Reliability

4-Staff-20

**Ref: Exhibit 4 / Tab 1 / Schedule 1
Exhibit 4 / Tab 1 / Schedule 1 / Appendix I**

Question(s):

- a) Does Five Nations Energy agree to adopt the final approved Hydro One performance scorecard (EB-2016-0160) with certain adjustments to reflect the differences between the two transmitters?**
- b) Does Five Nations Energy agree to undertake to file a proposed performance scorecard as part of the current proceeding after the OEB issues its decision on the performance scorecard issue in Hydro One's rates proceeding (EB-2016-0160)? The proposed scorecard should reflect the final approved performance scorecard for Hydro One with the adjustments that Five Nations Energy considers appropriate (as discussed at Exhibit 4 / Tab 1 / Schedule 1).**
- c) Please populate the Hydro One proposed scorecard (Exhibit 4 / Tab 1 / Schedule 1 / Appendix I) with the information that is relevant to Five Nations Energy. Please populate the measures that Five Nations will consider for its own proposed performance scorecard. For the measures that Five Nations Energy does not intend to include in its own performance scorecard, please provide a specific explanation for each measure.**

Response:

(a) It is FNEI's understanding that the Board has not yet issued its final decision in EB-2016-0160 (including its decision on the performance scorecard). Without this, and without knowing what adjustments Board staff has in mind (i.e., whether they would be different from the four bulleted items provided by FNEI at Exhibit 4/Tab 1/Schedule 1), it is difficult to provide a useful response to this interrogatory.

(b) FNEI would be willing to file a proposed performance scorecard as part of this proceeding after the Board issues its decision in EB-2016-0160.

(c) Please see attached.

Proposed Transmission Regulatory Scorecard – Five Nations Energy Inc.

Performance Outcomes	Performance Categories	Measures	Historical Years						
			2011	2012	2013	2014	2015	2016	Trend
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality								
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Incident Rate (# of recordable injuries)	0	0	0	0	0	0	-
	System Reliability	SAIFI (Ave. # Interruptions per Delivery Point – FNEI Only)	0.50	1.00	1.50	0.00	3.00	2.30	▼
		SAIFI (Ave. # Interruptions per Delivery Point – System)	2.50	1.00	3.50	2.00	6.00	9.30	▲
		SAIDI (Ave. Minutes of Interruptions per Delivery Point – FNEI Only)	8.0	60.0	109.3	0.0	530.2	71.8	▼
		SAIDI (Ave. Minutes of interruptions per Delivery Point – System)	1395.0	60.0	2387.1	1537.3	2361.1	780.7	▼
Public Policy Responsiveness Transmitters deliver on obligations mandated by government.	Regional Infrastructure	Regional Infrastructure Planning progress - % Deliverables met	N/A	N/A	N/A	N/A	N/A	100	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.924	1.471	1.639	2.106	2.786	1.918	
		Leverage: Total Debt (includes short-term & long-term debt) to Equity Ratio	1.75	2.13	2.19	2.67	1.86	1.97	
		Profitability: Regulatory	9.50	9.50	9.50	9.50	9.50	9.50	
		Deemed (included in rates) (%)							
		Return on Equity	8.58	9.28	8.52	6.50	3.57	0.87	
		Achieved (%)							

Legend:

- ▲ up
- ▼ down
- flat

4-Staff-21

Ref: Exhibit 4 / Tab 1 / Schedule 2

Question(s):

a) Please explain the increase in the number of interruptions and the duration of interruptions as between 2014 and 2015.

b) If available, please update the SAIDI and SAIFI information provided at Exhibit 4 / Tab 1 / Schedule 2 to reflect 2016 actuals.

Response:

(a) The table below shows all unplanned FNEI outages for 2014 and 2015. Most outages, as explained in the evidence, were due to Hydro One assets south of Moosonee, which FNEI does not control.

Date	Line affected by outage	Duration minutes	Comment
16/04/2014	T7M, M9K, M3K, K5A, A7V	54	Hydro One Pinard station outage
07/06/2014	T7M, M9K, M3K, K5A, A7V	1484	Hydro One T7M Broken insulator
06/08/2014	A7V	525	FNEI A7V disconnect planned maintenance
14/09/2014	T7M, M9K, M3K, K5A, A7V	604	Hydro One T7M repairs
17/09/2014	F1 and F2	57	FNEI cable relocation
04/03/2015	T7M M3K M9K K5A A7V Trip		Hydro One T7M Fault
03/04/2015	T7M M3K M9K K5A A7V Trip	409	Hydro One T7M Fault
03/05/2015	T7M M3K M9K K5A A7V Trip	1384	Hydro One T7M Fault - Power Restored 04.05.2015
18/05/2015	K5A Trip (ZM1 - Trip)	993	FNEI 66.113km (66%) from NQ3365 (L5B3) freezing rain

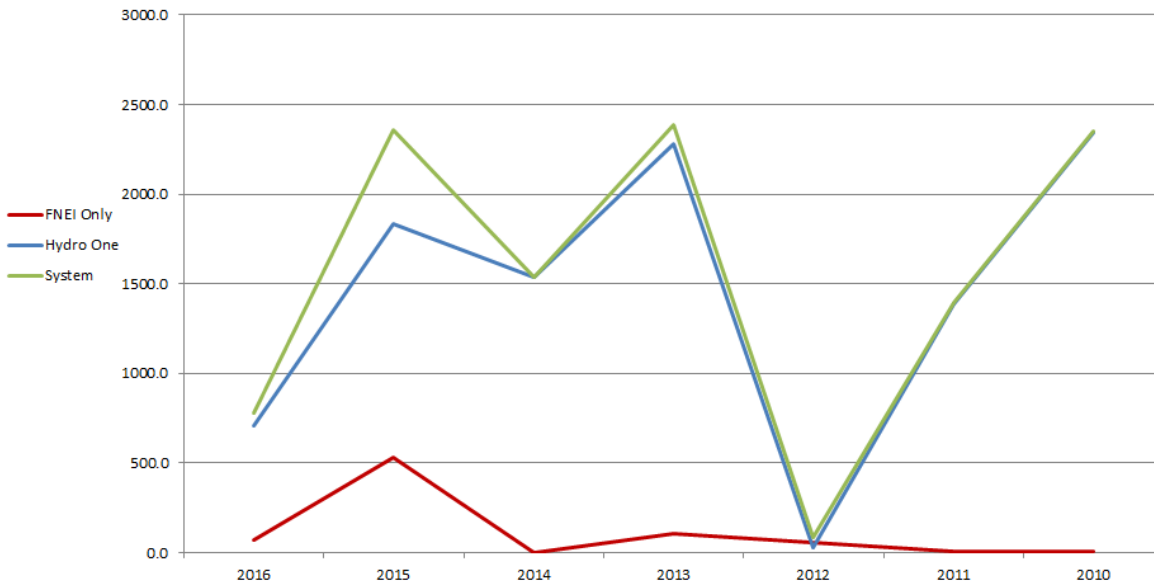
28/06/2015	M3K (ZM1 - Trip)	6	FNEI 101.278km (60%) from NQ3365
02/07/2015	M3K trip (ZM1 - Trip)	28	FNEI 45.961km (27%) from NQ3365
21/07/2015	M3K Trip (ZM5 - Start), Moose Trip	30	FNEI 10.993 km (6.466 %) from L3B3 – NQ3365
03/09/2015	M3K Trip From Moosonee	11	FNEI M9K is out of service, H1 fault read- 98 km north from Moosonee
08/11/2015	K5A Trip (ZM1 - Trip)	8	FNEI L2-N Fault, 75.14km from L5B3

1

2 (b) See below.

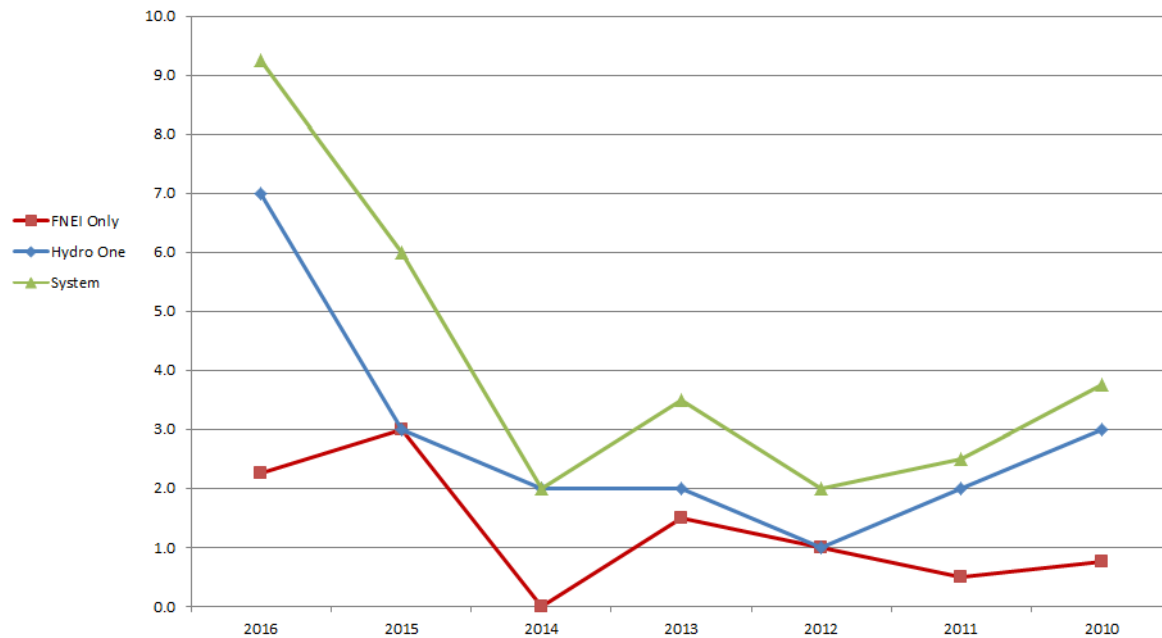
3

System Average Interruption Duration Index - SAIDI (Forced Sustained) FNEI, Hydro One & System



4

**System Average Interruption Frequency Index - SAIFI (Forced Sustained) FNEI,
Hydro One & System**



1

2

Exhibit 5 – Operating Revenue

5-Staff-22

**Ref: Exhibit 5 / Tab 1 / Schedule 1
Exhibit 5 / Tab 1 / Schedule 2**

Question(s):

- a) Please summarize and file the DeBeers' cost recovery agreement (Exhibit 5 / Tab 1 / Schedule 1 / pp. 1-2).
- b) Please provide the amount of revenue earned each year, on an actual basis, during the 2010-2016 period related to the DeBeers' cost recovery agreement (Exhibit 5 / Tab 1 / Schedule 1 / pp. 1-2).
- c) Please provide the annual amount of miscellaneous revenue for the 2010-2016 period that was related to the OPA/IESO funds for CDM (Exhibit 5 / Tab 1 / Schedule 1 / p. 2).
- d) If available, please update the operating revenue table to reflect 2016 actuals (Exhibit 5 / Tab 1 / Schedule 2).

Response:

(a) Please see attached. The CCRA sets out the arrangement between FNEI and DeBeers Canada Inc. ("DeBeers") in respect of the then-pending connection of DeBeers' Victor Mine, including:

- detailing the specific contestable work assets to be constructed by DeBeers and the terms and conditions for their transfer to FNEI (see Schedule A and Exhibit A);
- setting out the capital contribution to be paid by DeBeers (see Exhibit B);
- outlining the cost for FNEI's connection work to accommodate the DeBeers connection (see Schedule C); and,
- requiring FNEI to keep accurate accounts and records of its costs.

(b) The actual revenues from DeBeers are as follows:

2010	2011	2012	2013	2014	2015	2016
\$101,235	\$151,728	\$91,713	\$82,289	\$70,755	\$67,468	\$65,573

(c) The actual amount of miscellaneous revenue related to the OPA/IESO funds for conservation are as follows:

2010	2011	2012	2013	2014	2015	2016
\$25,000	\$144,322	\$65,678	\$0	\$51,983	\$39,017	\$25,256

(d) The actual 2016 revenue figures are:

- Transmission Services Revenue of \$6,263,300 (versus \$6,327,100 forecast)
- Miscellaneous Service Revenue of \$90,800 (versus \$60,000 forecast)
- Gain on Dispositions of (\$1,100) (versus NIL forecast)
- Interest and Dividend Income of \$56,300 (versus \$90,000 forecast)
- TOTAL REVENUE of \$6,409,400 (versus \$6,477,100 forecast)

VICTOR MINE SITE CONNECTION

THIS CONNECTION AND COST RECOVERY AGREEMENT is made as of the 28th day of November, 2005, between De Beers Canada Inc. ("De Beers") and Five Nations Energy Inc. ("FNEI").

WHEREAS the connection of De Beers' Victor Mine Site to FNEI's transmission system requires certain work to be performed on certain connection facilities forming part of FNEI's transmission system;

AND WHEREAS to permit such connection De Beers will construct certain transmission facilities, the ownership of which shall be transferred to FNEI;

AND WHEREAS pursuant to the Transmission System Code, De Beers will pay a capital contribution to FNEI in respect of the connection to FNEI's transmission system.

THEREFORE in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by the parties, the parties agree as follows:

1. Each party represents and warrants to the other that:
 - (a) it is a corporation duly incorporated and validly subsisting in all respects under the laws of its jurisdiction of incorporation;
 - (b) it has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder;
 - (c) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated in this Agreement have been duly authorized by all necessary corporate action on its part;
 - (d) no proceedings have been instituted by or against it with respect to bankruptcy, insolvency, liquidation or dissolution;
 - (e) subject to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought, this Agreement constitutes a valid and binding obligation enforceable against it in accordance with its terms and conditions, and it is not a party to, bound or affected by or otherwise subject to any indenture, mortgage, lease, charter or by-law provision, agreement or other instrument, or any statute, rule, regulation, judgement or other order which would be violated, contravened or breached by, or under which default by it would occur as a result of, the execution of this Agreement or the compliance with and performance of any of the terms, conditions and covenants contemplated herein;
 - (f) it is registered for purposes of Part IX of the *Excise Tax Act* (Canada);
 - (g) except for (i) any approvals required pursuant to the *Ontario Energy Board Act, 1998* (Ontario), and (ii) the permits specified in Schedule "D" attached hereto, no consent, authorization or approval of, or exemption by, any governmental or public body or authority, or by any person, pursuant to statute, contract or otherwise, is required in connection with the execution and performance of this Agreement, or any of the covenants or transactions contemplated herein referred to, or the taking of any action contemplated herein.
2. **Term**
 - 2.1 The term of this Connection and Cost Recovery Agreement (the "Agreement") commences on the date first written above and terminates on the Guaranteed Revenue Date.

3. **Contestable Work Assets**

- 3.1 To complete the connection of the Victor Mine Site, De Beers will construct certain transmission facilities that are more particularly described as Contestable Work Assets. De Beers will construct and transfer title to the Contestable Work Assets to FNEI in accordance with the terms and conditions set out in Exhibit "A".

4. **Medium Risk Connection**

- 4.1 The parties acknowledge that contemporaneous to the Transfer Date Phase I, De Beers will be connected to the FNEI Facilities – HV as a load customer and the basis for the connection shall be in accordance with the terms and conditions set out in Exhibit "B". De Beers will pay on the Transfer Date Phase II, the Capital Contribution prepared in accordance with Exhibit "B".

5. **FNEI Connection Work**

- 5.1 The FNEI Connection Work be completed by FNEI by the Ready for Service Date and as such the Ready for Service Date is subject to:

- (a) any delays caused by third parties; and
- (b) all necessary approvals and permits contemplated pursuant hereto have been obtained.

- 5.2 De Beers shall pay the actual cost for the FNEI Connection Work which is estimated to be the amount specified in Schedule "C" (plus applicable taxes) in the manner specified in Schedule "C" (the "Actual Cost"). Within 10 days before the Transfer Date Phase II, FNEI shall provide De Beers with a final invoice or credit memorandum which shall indicate whether the amount already paid by De Beers for the FNEI Connection Work exceeds or is less than the Actual Cost. Any difference between the Actual Cost (plus applicable taxes) and the amount already paid by De Beers for the FNEI Connection Work shall be paid on the Transfer Date Phase II, by FNEI to De Beers, if the amount already paid by De Beers exceeds the Actual Cost (plus applicable taxes), or by De Beers to FNEI, if the amount already paid by De Beers is less than the Actual Cost (plus applicable taxes).

- 5.3 Subsection 6.6.2(d) of the Transmission System Code issued by the Ontario Energy Board on July 25, 2005 (the "Transmission System Code") references that De Beers is required to pay Ontario Energy Board-approved fees for inspection, testing and commissioning by FNEI (the "Board Approved Fees"). As FNEI does not have any Board Approved Fees as at the execution of this Agreement, De Beers shall pay the inspection, testing and commissioning fees of FNEI contemplated by and that comprise the FNEI Connection Work as invoiced by FNEI. Once FNEI has Board Approved Fees, if the amounts paid by De Beers for inspection, testing and commissioning to FNEI in respect of the FNEI Connection Work:

- (i) exceed the Board Approved Fees, FNEI shall refund the difference to De Beers (plus applicable taxes); or
- (ii) are less than the Board Approved Fees, De Beers shall pay the difference to FNEI (plus applicable taxes) in accordance with the invoice issued by FNEI.

- 5.4 FNEI shall keep proper accounts and records of all of its costs related to the Contestable Work Project, including without limitation, the FNEI Connection Work. De Beers shall have the right to audit, inspect, examine and copy FNEI's accounts and records related to the Contestable Work Project, including, without limitation, the FNEI Connection Work during regular business hours on Business Days, on not less than two Business Days' notice. FNEI shall preserve and keep available for audit, inspection, examination and copying all such accounts and records for a period not less than seven years.

6. **Inconsistency with the Transmission System Code**

- 6.1 If any provision of this Agreement is inconsistent with the Transmission System Code, the Parties agree to negotiate in good faith to replace the inconsistent provision. In the event of a Dispute (as that term is

defined in Section 11.1), the process described in Section 11.1 shall apply. At any time, including if the parties are unable to agree on a new provision or provisions to replace an inconsistent provision, De Beers shall have the right to terminate this Agreement, and if De Beers terminates the Agreement:

- (i) prior to the Ready for Service Date, Section 10.1 shall apply; and
- (ii) after the Ready for Service Date, the parties agree that the termination shall be deemed a voluntary and permanent disconnection of the Victor Mine Site from the IESO-controlled Grid and FNEI shall perform a True-Up of the Line Connection Revenue in accordance with the Transmission System Code.

6.2 Nothing contained within this Agreement shall preclude, prevent, prohibit or operate as a waiver of any of the Parties' rights to:

- (i) make application to the OEB;
- (ii) participate in any hearings before the OEB; or
- (iii) make any appeals to a court of competent jurisdiction regarding any decision by the OEB,

with respect to any matter, issue, thing, interpretation, consideration or consequence whatsoever that is related to the terms of this Agreement.

7. Events of Default

7.1 Each of the following events shall constitute an "Event of Default" under this Agreement:

- (a) failure by De Beers or FNEI to pay any amount due under this Agreement within the time stipulated for payment;
- (b) breach by De Beers or FNEI of any Material term, condition or covenant of this Agreement; or
- (c) the making of an order or resolution for the winding up of De Beers or FNEI or of its operations or the occurrence of any other dissolution, bankruptcy or reorganization or liquidation proceeding instituted by or against De Beers or FNEI.

For greater certainty, a Dispute (as defined below in Section 11.1 below) will not be considered an Event of Default under this Agreement. However, a Party's failure to comply with the terms of a settlement or resolution of a dispute by the OEB or a court of competent jurisdiction will be considered an Event of Default under this Agreement.

7.2 Upon the occurrence of an Event of Default by De Beers hereunder (other than those specified in Subsection 7.1(c) above for which no notice is required to be given by FNEI), FNEI shall give De Beers written notice of the Event of Default and allow De Beers 30 calendar days from the date of receipt of the notice to rectify the Event of Default, at De Beers' sole expense. If such Event of Default is not cured to FNEI's reasonable satisfaction within the 30 calendar day period, FNEI may, in its sole discretion, exercise the following remedy in addition to any remedies that may be available to FNEI under the terms of this Agreement, at common law or in equity: terminate this Agreement without further notice and, if FNEI terminates this Agreement after the Transfer Date Phase II, FNEI may perform a True-Up and if the Actual De Beers Load to the date of termination is less than the load in the Load Forecast and therefore has not generated the forecasted Line Connection Revenue required for the economic evaluation period, after giving De Beers at least 10 calendar days' prior written notice thereof, FNEI may recover, as liquidated damages and not as a penalty, the shortfall. FNEI will provide an invoice to De Beers in respect of any shortfall.

7.3 Upon the occurrence of an Event of Default by FNEI hereunder (other than those specified in Subsection 7.1(c) above for which no notice is required to be given by De Beers), De Beers shall give FNEI written notice of the Event of Default and shall allow FNEI 30 calendar days from the date of receipt of the notice

to rectify the Event of Default at FNEI's sole expense. If such Event of Default is not cured to De Beers' reasonable satisfaction within the 30 calendar day period, De Beers may pursue any remedies available to it at law or in equity, including at its option the termination of this Agreement.

- 7.4 All rights and remedies of FNEI and De Beers in this Agreement are cumulative and in addition to any other right or remedy otherwise available to FNEI and De Beers respectively at law or in equity, and any one or more of FNEI's and De Beers' rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy FNEI or De Beers may have or may have exercised. The parties further agree that where any of the remedies provided for and elected by the non-defaulting party are found to be unenforceable, the non-defaulting party shall not be precluded from exercising any other right or remedy available to it at law or in equity.

8. Force Majeure

- 8.1 Neither party shall be considered to be in default in the performance of its obligations under this Agreement, except obligations to make payments with respect to amounts already accrued, to the extent that performance of any such obligation is prevented or delayed by any cause, existing or future, which is beyond the reasonable control of, and not a result of the fault or negligence of, the affected party ("Force Majeure") and includes, but is not limited to, system operating conditions mandated by the IESO, strikes, lockouts and any other labour disturbances and manufacturer's delays for equipment or materials required for the Contestable Work Assets or the FNEI Connection Work not acquiesced in by the affected party, acts of God, acts of War or conditions arising out of or attributable to War, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, drought or adverse weather conditions. The non-affected party shall be relieved of any obligation hereunder during the continuation of the event of Force Majeure.

If a party is prevented or delayed in the performance of any such obligation by Force Majeure, such party shall immediately provide notice to the other party of the circumstances preventing or delaying performance and the expected duration thereof. Such notice shall be confirmed in writing as soon as reasonably possible. The party so affected by the Force Majeure shall endeavour to remove the obstacles which prevent performance and shall resume performance of its obligations as soon as reasonably practicable, except that there shall be no obligation on the party so affected by the Force Majeure where the event of Force Majeure is a strike, lockout or other labour disturbance.

9. Sale, Lease, Transfer or Other Disposition of the Victor Mine Site

- 9.1 In the event that De Beers sells, leases or otherwise transfers or disposes of the Victor Mine Site to a third party or to an Affiliate, during the Term of this Agreement, De Beers shall cause the purchaser, lessee or other third party or Affiliate to whom the Victor Mine Site is transferred or disposed to enter into an assumption agreement with FNEI, having a form and content satisfactory to FNEI, acting reasonably, to assume all of De Beers' obligations in this Agreement. Notwithstanding such assumption agreement, unless FNEI agrees otherwise in writing, which agreement shall not be unreasonably withheld, De Beers shall remain obligated hereunder. Notwithstanding the foregoing, in the event that such third person or Affiliate is classified as a medium-low to low risk customer in accordance with Section 6.5.2(a) of the Transmission System Code, then De Beers shall not remain obligated hereunder and no agreement shall be required from FNEI to this effect.

10. **Cancellation of Connection and Early Termination of Agreement for Breach**

- 10.1 If the connection of the Victor Mine Site is cancelled or this Agreement is terminated prior to the Transfer Date Phase II for any reason whatsoever other than breach of this Agreement by FNEI, De Beers shall pay FNEI's project related costs (plus applicable taxes) incurred before the connection of the Victor Mine Site was cancelled or this Agreement was terminated, including all costs associated with the winding up of the FNEI Connection Work, including, but not limited to, storage costs, vendor cancellation costs, facility removal expenses and any environmental remediation costs.

If De Beers provides written notice to FNEI that it is cancelling the connection of the Victor Mine Site or terminating this Agreement prior to the Transfer Date Phase II, FNEI shall have 10 Business Days to provide written notice to De Beers that:

- (i) De Beers shall remove all equipment and materials constructed within or installed in the applicable electrical stations as at its date of such cancellation or termination and require De Beers to return said stations to their condition prior to the commencement of any work by De Beers or its contractor on the Contestable Work Station Assets; or
- (ii) it wishes to purchase, and De Beers shall transfer to FNEI title to, the applicable equipment and materials for \$1.00 on an "as is, where is" basis.

For greater certainty, FNEI shall have the above option if the cancellation or termination occurs at any time prior to the Transfer Date Phase II, including if such cancellation is after the Transfer Date Phase I.

- 10.2 If De Beers wishes to defer the connection of the Victor Mine Site, the Parties will negotiate the terms of such deferral.

11. **Resolution of Certain Disputes**

- 11.1 Unless the Parties agree otherwise, either party may refer disputes, disagreements, controversies, questions or claims arising out of or relating to whether any of the terms of this Agreement are inconsistent with the Transmission System Code ("Dispute") to a committee to be composed of one (1) representative of each of the Parties with responsibility for the business unit involved in the dispute, to hear the Dispute and attempt to reach a resolution. If the committee cannot resolve the Dispute, either party may refer the Dispute to the Ontario Energy Board for a review and resolution.

Neither Party may suspend or cease performing their obligations under this Agreement in the event of a Dispute.

- 11.2 This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Ontario and the laws of Canada applicable therein, and, subject to Section 11.1 above and Section 9 of Exhibit "B", the courts of Ontario shall have exclusive jurisdiction to determine all disputes arising out of this Agreement.

12. **General**

- 12.1 The failure of any party hereto to enforce at any time any of the provisions of this Agreement or to exercise any right or remedy shall in no way be construed to be a waiver of such provision or any other provision nor in any way affect the validity of this Agreement or any part hereof or the right of any party to enforce thereafter each and every provision and to exercise any right or remedy. The waiver of any breach of this Agreement shall not be held to be a waiver of any other or subsequent breach. Nothing shall be construed or have the effect of a waiver except an instrument in writing signed by a duly authorized officer of the party against whom such waiver is sought to be enforced.

- 12.2 No amendment, modification or supplement to this Agreement shall be valid or binding unless set out in writing and executed by the parties with the same degree of formality as the execution of this Agreement.

- 12.3 Any written notice required by this Agreement shall be deemed properly given only if either mailed or delivered:
- (a) in the case of FNEI to:

70C Mountjoy Street North
Suite 421
Timmins, Ontario
P4N 4V7

Attention: General
Fax No.: (705) 268-0071
 - (b) in the case of De Beers to:

65 Overlea Boulevard
Suite 400
Toronto, Ontario
M4H 1P1


Attention: Jeremy Wyeth, Vice President Victor Project
Fax No.: (905) 829-4407
- A faxed notice will be deemed to be received on the date of the fax if received before 3 p.m. or on the next Business Day if received after 3 p.m. Notices sent by courier or registered mail shall be deemed to have been received on the date indicated on the delivery receipt. The designation of the person to be so notified or the address of such person may be changed at any time by either party by written notice.
- 12.4 This Agreement may be executed in counterparts, including facsimile counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.
- 12.5 Invoiced amounts are due 30 days after invoice issuance. All overdue amounts shall bear interest at 1.5% per month compounded monthly (19.56 percent per year) for the time they remain unpaid.
- 12.6 Termination or expiry of all or part of this Agreement for any reason does not affect any rights of either party against the other which:
- (a) arose prior to the time at which such termination or expiration occurred; or
 - (b) otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Agreement occurring prior to the termination or expiration.
- 12.7 Schedules "A", "B", "C", "D" and "E" attached hereto, and Exhibit "A" - The Transfer of Contestable Work Terms and Conditions and Exhibit "B" - The Medium Risk Connection Terms and Conditions attached hereto are to be read with and form part of this Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior oral or written representations and agreements concerning the subject matter of this Agreement.
- 12.8 If there is a conflict between any term or provision of this Agreement and Exhibit "A" or Exhibit "B", then the terms and provisions of this Agreement shall govern and prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper authorized signatories, as of the day and year first written above.

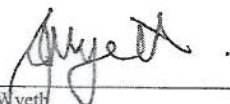
FIVE NATIONS ENERGY INC.


Name: Chief Michael Metatawabin
Title: President

I have the authority to bind the Corporation.


Name: Edward Chilton
Title: Secretary – Treasurer and Project Co-ordinator
I have the authority to bind the Corporation.

DE BEERS CANADA INC.


Name: Jeremy Wyeth
Title: Vice President Victor Project
I have the authority to bind the Corporation.

Schedule "A"CONTESTABLE WORK ASSETS:

As described in the document "Five Nations Energy Inc. Victor Project, Requirements for Extension of Fort Albany, Kashechewan, and Attawapiskat Substations, Technical Specifications, February 2005" and in "De Beers Canada Victor Project CONTRACT NO: 143232-C403, 115kV Transmission Line (EPC) Volume 2 Technical Issue, February 2005":

- approximately 170 km of new high voltage 115 kV line (energized at 138 kV) from Moosonee Switching Station to Kashechewan Transformer Station;
- a new high voltage circuit breaker and bushing current transformer, one manually operated high voltage line disconnect, one motorized high voltage disconnect with line side ground switch in the Attawapiskat Transformer Station;
- 2 new high voltage circuit breakers and bushing current transformers; 1 new high voltage circuit breaker without bushing current transformers, 3 new manually operated high voltage line disconnects; 2 new motorized high voltage disconnect switches with grounding switches, a new 5.5 Mvar 138 kV shunt reactor complete with surge arrestors, and a new high voltage switchyard station site adjacent to the Kashechewan Transformer Station;
- modification of the existing 115 kV line (energized at 138 kV) and the addition of the new 138 kV line to feed into the new site adjacent to the Kashechewan Transformer Station.
- connection of the existing Kashechewan Transformer Station to the new Kashechewan site for the continued supply of the existing Kashechewan station and the Kashechewan to Attawapiskat 115 kV line (energized at 138 kV).
- power line carrier telecommunications equipment and system at Five Nations Energy Inc. transformer stations in Fort Albany, Kashechewan, and Attawapiskat; including insulated temperature controlled buildings at each site adequate to house controls for communications and power equipment at Attawapiskat and Kashechewan, and communication controls in Fort Albany;
- station fence plus yard modifications at Attawapiskat Transformer Station and Fort Albany Transformer Station.
- insulated temperature controlled buildings at the Attawapiskat Station adequate to house controls for communications and power equipment.

Schedule "B"

Estimated Transformation Connection Pool Work Capital Cost: \$9,843,448.00

Estimated Line Connection Pool Work Capital Cost: \$22,579,684.00

Estimated OM&A Annual Total Costs: \$397,900, being calculated as follows:

Additional 170 km of ROW & HV Line, separate location

- 1) Annual Helicopter patrol - \$ 15,000
- 2) Vegetation management 6 year cycle - \$9000 (\$150 / km; \$54,000 in 6th year)
- 3) Periodic guy work - \$ 3000 / yr
- 4) Snow Machine Patrol every 3 years (\$5000 / yr - \$15,000 every 3rd year)
- 5) MNR Land Use Permit : \$6000
- 6) Erosion Management River Crossings: \$ 10,000 (\$30,000 every 3 years)
- 7) Albany Reserve # 67 HV Line Land use fees ; \$10,000
- 8) Historical Trouble call fly by on line trips : \$10,000
- 9) Minor Contingency cost : \$10,000 (\$100,000 in 10 years)

Subtotal HV Lines: \$78,000 / yr on average

Station Expense Kashechewan, Attawapiskat, Fort Albany

- 1) PLCC checks & verifications : \$10,000
- 2) Added 4 HV SF6 breakers inspections, testing, overhauls : \$15,000
- 3) Station Inspections and routine checks : \$25,000
- 4) Electricity costs new buildings & heaters SF6 : \$20,000
- 5) Kashechewan TS Sect 28 Permit Land Use ; \$40,000
- 6) Operating Services Hydro One Agreement Modification: \$68,000
- 7) Station Insurance cost increase: \$50,000
- 8) Historical trouble call ins : \$10,000
- 9) Major Contingency cost : \$30,000 (\$300,000 once in 10 years)

Subtotal FNEI Stations: \$268,000

Administrative Support & Planning Functions:

Apply the FNEI general overhead of 15% to all activities above: \$51,900/ yr

Estimated Pool Cost: \$35,309,211.00

Estimated Capital Contribution: \$35,303,913.00

Line Connection Revenue Requirements and Load Forecast

Guaranteed Revenue Date: 15 years from the Transfer Date Phase I

Period: One Year following the anniversary of the Ready for Service Date and annually thereafter	LOAD FORECAST: Incremental Load (Average Monthly Peak Load KW)	Line Connection Revenue (\$)	
Year 1	2737	114	
Year 2	6335	264	
Year 3	10332	430	
Year 4	17035	709	
Year 5	18325	763	
Year 6	18801	783	
Year 7	18525	771	
Year 8	18894	786	
Year 9	18894	786	
Year 10	18894	786	
Year 11	18894	786	
Year 12	18677	777	
Year 13	18738	780	
Year 14	19323	804	
Year 15	19323	804	

Schedule "C" (Victor Mine Site Connection)

Estimated Actual Cost for FNEI Connection Work. \$310,000.00 plus FNEI overhead to be invoiced by FNEI from time to time as it deems necessary

FNEI Connection Work:

FNEI work associated with inspection, testing, commissioning, and incorporating into existing systems of Contestable Work Assets

1. Implementation of changes to protection settings Attawapiskat & Kashechewan breakers
2. Implementation of voltage control plan modifications all sites
3. Implementation of PLC communications signals all sites
4. Verification of telecommunications and alarms all sites
5. Verification of Victor TS operating parameters & communications back to FNEI stations
6. Inspection of future new FNEI assets during construction
7. Registration with IESO; IESO authorization to energize approval
8. Modify Hydro One operating services agreement (OGCC)
9. New Transmission Facilities Agreement with Hydro One – added FNEI HV line connection Moosonee)
10. Change IESO - FNEI Operating agreement (new equipment & operating rules)
11. Modify O&M agreement Timmins Hydro One
12. Create/sign Transmission Connection Agreement with DBC
13. Transmission Line inspection (Moosonee to Kash)
14. FNEI review & acceptance of permits and external approvals records associated with new FNEI Facilities
15. FNEI familiarization with new assets (operating, maintenance protocols, record keeping, monitoring information, equipment manuals review etc.) – local resources and FNEI staff, plus contract maintenance staff.
16. Asset record keeping database inputs
17. New parts that are critical - inventory plan & resource
18. FNEI involvement with Community / FNEI leaders information activities during construction
19. Coordination of work interfacing with FNEI existing system or sites (HV outages; working at limit of approach; access to FNEI sites & equipment, information on equipment, LDC outages)

Schedule "D" Land Permits

- 1) For High Voltage Line from Moosonee to Albany Reserve # 67 : Ontario Ministry Of Natural Resources Land Use Permit.
- 2) For Assets on Albany Reserve # 67 – Indian Act Section 28(2)

Schedule "E" - Definitions

Throughout this Agreement, the following words shall have the following meanings:

"Actual Cost" has the meaning ascribed thereto in section 5.2 of this Agreement.

"Actual De Beers Load" means the actual load delivered to De Beers by Five Nations Energy Inc. up to the True-Up point.

"Affiliate" has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

"Applicable Laws", means any and all laws, including environmental laws, statutes, codes, licensing requirements, treaties, directives, rules, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any governmental or governmental department, commission board, court authority or agency, including the OEB, applicable to a party.

"Bill of Sale" means a bill of sale substantially in the form of the Bill of Sale attached to Exhibit "A" as Appendix "A".

"Business Day" means a day other than Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto, are not open for business during normal banking hours.

"Capital Contribution" means a capital contribution calculated in accordance with section 3 of Exhibit "B".

"Claim" means a claim or cause of action in contract, in tort, under any Applicable Law or otherwise.

"Claim Notice" means a written notice of a Claim specifying in reasonable detail the specific basis of the Claim, the specific nature of the Losses and the estimated amount of such Losses;

"Contestable Work Assets" means the assets described in Schedule "A" of this Agreement.

"Contestable Work Project" means the design and construction of the Contestable Work Assets.

"Contestable Work Station Assets" means the design and construction of that part of Contestable Work Assets that are in FNEI's stations.

"Embedded Generation" shall have the meaning ascribed thereto in the Transmission System Code.

"Environmental Law(s)" means all applicable federal, provincial and local laws, by-laws, rules, regulations, guidelines, codes and judgments relating to the protection of the environment and public health and safety and without restricting the generality of the foregoing, includes without limitation those Environmental Law(s) relating to the storage, transportation, treatment and disposal of Hazardous Substances, employee and product safety and the emission, discharge, release or threatened release of Hazardous Substances into the air, surface water, ground water, land surface, subsurface strata or any building or structure and, in each such case, as such Environmental Law(s) may be amended or supplemented from time to time.

"Equipment Commissioning Date" means the date any equipment forming part of the Contestable Work Assets is commissioned and/or goes in-service.

"Exhibit A" means the exhibit of this Agreement entitled Exhibit "A": The Transfer of Contestable Work Terms and Conditions.

"Exhibit B" means the exhibit of this Agreement entitled Exhibit "B": The Medium Risk Connection Terms and Conditions.

"FNEI Connection Work" means the work to be performed by FNEI, which is described in Schedule "C" of this Agreement.

"FNEI Facilities - HV" means the facilities owned by FNEI that convey electricity at voltages of more than 50 kilovolts.

"Good Utility Practice" has the meaning set forth in the Transmission System Code.

"Governmental Authority" means any federal, provincial, municipal or local government, or any agency, board, commission, council, court, tribunal or instrumentality thereof having jurisdiction.

"Guaranteed Revenue Date" has the meaning set out in Schedule "B" of the Agreement.

"Hazardous Substance(s)" means any contaminant, pollutant or hazardous substance that is likely to cause immediately, or at some future time, harm or degradation to the environment or risk to human health or safety, and without restricting the generality of the foregoing, includes without limitation any pollutant, contaminant, waste, hazardous waste, PCBs, toxic substance or dangerous goods which is defined or identified in any federal or provincial statute, codes or regulations or which is present in the environment in such quantity or state that it contravenes any Environmental Law.

"IESO" means the Independent Electricity System Operator.

"Indemnifier" means the party obligated to provide indemnification under this Agreement;

"Indemnified Party" means any person entitled to indemnification under this Agreement;

"Line Connection Pool" is as defined in FNEI's transmission rate schedules approved by the OEB.

"Line Connection Pool Work Capital Cost" is the cost estimate described in Schedule "B" of this Agreement and as adjusted pursuant to Section 3 of Exhibit "B".

"Line Connection Revenue" means the amount of line connection revenue to be received by FNEI through the monthly collection of the Line Connection Service Rate during the fifteen year economic evaluation period.

"Line Connection Service Rate" means FNEI's line connection service rate approved by the OEB from time to time, or any mechanism instituted in accordance with Section 9 of Exhibit "B".

"Load Forecast" means the initial load forecast used in the initial economic evaluation for the fifteen year economic evaluation period as set forth in Schedule "B" of this Agreement.

"Losses" means any and all claims, demands suits, losses, damages, liabilities, penalties, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest on, any and all actions, suits, proceedings for personal injury (including death) or property damage, assessments, judgements, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith); and

"Material" relates to the essence of the contract, more than a mere annoyance to a right, but an actual obstacle preventing the performance or exercise of a right.

"OEB" means the Ontario Energy Board.

"OM&A Costs" means the operation, maintenance and administration costs in respect to the Contestable Work Assets that FNEI will have to incur after the Transfer.

"Phase I Contestable Work Assets" means the Contestable Work Assets specified in Appendix "B" of Exhibit "A".

"Phase II Contestable Work Assets" means the Contestable Work Assets specified in Appendix "C" of Exhibit "A", and for greater certainty excludes the Phase I Contestable Work Assets.

"Pool Cost" means the present value of Line Connection Pool Work Capital Cost and Transformation Connection Pool Work Capital Cost, projected on-going operation and maintenance cost and other related incremental costs (including, but not limited to income and other taxes), for the Contestable Work Assets as adjusted to based upon the Transfer Prices for the Contestable Work Assets, all as calculated in accordance with the principles, criteria and methodology set out in Appendices 4 and 5 of the Transmission System Code.

"Ready for Service Date" means the date upon which the Contestable Work Assets are fully and completely constructed, installed, commissioned and energised by De Beers.

"Remedial Order" means any complaint, direction, order or sanction issued, filed or imposed by any Governmental Authority with respect to any Environmental Law, including any complaint, direction or order requiring investigation, assessment or remediation of any site or Hazardous Substance, or requiring that any release or discharge of a Hazardous Substance be reduced, modified or eliminated, or requiring any form of payment or cooperation be provided to any Governmental Authority.

"Successful Commissioning" means that the Contestable Work Assets have been finally connected to FNEI's transmission system and that De Beers has remedied to FNEI's satisfaction, acting reasonably, all defects identified by FNEI.

"Technical Standards" has the meaning ascribed thereto in Section 1.1 of Exhibit "A" hereof.

"Third Party Claim" means any Claim asserted against an Indemnified Party that is paid or payable to, or claimed by, any person who is not a party to the Agreement or an affiliate of a party.

"Transfer" means the transfer of legal title to the Contestable Work Assets on the Transfer Date Phase I and Transfer Date Phase II, as applicable, in accordance with Exhibit "A".

"Transfer Date Phase I" means the date of Successful Commissioning of the Phase I Contestable Work Assets.

"Transfer Date Phase II" means the date of the Successful Commissioning of the Phase II Contestable Work Assets.

"Transfer Price" means the price paid by FNEI for the Contestable Work Assets in accordance with Section 4 of Exhibit "A" and shall include the price applicable to Contestable Work Assets relating to assets transferred on Transfer Date Phase I and Transfer Date Phase II.

"Transformation Connection Pool" is as defined in FNEI's transmission rate schedules approved by the OEB.

"Transformation Connection Pool Work Capital Cost" is the cost estimate described in Schedule "B" of this Agreement and as adjusted pursuant to Section 3 of Exhibit "B".

"Transmission System Code" means the code of standards and requirements issued by the OEB on July 25, 2005, as it may be amended, revised or replaced in whole or in part from time to time.

"True-Up" means the process whereby FNEI revises the Line Connection Revenue, based on the Actual De Beers Load and the Updated Load Forecast, using the same methodology used to carry out the initial economic evaluation and the same inputs except for load.

"True-Up Point" means any point in time that a True-Up will occur as contemplated in the Transmission System Code.

"Updated Load Forecast" means the load forecast for the remainder of the fifteen year economic evaluation period when the Load Forecast is adjusted to the point where the present value of the Line Connection Revenue equals the present value of the Pool Funded Cost.

"Victor Mine Site" means a mine site located in the James Bay Lowlands of Northern Ontario (approximately 90 kilometres west of Attawapiskat, Ontario).

EXHIBIT A: The Transfer of Contestable Work Terms and Conditions

1. Technical Requirements.

1.1 DeBeers shall ensure that the Contestable Work Project complies with, and the Contestable Work Assets are constructed in accordance with, FNEI's requirements, conceptual design, drawings, technical standards and specifications, including, but not limited to those contained in (i) the document entitled "Hydro One Networks Inc. Technical Requirements for the Design, Supply and Installation of a 115 kv, Single Circuit Transmission Line Connecting Hydro One Networks Inc., Otter Rapids Junction and Moosonee SS" with the deviations as identified in AMEC Scope of Work - 115 Transmission Lines (EPC) Feb 5 2005 Section 5.2 Lines to FNEI Standard, plus FNEI's "Requirements for Extension of Fort Albany, Kashechewan and Attawapiskat Substations, February 2005", and all requirements, drawings and specifications referred to therein, (ii) the Substations Extensions Specifications prepared by SNC Lavalin for FNEI, and (iii) FNEI's Resonance Study in respect of the Contestable Work Assets (collectively referred to as the "Technical Standards").

1.2 DeBeers shall comply with all Applicable Laws relating to the design and completion of the Contestable Work Project. Without limiting the generality of the foregoing, DeBeers shall strictly conform to all safety requirements, including those legislated, those established by FNEI, or those regulated under the *Occupational Health and Safety Act (Ontario)*.

1.3 DeBeers will not proceed with any plans or changes which could conflict with DeBeers' obligation in respect of the Technical Standards without obtaining FNEI's prior written approval.

1.4 At any time, FNEI may have an inspector on-site at its sole risk. FNEI may perform a final inspection verification test of the Contestable Work Assets prior to Transfer, as well as due diligence evaluations, the results of which must be to FNEI's satisfaction prior to Transfer.

1.5 For work within FNEI transformer stations or on its existing high voltage line or right of way, FNEI will control access to the stations, high voltage lines and its equipment, and have authority to stop work being performed that may interfere with the normal operation of its stations and high voltage lines. Such authority shall not be unreasonably enforced.

1.6 DeBeers will, at its sole expense, conduct such work as may be required by FNEI, acting reasonably, to correct to FNEI's satisfaction, any deficiencies identified by FNEI prior to Transfer.

1.7 (a) DeBeers, on its own behalf and on behalf of FNEI, shall be responsible for obtaining, from the applicable manufacturer, warranties for a period of two (2) years from the Equipment Commissioning Date for all transmission line equipment that comprises the Contestable Work Assets.

(b) DeBeers shall transfer all warranties referenced in Section 1.7(a) to FNEI with effect on the Transfer Date Phase I or the Transfer Date Phase II, as applicable.

2. Land Rights.

2.1 DeBeers shall facilitate the assignment to FNEI of any and all land use permits (or such other land related permits) save and except the permit issued to DeBeers pursuant to Section 28(2) of the *Indian Act*.

2.2 Nothing in this Exhibit "A" shall be deemed to authorize DeBeers to act as agent for FNEI in connection with any amendment or alteration to the terms and conditions of a permit unless the prior authorization to such alterations or amendments has been granted by FNEI.

3. Purchase of Contestable Work Assets.

3.1 On the terms and subject to the fulfillment of the conditions of this Agreement, DeBeers agrees to sell, transfer and assign to FNEI, and FNEI agrees to purchase and accept from DeBeers all title, rights and interests of DeBeers in the Contestable Work Assets in two phases. DeBeers shall transfer the Phase I Contestable Work Assets set out in Appendix B to this Exhibit "A" to FNEI on the Transfer Date Phase I. DeBeers shall transfer the Phase II Contestable Work Assets as shown in Appendix "C" to this Exhibit "A" shall be transferred on the Transfer Date Phase II.

4. Contestable Work Project Cost and Transfer Price.

4.1 By no later than 15 days prior to the Transfer Date Phase I and 15 days prior to Transfer Date Phase II, as the case may be, DeBeers shall provide FNEI with a breakdown of the cost of the Phase I Contestable Work Assets in respect

of Transfer Date Phase I and the Phase II Contestable Work Assets in respect of Transfer Date Phase II in the applicable form attached to this Exhibit "A" as Appendix "D", together with copies of all documents related to the Phase I Contestable Work Assets or the Phase II Contestable Work Assets, as the case may be, including, but not limited to, all invoices, purchase orders and fixed price contracts related to the design and construction of the applicable Contestable Work Assets and the procurement of transmission line and station equipment.

- 4.2 Subject to section 5.2, the applicable Transfer Price payable to DeBeers by FNEI on the Transfer Date Phase I and the Transfer Date Phase II shall be the applicable breakdown of cost provided by DeBeers to FNEI in accordance with Appendix "D" to this Exhibit "A".
- 4.3. DeBeers shall keep proper accounts and records for the Phase I Contestable Work Assets and Phase II Contestable Work Assets. FNEI shall have the right to audit, inspect and copy accounts and records, including invoices, receipts, time records and vouchers related to either the Phase I Contestable Work Assets or the Phase II Contestable Work Assets during regular business hours on Business Days, on not less than two Business Days' notice. Accounts and records shall be preserved and kept available for audit for a period not to be less than seven years.
5. **Payment of Capital Contribution and Transfer Price.**
- 5.1 Subject to the terms and conditions of this Agreement, DeBeers will be connected to the FNEI Facilities - HV as a load customer in accordance with the terms and conditions set out in Exhibit "B". Pursuant to Exhibit "B", DeBeers is required to pay a capital contribution relating to the cost of connection. The Parties agree that the Capital Contribution will be paid to FNEI by DeBeers on the Transfer Date Phase II.
- 5.2 The Parties agree that at the time of transfer of the Phase I Contestable Work Assets on the Transfer Date Phase I, the amount owing by FNEI to DeBeers in respect of the Transfer Price applicable to the Phase I Contestable Work Assets shall be satisfied by the delivery by FNEI to DeBeers of an acknowledgment acknowledging and confirming that the Transfer Price applicable to the Phase I Contestable Work Assets shall be set-off against the amount of

Capital Contribution owing by DeBeers to FNEI and payable by DeBeers on the Transfer Date Phase II. DeBeers shall on the Transfer Date Phase I deliver to FNEI an irrevocable direction directing that the Transfer Price for the Phase I Contestable Work Assets be set-off against the Capital Contribution of DeBeers. The Parties agree that at the Transfer Date Phase II the amount owing by FNEI to DeBeers in respect of the Transfer Price applicable to the Phase II Contestable Work Assets shall be satisfied by way of set-off against the amount of Capital Contribution owing by DeBeers to FNEI. The Parties further acknowledge that the Transfer Price will be less than the Capital Contribution and that, as a result, after such set-off there will be a net difference owing to FNEI which reflects primarily the OM&A Costs Component of the Project (the "OM&A Costs"). DeBeers shall pay such OM&A Costs to FNEI as follows:

- (a) DeBeers shall pay FNEI the OM&A Costs in equal annual instalments as shown in Exhibit B, Appendix 1 as amended by Section 3 of Exhibit B, at the beginning of each twelve (12) month period (a "Contract Year") commencing on the Transfer Date Phase II and on each subsequent anniversary date of the Transfer Date Phase II and ending on the anniversary date of the Transfer Date Phase II prior to the Guaranteed Revenue Date (the "Annual OM&A Costs"). Within thirty (30) days of the expiry of each Contract Year (or the Guaranteed Revenue Date in respect of the last annual payment), FNEI shall provide DeBeers with an itemized statement setting out the details of all actual OM&A Costs incurred by FNEI for the preceding Contract Year (the "Actual OM&A Costs"). FNEI shall establish a notional account to record any net difference between Annual OM&A Costs payments by DeBeers and actual OM&A Costs incurred by FNEI (the "OM&A Cost Account"). If the Annual OM&A Costs paid by DeBeers to FNEI exceed the Actual OM&A Costs for such Contract year, then FNEI shall credit the OM&A Cost Account in favour of DeBeers in the amount of the positive net difference. If Annual OM&A Costs paid by DeBeers is less than the Actual OM&A Costs for such Contract Year, then FNEI shall debit the OM&A Account in the amount of the negative net difference. Attached as Appendix "E" of this Exhibit A is a hypothetical working example of how the

OM&A Cost Account will be debited or credited as the case may be. Appendix "E" has been included for illustrative purposes only and if there is a conflict between another term or provision of this Agreement and Appendix "E", such other term or provision will govern.

- (b) FNEI shall perform a true-up of the OM&A Cost Account at points in time which coincide with the True-Up Points provided for in this Agreement and at the Guaranteed Revenue Date. The net difference between the Annual OM&A Costs and the Actual OM&A Costs for each Contract Year prior to a True-Up Point shall be added or subtracted from the OM&A Cost Account balance and such amounts shall accumulate in the period prior to the True-Up Point (the "Accumulated Difference"). If at a True-Up Point, the Accumulated Difference is negative, then DeBeers shall pay to FNEI with interest the Accumulated Difference. If at a True-Up Point the Accumulated Difference is positive, then FNEI shall pay to DeBeers with interest the Accumulated Difference.
- (c) For the purposes of this Section 5.2, interest will be Prime plus 1% where "Prime" is the interest rate posted from time to time by the Bank of Montreal as "Prime". Interest will be simple interest and will not be compounded. Interest will be calculated on the opening Accumulated Difference at the beginning of each Contract Year commencing on the second Contract Year.
- (d) On the Transfer Date Phase II, DeBeers shall deliver to FNEI a diminishing standby letter of credit issued by a Canadian chartered bank or such other financial institution that is acceptable to FNEI, acting reasonably, in an amount equal to the OM&A Costs (the "Letter of Credit"). The amount of the Letter of Credit shall be reduced after each Contract Year by the amount of the Actual OM&A Costs in respect of each such Contract Year, as determined in accordance with this Section 5.2. If DeBeers fails to pay (i) an annual instalment payment of OM&A Costs within five (5) Business Days when due, or (ii) the Accumulated Difference, if such amount is negative, within five (5) Business Days of the date of the applicable True-Up Point (collectively referred to hereinafter as the

"Defaulted Payments"), FNEI may give written notice to DeBeers of such failure to pay. DeBeers shall have 30 calendar days from the date of receipt of such notice (the "Cure Period") to pay the Defaulted Payments. If DeBeers fails to pay the Defaulted Payments within the Cure Period, FNEI may, without limiting any other remedies FNEI may have under this Agreement or in law or equity, draw upon the Letter of Credit for: (a) all outstanding amounts owed under this section, (b) the present value of all future instalments of OM&A Costs, or (c) the amounts in (a) and (b). For purposes of calculating the present value amount the discount factor shall be FNEI's OEB approved weighted average cost of capital.

- (e) If DeBeers requires further information in respect of, or disputes the accuracy or validity of, any item in an itemized statement of OM&A Costs delivered by FNEI, such matters shall be reviewed by the committee referenced in Section 11.1 of the Connection and Cost Recovery Agreement, which committee shall attempt to settle such dispute. If such matters are not resolved within ten (10) Business Days of such referral then the matter may be referred to the Ontario Energy Board.
 - (f) Subject to Section 3 of Schedule "B", the OM&A Costs components are listed in Schedule "B" of the Connection and Cost Recovery Agreement and shall not be amended without the prior written approval of DeBeers. FNEI agrees that its Actual OM&A Costs shall only include those actual costs incurred by it that pertain to the OM&A Costs components listed in Schedule "B" of the Connection and Cost Recovery Agreement.
- 5.3 Notwithstanding any other term to the contrary in this Agreement, in addition to the Transfer Price payable by FNEI to DeBeers for and in respect of the Contestable Work Assets, FNEI shall be liable for and shall pay any GST owing on the transfer of the Phase I Contestable Work Assets on the Transfer Date Phase I or on the transfer of the Phase II Contestable Work Assets on the Transfer Date Phase II.

6. Closing.

6.1 DeBeers shall obtain all consents, approvals, orders and authorizations of any persons or governmental authorities in Canada (including the OEB) or elsewhere (or registrations, declarations, filings or records with any authorities) including, without limitation, all registrations, recordings and filings with public authorities as may be required in connection with the Transfer of the Phase I Contestable Work Assets and the Phase II Contestable Work Assets and all clearance certificates required pursuant to any applicable retail sales tax legislation on or before the Transfer Date Phase I or the Transfer Date Phase II, as applicable. For greater certainty, DeBeers shall deliver a certificate issued by the Minister of Finance of Ontario under Section 6 of the *Retail Sales Tax Act* (Ontario) to the effect that all requisite taxes under such Act have been paid by DeBeers.

6.2. DeBeers shall deliver to FNEI all necessary deeds, conveyances, Bill of Sale, assurances, transfers, assignments and consents, and any other documents necessary or reasonably required to effectively transfer the Contestable Work Assets to FNEI on the Transfer Date Phase I or the Transfer Date Phase II, as applicable, such that FNEI purchases the Contestable Work Assets:

- (a) with good and marketable title, free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and
- (b) free and clear of any work orders, non-compliance orders, deficiency notices or other such notices relative to the Contestable Work Assets or any part thereof which have been issued by any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities or agencies.

Furthermore, DeBeers shall represent and warrant to FNEI on and as of the Transfer Date Phase I with respect to the Phase I Contestable Work Assets and on and as of the Transfer Date Phase II with respect to the Phase II Contestable Work Assets that there are no matters under discussion with any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities

or agencies relating to work orders, non-compliance orders, deficiency notices or other such notices pertaining to the applicable Contestable Work Assets.

6.3. DeBeers shall deliver to FNEI on the Transfer Date Phase I a certificate from a senior officer of DeBeers confirming to the best of his/her knowledge, information and belief after due inquiries, as of the Transfer Date Phase I, the truth and correctness in all material respects of the following representations and warranties of DeBeers:

- (i) DeBeers is the sole owner of the Phase I Contestable Work Assets immediately prior to the Transfer of the Phase I Contestable Work Assets and has good and marketable title to such Phase I Contestable Work Assets free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and;
- (ii) any land rights relating to the Phase I Contestable Work Assets and delivered in favour of FNEI under Section 2.1 are all the land rights required in respect of the Phase I Contestable Work Assets and all such land rights delivered by DeBeers have been executed by all necessary and proper parties;
- (iii) all warranties associated with the Phase I Contestable Work Assets have been transferred to FNEI with effect as of the Transfer Date Phase I;
- (iv) the warranties and covenants of DeBeers in Section 7 of this Exhibit "A" are valid and binding obligations of DeBeers;
- (v) all deficiencies identified by FNEI in accordance with Section 1.6 above with respect to the Phase I Contestable Work Assets have been remedied;
- (vi) the Contestable Work Assets, except for the transmission line equipment are free from defect, errors and omissions in design, engineering, materials, construction and workmanship;
- (vii) transmission line equipment purchased by DeBeers or its subcontractors for the

Contestable Work Project shall be new and in accordance with the Technical Standards; and

- (viii) the Contestable Work Project has been performed in accordance with, and meets the requirements of the Technical Standards and the Contestable Work Assets continue to conform to the Technical Standards.

6.4 DeBeers shall deliver to FNEI on the Transfer Date Phase II a certificate from a senior officer of DeBeers confirming to the best of his/her knowledge, information and belief after due inquiries, as of the Transfer Date Phase II, the truth and correctness in all material respects of the representations and warranties of DeBeers contained in Section 6.3 as they pertain to the Phase II Contestable Work Assets and the Transfer Date Phase II.

7. DeBeers Warranties and Covenants.

7.1 DeBeers shall reperform any deficient work pertaining to the Contestable Work Assets identified in writing by FNEI to DeBeers within two (2) years of the Transfer Date Phase II. The warranty period for such reperformed work shall recommence for a further period of two (2) years. DeBeers shall not be liable for warranty under this Section 7.1 to the extent that the deficiency is covered by any manufacturer's or other warranty obtained by DeBeers pursuant to Section 1.7(a) of this Exhibit "A" and transferred to FNEI in accordance with Section 1.7(b) of this Exhibit "A" or is caused by normal wear and tear or by FNEI's failure to use and maintain the Contestable Work Assets in accordance with Good Utility Practice.

8. Survival of Representations and Warranties.

8.1 All representations and warranties contained in this Agreement on the part of each of the parties shall survive for a period of two (2) years from the Transfer Date Phase II. All covenants and agreements of each of the parties contained in this Agreement shall survive the Transfer, and the execution and delivery of any of the Bill of Sale, assignments or other instruments of transfer of title to the Contestable Work Assets and the payment of the Purchase Price.

9. Indemnity.

9.1 (a) DeBeers shall indemnify and save harmless FNEI and its successors, directors, officers, employees, representatives and agents (the "FNEI Indemnities") from and against any and all Losses actually suffered or incurred by the FNEI Indemnities arising out of, resulting from, connected with or attributable to:

- (i) a breach by DeBeers or its contractors, sub-contractors or agents of any Environmental Law(s) prior to the Transfer of the Contestable Work Assets;

- (ii) a release or discharge of any Hazardous Substance(s) related to the Contestable Work Assets caused by DeBeers or its contractors, sub-contractors, or agents prior to the Transfer of the Contestable Work Assets and contamination of the properties over which the Contestable Work Assets are located as a result of such release or discharge;

- (iii) any leaching, migration or seepage onto, across or into the property or premises of any person at any time of any Hazardous Substances caused by DeBeers or its contractors, sub-contractors or agents prior to the Transfer of the Contestable Work Assets that is present on, at or under any of the property over which the Contestable Work Assets are located;

- (iv) a breach by DeBeers of a provision of these Contestable Work Terms and Conditions;

- (v) non-compliance by DeBeers with or any liability arising out of the provisions of the Bulk Sales Act; and/or

- (vi) any fines or Remedial Order(s) of any kind that may be levied or made pursuant to any Environmental Law(s) attributable to a breach by DeBeers or its contractors, sub-contractors or agents of any Environmental Law(s) prior to the Transfer of the Contestable Work Assets.

except DeBeers shall not indemnify the FNEI Indemnities in accordance with this Section 9.1(a) if:

- (i) the contamination or release or discharge of Hazardous Substance(s) is caused by the negligence of FNEI, and then only to the extent of such negligence; or

- (ii) it is satisfactorily shown by DeBeers that the Hazardous Substances related to the Contestable Work Project were not present on, at, in or under the properties of which the Contestable Work Assets are located on or prior to the Transfer of the Contestable Work Assets.
 - (b) FNEI shall indemnify and save harmless DeBeers and its successors, directors, officers, employees, representatives and agents (the "DeBeers Indemnitees") from and against any and all Losses actually suffered or incurred by the DeBeers Indemnitees arising out of, resulting from, connected with or attributable to:
 - (i) any breach by FNEI of any of its representations, warranties or covenants contained in the Agreement;
 - (ii) any circumstance, occurrence, activity, event or state of affairs related to or in any way connected with the Contestable Work Assets on and after the Transfer thereof; and/or
 - (iii) any deficiency, default, error or omission in or adequacy of the design of the Technical Standards.
 - (c) Notwithstanding the foregoing or any other provision to the contrary in this Agreement, neither party shall be liable to the other party under this Agreement under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental, economic or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arises in statute, contract, tort or otherwise. This Section 9.1(c) shall survive the expiry or the termination of this Exhibit "A".
- 9.2 (a) It is understood and agreed between the parties that FNEI is not assuming and shall not be liable or responsible for any of the liabilities, debts or obligations and demands, direct or indirect, absolute or contingent, of DeBeers, existing or accruing prior to the Transfer of the Contestable Work Assets, whether or not related to the Contestable Work Assets. DeBeers shall pay, satisfy, assume, discharge, observe, perform, fulfil, release, and indemnify and save harmless the FNEI Indemnitees from and against
- any such liabilities, debts and obligations and all costs, expenses, debts, demands, proceedings, suits, actions, losses, or claims in connection therewith.
- (b) Notwithstanding Section 9(a) above and for greater certainty, FNEI acknowledges and agrees that it shall be liable and responsible for any and all liabilities, debts or obligations and demands, direct or indirect, absolute or contingent, related to, attributable to or in any way connected with the Phase I Contestable Work Assets existing or accruing on or after the Transfer Date Phase I and the Phase II Contestable Work Assets existing or accruing on or after the Transfer Date Phase II. FNEI shall pay, satisfy, assume, discharge, observe, perform, fulfil, release and indemnify and save harmless the DeBeers Indemnitees from and against such liabilities, debts and obligations and all costs, expenses, debts, demands, proceedings, suits, actions, losses or claims in connection therewith.
 - (c) Notwithstanding anything contained herein to the contrary, DeBeers shall indemnify, defend and hold the FNEI Indemnitees harmless from and against and all Losses actually incurred or suffered by the FNEI Indemnitees relating to, in connection with, resulting from, or arising out of
 - (i) any occurrence or event relating to the Contestable Work Assets that would not have occurred but for the negligence of DeBeers, or
 - (ii) any breach by DeBeers of any of its representations and covenants contained in this Agreement, provided that in each such case DeBeers shall not be liable hereunder to the FNEI Indemnitees to the extent that any Loss is attributable to the negligence or wilful misconduct of the FNEI Indemnitees. For greater certainty, in the event of contributory negligence or other fault of the FNEI Indemnitees, then the FNEI Indemnitees shall not be indemnified hereunder in the proportion that the FNEI Indemnitees' negligence or other fault contributed to any Loss.
10. (a) Promptly after receipt by an Indemnified Party of notice of any Third Party Claim, the Indemnified Party shall provide a Claim Notice to the Indemnifier within five (5) days after the Indemnified Party's receipt of notice of the Third Party Claim.
- (b) The Indemnifier shall have the right, upon written notice delivered to the Indemnified Party within thirty (30) days after receipt of the Claim Notice, to assume

the defence of such Third Party Claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the reasonable fees and disbursements of such counsel. The Indemnified Party shall co-operate in good faith in the defence of each Third Party Claim, even if the defence has been assumed by the Indemnifier and may participate in such defence assisted by counsel of its own choice at its own expense.

(c) If the Indemnifier declines or fails to assume the defence of the Third Party Claim on the terms provided above within such thirty (30) day period, the Indemnified Party may, at its option, employ counsel to represent or defend it in any such Third Party Claim and, if such Third Party Claim is a matter with respect to which the Indemnified Party is entitled to receive payment from the Indemnifier for the damage or loss in question, the Indemnifier will pay the reasonable fees and disbursements of such counsel as incurred; provided, however, that the Indemnifier will not be required to pay the fees and disbursements of more than one (1) counsel for all Indemnified Parties in any jurisdiction in any single Third Party Claim.

(d) In any Third Party Claim with respect to which indemnification is being sought hereunder, the Indemnified Party or the Indemnifier, whichever is not assuming the defence of such action, shall have the right to participate in such matter and to retain its own counsel at such party's own expense. The Indemnifier and the Indemnified Party, as the case may be, shall at all times use all reasonable efforts to keep each other reasonably apprised of the status of any matter the defence of which they are maintaining and to co-operate in good faith with each other with respect to the defence of any such matter.

(e) The Indemnified Party may not make any admission of liability or settle or compromise any Third Party Claim or consent to the entry of any judgement with respect to such Third Party Claim without the prior written consent of the Indemnifier, such consent not to be unreasonably withheld or delayed. Without the prior written consent of the Indemnified Party, such consent not to be unreasonably

withheld or delayed the Indemnifier shall not enter into any compromise or settlement of any Third Party Claim which would lead to liability or create any financial or other material obligation on the part of the Indemnified Party.

(f) The failure to provide a Claim Notice of a Third Party Claim to the Indemnifier shall relieve the Indemnifier from liability under this Agreement with respect to such Third Party Claim only if, and only to the extent that, such failure to provide a Claim Notice to the Indemnifier results in (i) the forfeiture by the Indemnifier of rights and defences otherwise available to the Indemnifier with respect to such Third Party Claim, (ii) material prejudice to the Indemnifier with respect to such Third Party Claim, or (iii) the loss of any right by the Indemnifier to recover any payment under its applicable insurance coverage.

(g) Each of DeBeers and FNEI agrees that it accepts each indemnity in favour of its respective directors, officers, employees, representatives, and agents, as applicable, as agent and trustee of each such director, officer, employee, representative and agent, as applicable. Each of DeBeers and FNEI agrees that the other party may enforce an indemnity in favour of any of that party's directors, officers, employees, representatives and agents, as applicable, on behalf of each such director, officer, employee, advisor, and agent, as applicable.

11. On the Transfer Date Phase I and Transfer Date Phase II, as applicable, DeBeers shall deliver to FNEI all documents (or copies thereof) and other data, technical or otherwise, regardless of format, which relate directly to the Phase I Contestable Work Assets and the Phase II Contestable Work Assets, as applicable, and which are necessary or convenient for the ownership, operation or maintenance of such Contestable Work Assets, including, but not limited to documentation describing the as-built electrical characteristics of the Contestable Work Assets. This documentation shall include, without limitation, such information as outlined in the Technical Standards and further information as may be determined by FNEI necessary for operation and maintenance of such Contestable Work Assets.

12. The following Appendices form part of these Contestable Work Terms and Conditions:

Appendix A: Form of Bill of Sale
Appendix B: Phase I Contestable Work
Assets
Appendix C: Phase II Contestable Work
Assets
Appendix D: Form of Contestable Work
Project Cost Breakdown
Appendix E: OM&A Account Working
Example

13. If there is a conflict between a term of this Exhibit "A" and Exhibit "B", this Exhibit "A" will govern with respect to the Contestable Work Project.

Appendix "A" - Form of Bill of Sale

THIS BILL OF SALE made as of the _____ day of _____, 200____
BETWEEN:

(hereinafter referred to as "Transferor")

OF THE FIRST PART,

- and -

FIVE NATIONS ENERGY INC.

(hereinafter referred to as the "Transferee")

OF THE SECOND PART.

WHEREAS the Transferor agrees to transfer all of its right, title and interest in the Contestable Work Assets for the consideration and on the terms herein set forth;

NOW THEREFORE this Bill of Sale witnesseth that in consideration of payment of the sum of \$ _____ in Canadian funds by the Transferee to the Transferor and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The Transferor does hereby grant, sell, convey, assign, transfer and set over unto Transferee, its successors and assigns, all of the Transferor's right, title and interest in the Contestable Work Assets described in Appendix I attached hereto (the "Contestable Work Assets") with effect as at [time] on the date hereof.
2. The Transferee hereby acquires and accepts all of the right, title and interest of the Transferee in and to the Contestable Work Assets with effect as at [time] on the date hereof.
2. The Transferor represents and warrants to the Transferee that it has the authority to convey its right, title and interest in the Contestable Work Assets to the Transferee.
3. The Transferee shall immediately upon the execution and delivery of this Bill of Sale have possession of and may from time to time and at all times hereafter peaceably and quietly have, hold, possess and enjoy the Contestable Work Assets and every part thereof to and for its own use and benefit:
 - (a) with good and marketable title, free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and
 - (b) free and clear of any work orders, non-compliance orders, deficiency notices or other such notices relative to the Contestable Work Assets or any part thereof which have been issued by any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities or agencies; and there are no matters under discussion with any such department or authority relating to work orders, non-compliance orders, deficiency notices or other such notices.
4. Non-Merger. The parties agree that all covenants, agreements and other provisions in the Connection and Cost Recovery Agreement made between the Parties on [insert date, 2005] to be performed after the Transfer Date and all representations and warranties contained therein will survive for a period of two (2) years after the closing and the delivery of this Bill of Sale and will not merger therewith.

5. **Further Assurances.** Each of Transferor and the Transferee will from time to time execute and deliver all such further documents and instruments and do all acts and things as any other party may, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Bill of Sale.
6. **Applicable Law.** This Bill of Sale shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.
7. **Successors and Assigns.** This Bill of Sale shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and assigns.
8. **Severability.** If any provision of this Bill of Sale is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect any other provisions of this Bill of Sale which are hereby declared to be separate, severable and distinct.
9. **Counterparts.** This Bill of Sale may be executed in counterparts and the counterparts together shall constitute an original.
10. **Amendments.** No amendment of any provision of this Bill of Sale shall be binding on either Party unless consented to in writing by such Party.

IN WITNESS WHEREOF, the Transferor and the Transferee have caused this Bill of Sale to be executed by the signature of their proper authorized signatories, as of the day and year first written above.

FIVE NATIONS ENERGY INC.

Name:
Title:
I have the authority to bind the Corporation.

[INSERT NAME OF TRANSFEROR]

Name:
Title:

Name:
Title:
I/We have the authority to bind the Corporation.

Appendix "B" - Phase I Contestable Work Assets

- a new high voltage circuit breaker and bushing current transformers, one manually operated high voltage line disconnect, one motorized high voltage disconnect with line side ground switch in the Attawapiskat Transformer station.
- Insulated temperature controlled buildings at the Attawapiskat Station adequate to house controls for communications and power equipment.

Appendix "C" – Phase II Contestable Work Assets

- approximately 170 km of new high voltage 115 kV line (energized at 138 kV) from Moosonee Switching Station to Kashechewan Transformer Station;
- 2 new high voltage circuit breakers and bushing current transformers; 1 new high voltage circuit breaker without bushing current transformers, 3 new manually operated high voltage line disconnects; 2 new motorized high voltage disconnect switches with grounding switches, a new 5.5 Mvar 138 kV shunt reactor complete with surge arrestors, and a new high voltage switchyard station site adjacent to the Kashechewan Transformer Station;
- modification of the existing 115 kV line (energized at 138 kV) and the addition of the new 138 kV line to feed into the new site adjacent to the Kashechewan Transformer Station.
- connection of the existing Kashechewan Transformer Station to the new Kashechewan site for the continued supply of the existing Kashechewan station and the Kashechewan to Attawapsikat 115 kV line (energized at 138 kV).
- power line carrier telecommunications equipment and system at Five Nations Energy Inc. transformer stations in Fort Albany, Kashechewan, and Attawapsikat; including insulated temperature controlled buildings at each site adequate to house controls for communications and power equipment at Attawapsikat and Kashechewan, and communication controls in Fort Albany;
- station fence plus yard modifications at Attawapsikat Transformer Station and Fort Albany Transformer Station.

Appendix "D" - Form of Contestable Work Project Cost Breakdown

Permitting and Approvals: \$

Preliminary Engineering: \$

Design and Construction of 115 kV Transmission Line Moosonee to Kashechewan (170 km): \$

Design and Construction of Modifications to Kashechewan, Fort Albany and Attawapiskat 115 kV substations: \$

FNEI Connection Work Costs: \$

Project Management & Construction Supervision: \$

Contingencies: \$

GST @ 7%

Total = \$

Appendix "E" – OM&A Account Working Example

<u>Year</u>	<u>DeBeers Payment</u>	<u>FNEI Actual Cost</u>	<u>Difference</u>	<u>Opening Accumulated Difference</u>	<u>Closing Accumulated Difference</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Accumulated Interest</u>	<u>True-Up</u>
1	\$397,900	\$447,900	-\$50,000	\$0	-\$50,000			\$0	
2	\$397,900	\$372,900	\$25,000	-\$50,000	-\$25,000	6.00%	-\$3,000	-\$3,000	
3	\$397,900	\$392,900	\$5,000	-\$25,000	-\$20,000	5.50%	-\$1,375	-\$4,375	\$24,375
4	\$397,900	\$372,900	\$25,000	\$0	\$25,000	5.50%	\$0	\$0	
5	\$397,900	\$407,900	-\$10,000	\$25,000	\$15,000	6.00%	\$1,500	\$1,500	
6	\$397,900	\$387,900	\$10,000	\$15,000	\$25,000	6.50%	\$975	\$2,475	-\$27,475
7	\$397,900	\$422,900	-\$25,000	\$0	-\$25,000	6.00%	\$0	\$0	
8	\$397,900	\$382,900	\$15,000	-\$25,000	-\$10,000	6.00%	-\$1,500	-\$1,500	

1. Interest rate could be fixed, or change each year to reflect actual cost of borrowing such as prime rate plus a fixed amount.
2. Interest is simple interest and is not compounded.
3. Interest is calculated on opening accumulated balance at beginning of following year.
4. If the true-up took place at the end of the third year, the true-up would be a payment of \$24,375, including \$4,375 in interest from DeBeers to FNEI.
5. If the next true-up took place at the end of the sixth year, the true-up would be payment of \$27,475, including \$2,475 in interest from FNEI to DeBeers.
6. Note that after each true-up takes place, the accumulated difference and accumulated interest are reset to \$0.

Exhibit B - Terms and Conditions for the Victor Mine Site Medium Risk Connection

1. DeBeers and FNEI shall perform their respective obligations outlined in this Exhibit "B" in a manner consistent with Good Utility Practice and the Transmission System Code, in compliance with all Applicable Laws, including, but not limited to the requirements of the Electrical Safety Code, and using duly qualified and experienced people.

2. An estimate of Line Connection Pool Work Capital Costs, Transformation Connection Pool Work Capital Costs, OM&A Costs and a revenue and load forecast are provided in Schedule "B" of the Agreement. These costs and revenue form the basis of the estimated Pool Cost and Capital Contribution shown in Schedule "B".

3. By no later than 10 calendar days prior to the Transfer Date Phase II, FNEI shall provide DeBeers with a new Schedule "B" to replace Schedule "B" of the Agreement, which such replacement Schedule "B" shall make the necessary adjustments to the estimates in Schedule "B" for the purposes of determining and finalizing the Capital Contribution in accordance with the manner agreed to by the Parties in Appendix 1 hereto. The costs established pursuant to Section 4.1 of Exhibit "A" of the Phase I Contestable Work Assets and Phase II Contestable Work Assets shall be the basis of the adjusted and actual Line Connection Pool Work Capital Costs and the Transformation Connection Pool Work Capital Costs. Any adjustments to OM&A Costs or the revenue forecast in Schedule "B" shall be agreed upon by the Parties. The new Schedule "B" shall be made a part of the Agreement as though it had been originally incorporated into the Agreement.

4. (a) To the extent that the Pool Cost is not recoverable by the Line Connection Revenue, DeBeers agrees to pay FNEI the Capital Contribution towards the Pool Cost of the Line Connection Pool Work.

(b) DeBeers shall pay the Capital Contribution calculated in accordance with section 3 above on the Transfer Date Phase II.

(c) Attached as Appendix 1 of this Exhibit B is a hypothetical working example of how the Capital Contribution shall be calculated based on estimated project costs. Appendix 1 has been included for illustrative purposes only and if there is a conflict between another term or provision of this Agreement and Appendix 1, such other term or provision will govern.

5. FNEI shall perform a True-Up of Line Connection Revenue at each True-Up Point.

By no later than 30 calendar days following completion of each True-Up, FNEI shall provide DeBeers with all information in respect of the True-Up that DeBeers is entitled to receive in accordance with the requirements of the Transmission System Code and a new Schedule "B" to replace Schedule "B" of the Agreement which shall identify the following:

- (i) the Guaranteed Revenue Date if that date has changed as a result of the Updated Load Forecast; and
- (ii) an updated Table showing the Line Connection Revenue requirements and the Updated Load Forecast for the remainder of the fourteen year economic evaluation period where those amounts have changed as a result of the True-Up.

Each new Schedule "B" shall be made a part of the Agreement as though it had been originally incorporated into the Agreement.

6. If the result of a True-Up performed is that the Actual Load and Updated Load Forecast is:

- (i) less than the load in the Load Forecast and therefore does not generate the forecasted Line Connection Revenue required for the applicable economic evaluation period, DeBeers shall pay FNEI an amount to be calculated by FNEI in accordance with the requirements of the Transmission System Code applicable to medium-high and medium-low risk connections by no later than 30 days after the date of FNEI invoice therefor; and
- (ii) more than the load in the Load Forecast and therefore generates more than the forecasted Line Connection Revenue required for the applicable economic evaluation period, FNEI shall comply with the requirements of the Transmission System Code applicable to medium-high and medium-low risk connections and shall pay any amounts payable to DeBeers by no later than 30 days following the date that such amount is due and payable.

7. With respect to the installation of Embedded Generation; the effect of energy conservation, energy efficiency, load management or renewable energy activities and the effect thereof on True-Ups, FNEI shall comply with the requirements of the Transmission System Code.

8. Until FNEI has published and the Ontario Energy Board has accepted FNEI's procedure and methodology for determining the requirement for a capital contribution in accordance with the requirements of the Transmission System Code, any Capital Contributions paid by DeBeers under the terms this Exhibit "B" are subject to adjustment with such adjustment to be solely based on the procedure and methodology accepted by the OEB.

9. (a) In the event that the Line Connection Service Rate is rescinded or the methodology of determination or components is materially changed, the Parties agree to negotiate a new mechanism for the purposes of this Exhibit "B". The Parties shall have 90 calendar days from the effective date of rescission or fundamental change of the Line Connection Service Rate to agree to a new mechanism. If the Parties are unable to successfully negotiate a replacement within that 90 calendar day period, they shall submit to arbitration, in accordance with the requirements of the Transmission System Code (or the

Connection Agreement attached thereto); or if there is no arbitration provision in the Transmission System Code (or the Connection Agreement attached thereto), to the requirements of the Arbitration Act (Ontario), as amended, to settle on a new mechanism. The decision of the arbitrator shall be binding on each party with no right of appeal subject to a right of either party to appeal on a standard of review of reasonableness simpliciter.

- (b) The terms of reference of the arbitration shall be to identify a new mechanism that is, to the extent possible, fair to the parties and constitutes a reasonably comparable replacement for the Line Connection Service Rate.
- (c) Any settlement on a new mechanism pursuant to this Section 9 shall apply retroactively from the date on which the Line Connection Service Rate was rescinded or fundamentally changed. Until such time as a new mechanism is determined hereunder, any amounts to be paid by DeBeers under this Exhibit "B" shall be based on the Line Connection Service Rate in effect before the effective date of any such changes.

10. DeBeers shall provide FNEI with a copy of DeBeers' final monthly bills or authorize the IESO to provide FNEI with copies. FNEI agrees to use this information solely for the purpose of this Exhibit "B".

Exhibit B - Terms and Conditions for the Victor Mine Site Medium Risk Connection

Appendix 1 - Capital Contribution Calculation Working Example

Connection Cost Recovery Agreement - FNEI and DBC																
Appendix E - Capital Contribution Requirements																
Victor Mine Site Energy and Peak Power Requirements - (Source spreadsheet 143232-CA-0000-002 Rev1)																
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expected Max Loads	Kw	2993	8130	15643	18535	18709	18893	18669	19136	19136	19136	19136	18362	20174	20239	20239
(Grid power available Oct 2006, Mine Operational Oct 2008 to Mar 2020, thereafter mine site remediation (assume peak load 10,000 kW))																
Project Costs - (De Beers Canada Builds Facilities and Transfers to FNEI)																
115 kV Transmission Line Moosonee to Kashechewan		\$22,57														
		9,684														
Fort Albany Substation Modifications		\$1,149,														
		730														
Kashechewan Substation Modifications		\$6,161,														
		979														
Attawapiskat Substation Modifications		\$2,531,														
		739														
Permitting and Approvals		\$450,0														
		00														
Preliminary Engineering		\$350,0														
		00														
Project Management & Construction Supervision		\$650,0														
		00														
Sub - Total =		\$33,87														
		3,132														
Contingencies		\$3,387,														
		313														
Total =		\$37,26														
		0,445														
Capital Contribution Requirement Calculation Payable by De Beers Canada to FNEI																
Cost	XNPV	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
FNEI Connection Costs	\$362,700	\$362,70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$362,700
		0														
Annual O & M	\$2,871,70	\$0	\$200,0	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$5,372,70
	1	00	00	00	00	00	00	00	00	00	00	00	00	00	00	0
Incremental Revenue	(\$5,839)	(\$211)	(\$495)	(\$712)	(\$775)	(\$783)	(\$782)	(\$787)	(\$797)	(\$797)	(\$797)	(\$781)	(\$802)	(\$841)	(\$843)	(\$421)
Date/Value		38899	39264	39630	39995	40360	40725	41091	41456	41821	42186	42552	42917	43282	43647	44013
Capital Contribution	\$3,228,56															
=	2															

[illegible]

Exhibit 5 – Operating Revenue

5-Staff-23

Ref: Exhibit 5 / Tab 1 / Schedule 3 Updated

Question(s):

a) Please provide further details as to why Five Nations Energy believes that using a historical average of the peak load data for the 2013-2015 period is more appropriate than using the linear trend method as ordered by the OEB in the EB-2009-0387 proceeding.

b) Please advise which of the two illustrative charge determinant estimates, based on the linear trend methodology (using two different underlying data sets), Five Nations Energy believes is more appropriate. Please explain why.

Response:

(a) It is important to remember that FNEI has only four customers, one of which (DeBeers' Victor Mine) is significantly larger than the other three. This has two implications when it comes to forecasting load in the short-term: first, it is not onerous to have fairly detailed discussions with all of FNEI's customers about their anticipated electrical needs in the short-term; and second, FNEI's load forecast is largely a question of what will happen at the Victor Mine site. The data reflects this – the Victor Mine became operational in mid-2008, and ramped up to full production over the next few years. In the past three years, DeBeers' load has flattened (as expected) and is expected to continue to remain flat or start to slowly decline.

FNEI's view is that a linear trend model is probably more appropriate for transmitters with a large number of diverse customers.

(b) See answer to (a) above. As between Forecast 1 and Forecast 2, FNEI believes Forecast 2 is more appropriate, based on information from its customers.

Exhibit 6 – Operating Costs

6-Staff-24

**Ref: Exhibit 6 / Tab 1 / Schedule 1
Exhibit 2 / Tab 2 / Schedule 1**

Question(s):

- a) Please explain why Five Nations Energy used “All-Items CPI” for its calculation of the impact of inflation on OM&A expenses over the March 2010 – January 2016 period (Exhibit 6 / Tab 1 / Schedule 1 / p. 4). Please provide supporting rationale.
- b) Five Nations Energy stated that “from a systems perspective, it was viewed as inefficient to have both Five Nations Energy and Hydro One maintaining 80 km of parallel facilities” (Exhibit 2 / Tab 2 / Schedule 1 / p. 1).
 - i. Please explain the maintenance arrangement that was in place during the time that Hydro One owned the 80 km transmission line (e.g. did Hydro One handle the maintenance or was that maintenance work done by Five Nations Energy) (Exhibit 6 / Tab 1 / Schedule 1 / p. 4).
 - ii. If Hydro One maintained the line, please provide the annual maintenance costs incurred by Hydro One (as referenced at Exhibit 6 / Tab 1 / Schedule 1 / p. 4, this information was provided to Five Nations Energy by Hydro One).
 - iii. Please provide the annual maintenance expense that Five Nations Energy included in its revenue requirement related to the maintenance and operation of the 80km of line acquired from Hydro One (Exhibit 6 / Tab 1 / Schedule 1 / p. 4).
 - iv. Please provide an estimate of the annual cost savings expected to arise from Five Nations Energy maintaining the line as it is parallel to its existing infrastructure (Exhibit 6 / Tab 1 / Schedule 1 / p. 4).
- c) Five Nations Energy listed the following initiatives aimed (in part) at improving efficiencies: moving external services in-house, coordinating activities and goods/services with distributors in the region, and regular budget reviews. For each category of efficiency improvements, please provide specific examples and estimated cost savings.

Response:

(a) FNEI understands that almost all utilities in Ontario use the All Items-CPI, and only a few use a different increase – and then, typically just for labour-related costs (salaries, wages, benefits, etc.) but still use All-Items CIP for the remainder of their costs.

(b)(i) Hydro One was responsible for maintenance of the 80 km when Hydro One owned the asset.

(b)(ii) Based on information received from Hydro One, their OM&A associated with the 80 km was:

Year	OM&A Cost
2002	\$74,000
2003	\$98,000
2004	\$119,000
2005	\$104,000
2006	\$130,000
2007	\$123,000
2008	\$96,000
2009	\$93,000
2010	\$55,000
2011	\$57,000

(b)(iii) FNEI has not split out its OM&A costs specifically for this 80 km of line, but has included it within its overall maintenance activities and planned expenditures.

(b)(iv) For the 80 km of line, FNEI is already responsible for performing maintenance on the twinned line immediately adjacent to the 80 km (as well as both lines from the 80 km mark north to Fort Albany – and then to Attawapiskat). Pre-acquisition, any helicopter patrols or ground-based maintenance activities by FNEI on the twinned line all began at Moosonee and (of necessity) travelled along the route of the 80 km of newly acquired line. The exact cost savings are difficult to quantify, but as an example a typical helicopter patrol of the line from Moosonee to Fort Albany is \$15,000 (the helicopter and staff are mobilized from Cochrane). Pre-acquisition, the 80 km route would have to be patrolled by FNEI (for the twinned line) and HONI (for the 80 km of the original line). Now only one patrol is needed. This is an annual savings, as FNEI typically patrols once per year.

(c) Moving External Services In-House: As discussed in other parts of the evidence and these responses, FNEI is a young company working with fairly new assets. As these assets age, the maintenance requirement and associated costs increase. FNEI originally had a maintenance and emergency response contract with HONI. This responsibility is now performed by FNEI staff. To compare the cost of continuing with a service contract like this with work performed by staff

1 is difficult; however, most contracted hourly rates for skilled workers performing station
2 maintenance work is around \$250/hr.

3 FNEI has also relied on external resources for general management advice, as well as
4 transmission operation and maintenance advice. With the hiring of an operations manager and
5 CEO, and the development of three fully qualified substation electricians, FNEI now performs
6 operations and maintenance activities in house. Specific engineering services are contracted out
7 as FNEI is too small to justify hiring an engineer in house. FNEI also relied on an external
8 contractor for finance controller services however that work is now being performed by an
9 internal staff member as well. Capital planning is also now performed entirely in-house, with
10 only engineering and certain specific protection and control support provided by outside
11 contractors. For an example, FNEI's actual costs in outside services employed has gone from a
12 high of just over \$720k in 2007 to \$125k in 2016.

13 Coordination with Regional Distributors: FNEI has developed and maintained a very good
14 working relationship with key suppliers in the region. FNEI has a reputation of paying promptly
15 and honouring the terms of its arrangements. This allows FNEI to obtain very competitive
16 pricing by regularly asking for competitive quotes. As noted in the evidence and in these
17 responses, FNEI operates equipment in remote locations. It is very important that any tools or
18 materials needed are transported to sites either ahead of time or along with maintenance
19 personnel travelling to site. There is no option of going down the road to a hardware store to pick
20 up supplies once on site. FNEI's suppliers understand this, and work to bundle orders together to
21 make one shipment per site where possible. For example, the bus isolation project used several
22 large 'sea-cans' shipping containers to move materials to Kashechewan and Fort Albany. This
23 was done via rail and the winter road to avoid the cost of shipping the materials by air. Standard
24 air freight rates from Timmins to FNEI's stations range from \$1.70 per pound to \$1.98 per
25 pound. For those materials that are time sensitive or fragile, FNEI works with its suppliers to
26 consolidate shipments and charters a plane directly to the sites. This can reduce the cost
27 significantly as well as reduce handling requirements and associated costs. For example, a
28 chartered flight with a payload capacity of 3,000 lbs from Timmins to Fort Albany can be done
29 for around \$3,000 while the equivalent cargo at normal freight costs would exceed \$5,000.

30 Regular Budget Reviews: FNEI prepares its financial statements on a quarterly basis, as
31 required under its various financing covenants. Part of this exercise is a meeting with both the
32 Finance Committee and the Board of Directors. Opportunity is taken during this process to
33 review the actual spend to date and compare that with the budget. Progress for various
34 maintenance and capital activities are discussed and any suggestions made for improvements or
35 costs savings are discussed as well. FNEI staff and management are also continuously
36 monitoring actual progress and spend to estimated schedules and budgets. As an example, the
37 bus isolation project actual cost to date is less than the original cost estimations. Through this
38 review process FNEI was able to identify efficiencies by managing this project on its own
39 instead of having only an outside contractor perform the work, purchasing equipment vs. renting
40 or leasing equipment, and instead of a fixed price contract for the part of the work that an outside

1 contractor was required, FNEI chose to go with a time and materials agreement instead. The
2 estimated cost savings for this project alone are between \$500,000 and \$1,000,000.
3

6-Staff-25

Ref: Exhibit 6 / Tab 2 / Schedule 1

Question(s):

- a) If available, please provide a version of Table 6-2-1-A that reflects actual 2016 OM&A spending by category (Exhibit 6 / Tab 2 / Schedule 1 / p. 1).
- b) Please provide a description for each category of OM&A expenses (e.g. Load Dispatching, Outside Services Employed, etc.). Please also include a detailed breakdown of the 2016 costs that are included in each category of OM&A expenses (Exhibit 6 / Tab 2 / Schedule 1 / p. 1).
- c) Please file both the previous version and the current version of the Operating Services Agreement with Hydro One (Exhibit 6 / Tab 2 / Schedule 1 / p. 3).
- d) Please provide a breakdown of the \$91,000 of proposed incremental load dispatching expenses for 2016 (relative to 2015) between: (i) the addition of services associated with the extra 80 km to the operating agreement; and (ii) Hydro One moving to a new cost model (Exhibit 6 / Tab 2 / Schedule 1 / p. 3).
- e) Please provide a table that highlights the increases in Account 4820 over the 2011-2016 period and the related reductions in Account 4815 and 4916 (Exhibit 6 / Tab 2 / Schedule 1 / p. 4).
- f) Please provide further rationale supporting Five Nations Energy's decision to hire additional technical staff (as opposed to relying on external service providers). Please specifically discuss whether there were, or are expected to be, any cost savings achieved due to this decision (Exhibit 6 / Tab 2 / Schedule 1 / p. 4).
- g) Please discuss on an itemized basis the proposed \$340,000 of Transformer Station Equipment Labour incremental costs (88% increase between 2015 and 2016) (Exhibit 6 / Tab 2 / Schedule 1 / pp. 2 and 4).
- h) Five Nations Energy states that its "existing operational employees have had an increase tied to CPI over the past few years. In order to retain operational staff, FNEI is proposing a one-time increase of 10% to FNEI's operational staff in 2016" (Exhibit 6 / Tab 2 / Schedule 1 / p. 4).

- i. Please discuss whether this 10% pay increase was already applied to employees in 2016 (or if Five Nations Energy is awaiting OEB approval of this proposal).
 - ii. Please provide detailed evidence and rationale supporting a 10% pay increase for operational staff in 2016.
 - iii. Please explain why the previously applied pay increase based on inflation is not still appropriate for 2016.
 - iv. Please advise whether Five Nations Energy is aware of any other utilities in Ontario providing a 10% pay increase in 2016 for operational staff.
 - v. Please provide the number of FTEs that this proposed pay increase would be applicable to.
 - vi. Please provide the total cost for 2016 of the proposed 10% pay increase. Please provide this amount as a percentage of the total compensation expense increase requested for 2016 (compared to 2015).
 - vii. Please provide the total cost for 2016 of a salary increase in accordance with the inflationary increases provided by Five Nations Energy during the historic period.
- i) Five Nations Energy cites “emergency station maintenance” as the cause for the \$97,000 (42%) increase in Maintenance – Transformer Station Equipment expenses between 2015 and 2016. Is Five Nations Energy expecting to perform significant emergency maintenance during the forecast period (Exhibit 6 / Tab 2 / Schedule 1 / pp. 2 and 4-5)?
 - j) Please provide a breakdown of the Maintenance – Poles, Towers and Fixtures expenses, on actual basis, as between the Right-of-Way (ROW) clearance program and the other programs included in this category of expenses for each year 2010-2016. Please also provide an estimated breakdown of expenses in this category for the forecast period (Exhibit 6 / Tab 2 / Schedule 1 / pp. 2 and 5).

- 1 k) Please provide the total 5-year cost of the ROW clearance program (2016-2020).
2 Please provide the proposed 2016 expense associated with the ROW clearance
3 program (Exhibit 6 / Tab 2 / Schedule 1 / p. 5). Please confirm that the 2016 amount
4 associated with the ROW clearance program reflects one-fifth of the total cost of
5 that program over the 2016-2020 period (in accordance with Five Nations Energy's
6 statement to that effect at Exhibit 6 / Tab 2 / Schedule 5).
7
8 l) Five Nations Energy stated that the energy conservation expenses (Account 5415)
9 are outside of Five Nations Energy's cost structure as the costs were exactly offset
10 by revenues received from the OPA / IESO. Therefore, the conservation expenses do
11 not impact Five Nations Energy's revenue requirement (Exhibit 6 / Tab 2 / Schedule
12 1 / pp. 5-6).
13
14 i. Please explain why there is \$30,000 included for energy conservation
15 expenses in 2016 (Exhibit 6 / Tab 2 / Schedule 1 / pp. 2 and 5-6). Please
16 explain the 2016 conservation expenses in the context of Five Nations
17 Energy's statement that the funding arrangement with the OPA / IESO for
18 conservation initiatives was discontinued as of January 1, 2016 (Exhibit 5 /
19 Tab 1 / Schedule 1 / p. 2).
20
21 ii. Please confirm that, if the OEB approves \$30,000 in energy conservation
22 expenses in 2016, that Five Nations Energy expects to continue incurring that
23 expense during the forecast period.
24
25 iii. Please advise whether Five Nations Energy has included \$30,000 in offsetting
26 revenues derived from the funding arrangement with the IESO / OPA for
27 each year during the 2016-2020 period. If not, please explain how the energy
28 conservation costs do not form part of Five Nations Energy's cost structure
29 and why it is appropriate for the OEB to approve these energy conservation
30 expenses.
31
32 m) Please provide a table that shows a breakdown of the total increase in salaries and
33 related expenses between 2010 and 2016 and the decrease in outside services costs. If
34 there is a net increase in labour costs (between the increase in employee salaries and
35 the decrease in outside employee costs), please explain what benefit ratepayers are
36 receiving due to Five Nations Energy's decision to bring additional staffing in-house
37 (Exhibit 6 / Tab 2 / Schedule 1 / pp. 6-7).
38

- n) Please advise whether the expenses included in the executive salaries and expenses category (Account 5605) is only related to Five Nations Energy's Board of Directors. If not, please provide a detailed breakdown of the executive salaries and expenses category (Exhibit 6 / Tab 2 / Schedule 1 / p. 6).
- o) Please provide a breakdown of Five Nations Energy's Board of Director costs by year (2010-2016) and by category (honorarium, travel costs, disbursements, etc.) (Exhibit 6 / Tab 2 / Schedule 1 / p. 6).
- p) In 2013, an average Board of Directors meeting cost approximately \$35,000. Please explain what is included in that cost and provide a breakdown of the cost of an average Board of Directors meeting. Please advise whether Five Nations Energy has considered holding Board of Directors meetings through teleconference or online meeting to avoid some of the costs (Exhibit 6 / Tab 2 / Schedule 1 / p. 6).
- q) Please provide the appraisal report that resulted in Five Nations Energy increasing its property insurance coverage (Exhibit 6 / Tab 2 / Schedule 1 / p. 7).

Response:

- (a) See table below:

(000's)	2010 OEB Approved	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Unaudited
Operations	\$615.2	\$545.6	\$690.2	\$676.7	\$852.3	\$825.7	\$919.3
Maintenance	\$450.0	\$546.6	\$433.3	\$750.3	\$747.4	\$798.8	\$891.2
Administration	\$2,289.8	\$2,137.6	\$1,922.3	\$1,872.9	\$1,826.3	\$2,116.9	\$2,105.4
Total OM&A	\$3,354.9	\$3,229.2	\$3,045.8	\$3,299.8	\$3,426.0	\$3,741.4	\$3,916.0

- (b) A description and breakdown of the OM&A expense categories is as follows:

- Load Dispatching* (Account 4810): The majority of costs in this Account (approximately \$300,000) are incurred pursuant to an Operating Services Agreement between FNEI and Hydro One Networks Inc. ("HONI"). This Agreement covers transmission system monitoring, certain asset operation functions, emergency response, abnormal condition response, and associated record maintenance and IT support). The remainder of the costs in this category relate to telecommunications costs, and include \$15,000 for telecommunications at each of the three stations, and \$52,000 for a fixed price contract

1 with an external service provider for daily monitoring of the telecommunications system,
2 responding to system faults, etc.
3

- 4 • *Station Buildings and Fixtures* (Account 4815): This Account includes FNEI's operating
5 expenses at its transformer stations and fibre optic shelters, as follows: Attawapiskat
6 (\$8,300 in electricity costs; \$5,000 in other costs), Fort Albany (\$11,300 in electricity
7 costs; \$5,000 in other costs) and Kashechewan (\$19,300 in electricity costs; \$5,000 in
8 other costs) and Moosonee (\$6,000 in other costs). Other costs include snow removal,
9 miscellaneous maintenance and repairs, and other building service expenses.
10
- 11 • *Transformer Station Equipment – Labour* (Account 4820): This Account includes
12 salaries and benefits relating to the operation of the transformer stations, and include (as
13 of 2016) three substation electricians and three apprentices (6 FTEs). This compares to
14 just one substation electrician and no apprentices in 2013 (1 FTE). The increased labour
15 personnel (and consequent costs) result from having more assets to manage (80 km, more
16 robust telecommunications system, spare transformers, etc.), system assets that are
17 starting to age (and hence require more active maintenance), and moving maintenance
18 functions in-house. Also included in this Account are annual staff training costs of
19 approximately \$30,000, technician supplies and disbursements of approximately \$15,000,
20 and payments to LDC staff to carry out weekly checks of the stations (approximately
21 \$30,000 per year).
22
- 23 • *Rents* (Account 4850): This Account includes land rental fees to the provincial Crown
24 (Ministry of Natural Resources and Forestry), pursuant to a land use permit for locating
25 assets on Crown land (\$30,000). It also includes annual fees to each of the three First
26 Nations, pursuant to section 28(2) *Indian Act* permits (\$56,000 in total), to locate assets
27 on Reserve lands.
28
- 29 • *Maintenance – Transformer Station Equipment* (Account 4916): This Account includes
30 the following costs: meter service provider costs (which varies each year), travel and
31 accommodation for planned maintenance of the three transformer stations (\$160,000,
32 based on historical costs), maintenance costs associated with equipment used to support
33 the telecommunications equipment (\$25,000), unplanned station maintenance costs
34 (\$45,000) and costs for standby generators at Kashechewan and Attawapiskat (\$60,000).
35
- 36 • *Maintenance – Poles, Towers and Fixtures* (Account 4930): This Account includes
37 brush clearing along the right-of-way (\$250,000), helicopter ground patrols, pole
38 straightening and other identified maintenance activities (\$200,000), unplanned

1 maintenance (\$45,000) and planned maintenance for the fibre line. As noted, the FNEI
2 line is not accessible with heavy equipment during any season except a short period of
3 time in winter.
4

- 5 • *Community Relations – Sundry* (Account 5410): This Account includes some outreach,
6 and preparing and publishing newsletters about FNEI's operations.
7
- 8 • *Energy Conservation* (Account 5415): This account in the past has been where FNEI has
9 recorded expenditures relating to the Ontario Power Authority's pilot energy
10 conservation program. Currently FNEI uses this account to record expenditures relating
11 to the IESO funded Aboriginal Community Energy Program (ACEP) that FNEI applied
12 for on behalf of Attawapiskat, Kashechewan, and Fort Albany. This program will be done
13 in 2017; however, due to the remote location of these communities and the transportation
14 costs incurred in these activities FNEI will need to cover the costs exceeding the funding
15 available for this program. FNEI has also in the past provided energy conservation
16 materials such as light bulbs, etc. to be distributed at community energy fairs etc.
17
- 18 • *Community Safety Program* (Account 5420): This account in the past recorded the
19 expenditures relating to providing energy safety awareness presentations at the
20 elementary schools in Fort Albany, Kashechewan, and Attawapiskat. FNEI has worked
21 closely with the Electricity Safety Authority to jointly make these presentations. FNEI
22 purchased the teaching materials and provided these presentations on its own for
23 numerous years. Recently staffing requirements as well as logistical issues with the
24 elementary schools has made the provision of these presentations problematic and FNEI
25 has been unable to undertake this activity. It is anticipated that this activity will, however,
26 be restarted in the near future.
27
- 28 • *Executive Salaries and Expenses* (Account 5605): This Account includes those costs
29 associated with FNEI's directors (stipends, travel costs and disbursements) and FNEI's
30 CEO (salary, benefits, travel costs and other disbursements). It also includes the travel
31 costs associated with the presence of the three First Nations' Chiefs at meetings (which is
32 required periodically).
33
- 34 • *Management Salaries and Expenses* (Account 5610): This Account includes the salary
35 and benefits of FNEI's management staff (e.g., Operations Manager, Finance Controller)
36 as well as associated travel and disbursements.
37

- 1 • *General Administrative Salaries and Expenses* (Account 5615): This Account includes
2 the salary and benefits of FNEI's non-management staff, including minor disbursements.
3
- 4 • *Office Supplies and Expenses* (Account 5620): This Account records any costs incurred
5 for general office supplies, banking costs (e.g., service fees), and any postage or courier
6 charges.
7
- 8 • *Outside Services Employed* (Account 5630): This Account records costs associated with
9 payroll services, auditor fees, and external consultants. This Account also includes
10 related travel costs.
11
- 12 • *Property Insurance* (Account 5635): This Account includes the costs of maintaining
13 FNEI's boiler and machinery insurance, office and contents insurance and vehicular
14 insurance. All of this is currently placed with Chubb Insurance, through the use of an
15 insurance broker (KRG Insurance Group).
16
- 17 • *Injuries and Damages* (Account 5640): This Account records the costs of maintaining
18 general liability insurance for FNEI, as well as director and officer liability insurance
19 coverage.
20
- 21 • *Regulatory Expenses* (Account 5655): This Account includes regulatory consultant costs,
22 various OEB-related costs, and legal costs.
23
- 24 • *Miscellaneous General Expenses* (Account 5665): This Account includes amounts
25 relating to the costs to hold an annual networking best practices meeting with the LDC
26 managers and other regional corporations that provide services to FNEI's customer
27 communities.
28
- 29 • *Maintenance of General Plant* (Account 5675): This Account records maintenance and
30 janitorial services at FNEI's Head Office in Timmins.
31

32 Here are the detailed breakdown of the 2016 costs included in each category:

Five Nations Energy Inc.

Detailed breakdown of Categories in
Exhibit 6 /Tab 2 / Schedule 1 / p. 1.

	2016 OM&A
4800 TransmissionExpenses-Operation	
5038 Telecommunications Operations	52,000
5039 Station Telecommunic-Attawapiskat	15,000
5040 Station Telecommunic-Kashechewan	15,000
5041 Station Telecommunic-Fort Albany	15,000
5043 Hydro One Operating Contract	300,000
4810 Load Dispatching	397,000
5050 Electricity Costs-Attawapiskat Sub	6,500
5051 Electricity Costs-Att Fibre Shelter	1,800
5052 Electricity Costs-Kashechewan Sub	16,500
5053 Electricity Costs-Kash Fibre Shelter	2,800
5054 Electricity Costs-Fort Albany Sub	9,500
5055 Electricity Costs-Albany Fibre Shelter	1,800
5056 Other Station Costs-Attawapiskat	5,000
5058 Other Station Costs-Kashechewan	5,000
5060 Other Station Costs-Fort Albany	5,000
5061 Moosonee Fibre Shelter Operations	6,000
4815 Station Buildings&FixturesExpe	59,900
5070 Substation Weekly Checks	30,000
5068 Operational Staff Wages (6)	531,719
5069 Operational Staff Overtime (30%)	159,516
5070 Operational Staff Benefits (15%)	103,685
5071 Operation Staff Capitalized Wages	(150,000)
5078 Operations Technician Supplies/Disb.	15,000
5079 Maintenance Staff Training Costs	35,000
4820 TransformerStnEquip.OperLabour	724,920
5082 Albany 67 Sec 28 (2) annual fee-FA	28,000
5083 Albany 67 Sec 28 (2) annual fee-Kash	28,000
5085 MNR Annual Land use permit fee	30,000
4850 Rents	86,000
Total Transmission Operation Expense	1,267,820
4900 Transmission Expenses-Maintenance	
5102 Meter Service Provider Costs	29,680
5112 Kashechewan Standby Generator Costs	30,000
5114 Attawapiskat Standby Generator Costs	30,000
5116 Unplanned Station Maintenance	45,000
5123 Station Pickup Truck/LDC Pickup O&M	6,000
5124 Planned Maint-Attawapiskat Substation	50,000
5126 Planned Maint-Kashechewan Substation	70,000
5128 Planned Maint-Albany Substation	40,000
5129 Station Communication Assets Maintena	25,000
4916 Maintenance-Transformer Station Equipment	325,680
5131 Unplanned Line Maintenance	45,000
5135 Fibre Line Planned Maintenance	50,000
5137 Planned Maint Transmission Line	200,000

Five Nations Energy Inc.

Detailed breakdown of Categories in
Exhibit 6 /Tab 2 / Schedule 1 / p. 1.

	2016 OM&A
5140 ROW Maintenance	250,000
5139 On Call Service Contract-ABB	-
4930 Maintenance of Towers, Poles and Structures	545,000
Total Transmission Maintenance Expense	870,680
5400 Community Relations	
5245 Translator Salary Costs	9,000
5255 Newsletter Printing Costs	10,000
5262 Promotional items	15,000
5410 Community Relations - Sundry	34,000
5278 Energy Conservation-Attawapiskat	10,000
5279 Energy Conservation-Kashechewan	10,000
5280 Energy Conservation-Fort Albany	10,000
5415 Energy Conservation	30,000
5285 5420 Community Safety Program	9,000
Total Community Relations	73,000
5600 Administrative&General Expense	
5605 Executive Salaries and Expense	604,250
5610 Management Salaries & Expenses	318,693
5615 General AdminiSalaries&Expense	115,741
5445 General Office Supplies	19,500
5450 Bank Charges	2,300
5455 Postage and Courier Charges	3,000
5620 Office Supplies and Expenses	24,800
5475 Mushkegowuk Council Administration	24,000
5478 Auditing Fees	40,000
5485 Consulting Services	105,000
5505 Consulting Travel	40,000
5630 Outside Services Employed	209,000
5528 Property/Vehicle/Tenant Insurance	252,000
5635 Property Insurance	252,000
5540 Umbrella Liability Insurance	166,000
5640 Injuries and Damages	166,000
5560 Aiken & Associates	4,000
5565 Legal Fees	300,000
5570 Other Regulatory Related Costs	20,000
5655 Regulatory Expenses	324,000
5589 Best Practices Meeting Costs	30,000
5665 Miscellaneous General Expenses	30,000
5610 5670 Rent	
5614 Office-Property Taxes	40,000
5615 Office Building Maintenance	15,000
5616 Office Building Utilities	25,000
5675 Maintenance of General Plant	80,000
Total Administrative&General Expenses	2,197,483

<

1

2

3 (c) Please see attached.

(d) FNEI has finalized the operating agreement with Hydro One for the costs recorded in Account 4810 (Load Dispatching). When the cost estimates were put together for the rate application the incremental cost for the additional 80 km was estimated to be around \$51,073.51 with the overall contract cost estimated to be \$300,000. The additional approximate \$40,000 (\$91k-\$51k) can be attributed to the new cost model.

(e) Account 4820 compared to 4815 and 4916.

Account	2011	2012	2013	2014	2015	2016
4815	54.6	39.7	48.0	51.5	47.3	59.9
4916	280.6	221.8	214.4	233.7	228.7	325.7
Subtotal	335.2	261.5	262.4	285.2	276.0	385.6
Change		(73.70)	+0.9	+22.8	(9.2)	+109.6
Net Change						+50.4
4820	205.6	270.2	269.5	423.6	386.3	724.9
Change		+64.60	(0.7)	+154.10	(37.3)	+338.6
Net Change						+519.3

(f) As noted in the evidence, and at several points in these interrogatory responses, FNEI is a small company operating a complex system in a remote and harsh environment. Access to the station sites is by air only with surface access via train transportation and ice road available for only four to eight weeks during the winter. While transmission stations share some commonality across companies and regions, the fact remains that each station is unique and has its own operating and design characteristics. FNEI realized very early on that continued reliance on outside contractors would be problematic. The majority of contractors that are available specialize only in construction (e.g., station build) and their personnel tended to have very specialized expertise (i.e., each individual knowledgeable about a particular part of station operations and maintenance), meaning that contractors and subcontractors tended to require multiple trips or multiple personnel per trip in order to perform required maintenance. Even with the sourcing of appropriate outside contractors on this basis, FNEI still found itself being responsible for all the planning and logistical coordination of positioning materials, travel and accommodations, and interaction with the IESO. FNEI also found itself in the position of having to deal with staff turnover at the contractors, and delays and costs associated with new staff having to familiarize themselves with the specifics of FNEI's equipment. In terms of utilizing HONI's resources, FNEI always had the impression that its needs were secondary to HONI's internal priorities and requirements – which FNEI believes was causing delays in personnel being available to meet FNEI's needs. It was also challenging to find qualified personnel within these external contractors that were agreeable to spending the time very far away from home,

often 3 to 4 consecutive days at a time, to complete the tasks required. A work around would have been using chartered aircraft to fly personnel in for the work day and back home again in the evening, but this adds an extra \$5,000 to \$10,000 per day of maintenance work. Cost savings was not necessarily the main driver to hire additional technical staff (as opposed to relying on external contractors) – but rather due to the fact that it was not feasible to meet appropriate maintenance requirements and FNEI's delivery point performance standards with external contractors. The average hourly rate of external qualified personnel (in the \$250/hr range) is, though, a factor.

(g) FNEI is forecasting an increase of \$340,000 in Account 4820 (Station Equipment Labour) from actual 2015 expenditures. As noted in the evidence, FNEI has increased its staffing complement from one operations manager and one apprentice to two substation electricians and two apprentices. The forecasted increase in expenditures is due to FNEI's plans to increase the number of substation electricians to three and the number of apprentices to three. Please reference the following table for the individual line items that make up the forecasted cost increases:

Five Nations Energy Inc.

4820 Increase Itemized	2016 Proposed	2015 Actuals Audited	Variance
(a) 5068 Substation Electrician Wages (2)		219,630.57	
(b) 5069 Substation Electrician Benefits		41,268.94	
(c) 5072 Substation Electrician Apprentices (2)		203,220.37	
(d) 5074 Apprentice Benefits		32,240.14	
5068 Operational Staff Wages (6)	531,719	422,850.94	108,868.36
5069 Operational Staff Overtime (30%)	159,516		159,515.79
5070 Operational Staff Benefits (15%)	103,685	73,509.08	30,176.18
5071 Operational Staff Capitalized Wages	(150,000)	(152,106.38)	2,106.38
5078 Operational Staff PPE supplies	15,000	9,259.60	5,740.40
5079 Operational Staff Training Costs	35,000	32,835.76	2,164.24
5070 Substation Weekly Checks	30,000	-	30,000.00
4820 TransformerStnEquip.Operations Labour	724,920	386,349.00	338,571.35

Note: For Comparative purposes the 2015 separate amounts for labour and benefits were combined.

422,850.94 equals (a) plus (c).

73,509.08 equals (b) plus (d).

Note: (a) and (c) are actual wages paid including overtime.

Note: No invoicing from the Idc's were received for station checks in 2015.

Actual Station Checks invoicing for 2016 was \$37,087.50

Looking at the table above you can see that the bulk of the increase in projected 2016 expense is the addition of two additional operational employees. The amount for 2016 proposed Operational Staff Wages (6) also includes the one time 10% salary adjustment discussed elsewhere in the evidence. \$30k of the variance is due to the fact that FNEI did not receive any invoicing for the substation weekly checks in 2015. As noted above invoicing was received for station checks performed in 2016.

(h) i. At the time of FNEI's last rate case, FNEI management surveyed compensation rates for similar employment positions at other employers in the area. FNEI adjusted wage rates for operational staff at that time, and instituted an annual CPI wage increase. It was thought that this would keep FNEI's wages competitive with other similar employers in the area, the main ones being HONI, OPG, and the mining industry. It has since become apparent that FNEI's competitors (with respect to attracting employees) also included an approximate 2% annual increase in addition to CPI, with the end result being that by midpoint 2015, FNEI was once again falling behind in its compensation levels. FNEI management discussed this at length with the finance committee and a recommendation was made to implement this one time 10% adjustment. This was implemented January 1, 2016, and is not contingent on the outcome of this rate proceeding.

(h) ii. See answer to (h) i. above. Also, in order to further assess the appropriateness of this increase, FNEI went through the 2014 'sunshine' list for both HONI and OPG employees for positions that were similar to FNEI's operational staff job positions. This was not completely straightforward because HONI and OPG, due to their much larger size, had much more specialized positions in many cases. FNEI's staff, by contrast, are required to have a much broader skill set and job responsibilities. The positions identified in the 2014 'sunshine' list that correlated most closely with FNEI's operational staff job requirements had an annual salary range of \$105,000 to \$183,000 ("Protection & Control Technologist" and "Regional Maintainer 1 – Electrical"). FNEI's management recommendation to the Finance Committee was to set these positions in the \$120,000 per year range with the apprentices set at standard journeyman rates for the industry. This translated to a 10% one-time adjustment for the operational staff.

(h) iii. As noted in the answer to (h) i. above, FNEI competes with employers in the area that have collective agreements with their staff. These collective agreements normally have annual salary increases of CPI plus 1.5 to 2%. These employers also do not require their employees to spend significant time away from home for work purposes. FNEI did not want to find itself in a position of acting as a training facility for other employers. As of today, FNEI has developed two individuals from first year apprentices to full-fledged journeyman substation electricians. This represents a significant investment in time and money. With this certification, these employees

are qualified to work almost anywhere should they choose to look elsewhere. Everyone is very much aware of HONI's and OPG's aging workforce and the inducements they are able to offer to individuals such as FNEI's current operational staff.

(h) iv. No. However, see previous responses in (h) i. and iii.

(h) v. The pay increase applies to 8 FTEs.

(h) vi. The total cost that this 10% increase comes to is: \$59,566.50. This amount makes up 19.1% of the requested compensation increase proposed for 2016.

(h) vii. Assuming that the question is asking for the CPI-only increase for 2016 based on salary rates for existing positions as of December 31, 2015 the total increase in cost would be \$9,530.64

(i) FNEI records its maintenance activities either as planned maintenance or unplanned (emergency) maintenance activities. FNEI has always included in its annual budgeting a certain amount for unplanned or emergency maintenance. In the previous rate proceeding, FNEI included an amount of \$90,000 (based on \$30,000 per station site) for unplanned maintenance. This application includes an amount of \$45,000 per site for unplanned maintenance. The additional increase between actual 2015 and proposed 2016 is related to ongoing maintenance activities planned for 2016 and subsequent periods.

(j) Please refer to the table below for a comparison of ROW clearing activities and other transmission line maintenance activities (all figures in \$):

	2010	2011	2012	2013	2014	2015	2016
Unplanned/Emergency Line Maintenance	67,019	17,233		48,762	16,573	52,9234	2,839
Reg. Line Maintenance	296,681	248,723	201,966	46,676	5,194	34,141	34,685
ROW Brushing			9,526	440,394	491,943	483,025	559,853
TOTAL	363,700	265,956	211,492	535,832	513,710	570,090	597,378

2010: Significant anchor replacement and guy wire re-tensioning work was done.

2011: Activities included insulator testing and replacement, as well as fibre line maintenance.

2012: Primarily anchor replacement and guy wire re-tensioning work.

1 2013 to 2016: Focus was on right of way brushing program. The additional work in 2013
2 consisted of replacing a pole due to a lightning strike and other miscellaneous maintenance work.
3 The additional work in 2014 consisted of the regular helicopter patrol and some miscellaneous
4 maintenance work. The additional work in 2015 included repairs to several ice protection berm
5 walls that had been damaged by fire. The replacement was of a different design that eliminated
6 the risk to damage by fire. There was also some other miscellaneous line maintenance work that
7 took place. The additional work in 2016 included the regular helicopter patrol, as well as
8 activities on the fibre line including guy wire re-tensioning, minor anchor replacement, etc.

9
10 (k) FNEI is forecasting the 2016-2020 ROW brushing program to cost \$2,250,000 (\$450,000
11 per year for five years). The actual 2016 expenditures associated with the ROW brushing
12 program were \$559, 853. As noted in the evidence, FNEI is proposing a total expenditure of
13 \$545,000 in Account 4930. This is broken down between ROW brushing activities at \$450,000
14 and other maintenance activities at \$95,000 per year. As such the actual expenditures for 2016
15 are slightly more than 1/5th of the 5 year forecasted cost for this program.

16
17 (l) i. The \$30,000 projected for 2016 and following are based on \$10,000 per community
18 (Attawapiskat, Kashechewan, Fort Albany) for energy conservation related expenditures and
19 activities. FNEI used to allocate roughly that amount to each community in historic years for
20 conservation related matters (prior to the IESO taking on a major role in conservation).
21 Currently, FNEI uses this account (5415 Energy Conservation) to record expenditures relating to
22 the IESO-funded Aboriginal Community Energy Program (ACEP) that FNEI applied for on
23 behalf of Attawapiskat, Kashechewan, and Fort Albany in 2014. The original workplan called for
24 this project to be completed in July 2016, but it is ongoing. The project administrators were also
25 forecasting expenditures greater than the amount of the funding available from ACEP, mostly
26 due to the remote location of the communities and the transportation costs incurred in completing
27 the activities under this program. FNEI understood the limitations of the ACEP program with
28 respect to its ability to adequately fund activities in remote communities, and anticipated having
29 to cover some of the excess costs (as of the end of 2016 the total cost of this program is \$207,457
30 with funding received totalling \$182,200 resulting in an overall shortfall of \$25,256).
31 Subsequent to this application, FNEI received an extension for this program from the IESO and
32 set this amount (\$25,256) up as a receivable from the IESO as at December 31, 2016.

33 (l) ii. FNEI expects to incur \$30,000 in energy conservation related expenditures per year on a
34 go forward basis.

(l) iii. FNEI has not included \$30,000 in offsetting revenue for each year during the 2016-2020 period as FNEI has no expectation of receiving this type of funding from the IESO for this period. FNEI believes that it will incur \$10,000 per year in energy conservation related activities in each of its communities per year going forward and that it is appropriate for these expenses to be included in FNEI's cost of service.

(m) Please refer to the following table:

FNEI Salaries compared to Outside Services Employed							
	2010	2011	2012	2013	2014	2015	2016
Total FNEI Salaries & Expense:	365,294	496,577	616,568	637,342	782,172	929,030	907,375
Percentage Increase 2016 Compared to 2010:							60%
Total Outside Services Employed:	312,808	281,526	185,861	239,577	184,425	196,179	119,389
Percentage Decrease 2016 Compared to 2010:							62%
Net Dollar Increase:							348,662

As described in the table above FNEI's 'in-house' salary and expenditures have increased from \$365,000 to \$907,000 from 2010 to 2016 while FNEI's utilization of outside services has decreased from \$313,000 to \$119,000. This translates into a net increase of spending of \$348,662 in 2016 as compared to 2010. Setting up the juxtaposition of these line items (as this question does) seems to suggest that the "correct" outcome (for ratepayers) should be lower overall costs – and if they're higher, how can they be justified from a ratepayer standpoint. That might be a sensible approach in a static system, but as noted throughout the evidence, the FNEI system of 2016 is not the same system as it was in 2010. There have been significant capital additions, the acquisition of 80 km, and what was a fairly new system is now starting to age. In addition, as explained in the response to (h) above, FNEI's existing staff compensation levels required adjustment. Simply put, what FNEI requires of its employees (and external contractors) today is substantially more than what was required of its employees (and external contractors) in 2016. However, quite apart from this, there is a real benefit to ratepayers from FNEI now having the requisite expertise to operate and maintain its system in-house. A major factor in building FNEI's expertise in house was to mitigate the risk that outside advisors with the requisite skills and corporate memory and culture would no longer be available. FNEI needed to establish itself as largely self-sufficient. As discussed elsewhere, FNEI realized that as its assets aged, more maintenance work would be necessary, and reliance on outside advisors and contractors would no longer be responsible, or in many cases feasible.

(n) and (o) The amount in Account 5605 is not restricted to FNEI's Board of Directors. A detailed breakdown of Account 5605 is as follows:

[FILED IN CONFIDENCE]

(p) The breakdown of an average board meeting using 2013 figures is as follows:

Honoraria	\$16,344
Travel	\$15,993
Disbursements	\$2,663
	\$35,000

FNEI does make use of conference calls for special Board meetings, but tries to conduct quarterly Board meetings face-to-face. There is little chance for informal contact between Board members (or between Board members and FNEI management) due to the remote nature of the communities that FNEI serves. FNEI feels that quarterly face to face meetings are required to allow directors the opportunity to meaningfully interact with each other and with FNEI management.

(q) Please refer to attached pdf entitled: "FNEI Suncorp Valuators - Insurance Appraisal Final Report31December2012.pdf"

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ATTACHMENT 25(c)

Operating Services Agreement

Made Between

Hydro One Networks Inc.

and

Five Nations Energy Inc.



THIS OPERATING SERVICES AGREEMENT made in duplicate this 1st day of January, 2017

BETWEEN:

HYDRO ONE NETWORKS INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter referred to as "Hydro One")

PARTY OF THE FIRST PART;

- and -

FIVE NATIONS ENERGY INC., a corporation existing under the laws of Canada (hereinafter referred to as "the "Recipient")

PARTY OF THE SECOND PART.

WHEREAS in accordance with the *Electricity Act*, the Independent Electricity System Operator ("the IESO") directs the operation of the *IESO-Controlled Grid*;

WHEREAS in accordance with the appropriate regulations and rules in effect from time to time, the Parties wish to enter into this *Agreement* to describe the terms and conditions applicable to the provision of *Operating Services* by Hydro One to the Recipient on the terms and conditions as set out in this agreement;

NOW THEREFORE in consideration of the foregoing, and the mutual covenants, agreements, terms and conditions herein contained, the Parties intending to be legally bound hereby agree as follows:

ARTICLE I: GENERAL

1.1 Each of the Parties hereto confirms the truth and accuracy of the recitals and agrees that the recitals form part of this *Agreement*.

1.2 This *Agreement* constitutes the entire agreement between the parties with respect to the *Operating Services* and supersedes all prior oral or written representations and agreements concerning the subject matter of this *Agreement*.

1.3 Any written notice required by this *Agreement* shall be deemed properly given only if either mailed, facsimiled or delivered to the addresses specified in Schedule "C". Notices sent by registered mail shall be deemed to have been received on the date indicated on the delivery receipt. Notices sent by courier or facsimile shall be deemed to have been received on the date indicated in the delivery receipt or transmission slip if delivered during normal business hours; if not delivered during normal business hours, delivery shall be deemed to have occurred on the next *Business Day*. The designation of the person to be so notified or the address or facsimile number of such person may be changed at any time by either Party by written notice.

1.4 Unless otherwise specified, references in this *Agreement* to Sections or Articles are to sections and articles of this *Agreement*. Any reference in this *Agreement* to any statute or any section thereof will, unless otherwise expressly stated, be deemed to be a reference to such statute or section as

amended, restated or re-enacted from time to time. The insertions of headings are for convenience only and shall not affect the interpretation of this *Agreement*. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 The Recipient shall not assign this *Agreement* or any of its rights or obligations thereunder without obtaining the prior written consent of Hydro One.

This *Agreement* shall extend to, be binding upon and enure to the benefit of the said assigns and the respective successors of the Recipient and Hydro One.

1.6 Neither this *Agreement* or any provision hereof is intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

ARTICLE II: DEFINITIONS

2.1 Defined Terms

The following terms, wherever used in this *Agreement*, shall have the following meanings (where applicable, the source of the definition is indicated between parentheses following the definition):

“**Agent**” means a *Qualified* person duly authorized by a Party to perform specific activities or actions on its behalf (*IESO-Hydro One Operating Agreement*);

“**Agreement**” means this *Agreement* and Schedules “A”, “B”, and “C” and all amendments made hereto by written agreement between the Parties in accordance with the terms of this *Agreement*;

“**Business Day**” means a day other than a Saturday, a Sunday or a public holiday in the Province of Ontario (*Market Rules*);

“**Confidential Information**” means:

- (i) the terms of this *Agreement* and the operations and dealings under this *Agreement*;
- (ii) all information disclosed by a Party to the other Party under this *Agreement* or in negotiating this *Agreement* which by its nature is confidential to the Party disclosing the information; and
- (iii) all interpretative reports or other data generated by a Party that are based in whole or in part on information that is made *Confidential Information* by clauses (i) and (ii) (*Transmission System Code*);

“**Controlling Authority**” means a person or officer responsible for:

- (i) authorizing changes in the conditions or physical position of *Equipment*,
- (ii) forcing *Equipment* out of service,
- (iii) de-rating *Equipment*,
- (iv) applying *Equipment* limitations,
- (v) issuing *Operating Orders*,
- (vi) establishing conditions necessary for *Work Protection* and *Supporting Guarantees*, and

- (vii) establishing the appropriate conditions for and the coordination or switching on the *Equipment* under its control (*IESO-Hydro One Operating Agreement*);

“De-energize” or “De-energized” means a state at which the stored potential energy of an *Isolated* piece of *Equipment* has been discharged. Electrical *Equipment* is considered *De-energized* when its electrical energy has been discharged through connection to an effective ground potential. Mechanical *Equipment* is considered *De-energized* when hazards due to temperature, pressure, chemical substances, gases, radiation, and motion have been minimized or, where practical, eliminated by measures including, but not limited to, the following: (i) operation of valves, gates and dampers; (ii) opening pipes or *Equipment* to the atmosphere; (iii) purging, ventilating, or cooling; (iv) applying brakes and blocking motion; and (v) discharging loaded springs; (*Connection Facilities Agreement*)

“Electricity Act” means the *Electricity Act, 1998* (being Schedule “A” of the *Energy Competition Act, S.O.1998, c.15*), as may be amended from time to time (*Market Rules*);

“Emergency” means any abnormal system condition that requires remedial action to prevent or limit loss of *Transmission Facilities* and/or generation facilities that adversely affects the reliability of the electricity system (*Transmission System Code*);

“Equipment” means any structures, transmission lines or cables, transformers, breakers, disconnect switches, buses for the purpose of conveying electricity; and their related voltage/current transformers, protection systems, telecommunications systems, or any other auxiliary *Equipment* (*IESO-Hydro One Operating Agreement*);

“Force Majeure Event” means, in relation to a person, any event or circumstance, or combination of events or circumstances:

- (i) that is beyond the reasonable control of the person;
- (ii) that adversely affects the performance by the person of its obligations under this *Agreement*; and
- (iii) the adverse effects of which could not have been foreseen or prevented, overcome, remedied or mitigated in whole or in part by the person through the exercise of diligence and reasonable care and includes, but is not limited to, acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil disobedience or disturbances, vandalism or acts of terrorism, strikes, lockouts, restrictive work practices or other labour disturbances, unlawful arrests or restraints by government or governmental, administrative or regulatory agencies or authorities unless the result of a violation by the person of a permit, licence or other authorization or of any applicable law, and acts of God including lightning, earthquake, fire, flood, landslide, unusually heavy or prolonged rain or accumulation of snow or ice or lack of water arising from weather or environmental problems; provided however, for greater certainty, that the lack, insufficiency or non-availability of funds shall not constitute a *Force Majeure Event* (*Market Rules*);

“Forced Outage” means an unscheduled *Outage* due to the actual or potential failure of *Equipment* (*Market Rules*);

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or

any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. *Good Utility Practice* is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America (Transmission System Code);

“Hold-Off” means a guarantee to limit operation of apparatus to facilitate work or reduce work hazards. Under no circumstances shall *Hold-Off* be used in place of *Work Protection* (Work Protection Code);

“IESO” means the Independent Electricity System Operator established under Part II of the Electricity Act that directs the operations of Hydro One’ *Transmission System (Market Rules)*;

“IESO-Controlled Grid” has the same meaning ascribed thereto under the *Electricity Act, 1998*; (*Market Rules*);

“IESO-Hydro One Operating Agreement” means the Operating Agreement entered into by the *IESO* and Hydro One in accordance with the *Electricity Act, 1998* and the *Market Rules*;

“Isolated” means *Equipment* that is separated from any source of dynamic energy (Work Protection Code);

“Maintenance” means, but is not limited to, routine maintenance, troubleshooting, repairs, approved changes, and such other modifications as may be required for the safe and efficient operation of the *Equipment (Transmission System Code)*;

“Market Rules” means the rules made by the *IESO* under Section 32 of the *Electricity Act*;

“Material” or **“Materially”** relates to the essence of the contract, more than a mere annoyance to a right or obligation, but an actual obstacle preventing the performance or exercise of a right or obligation;

“OEB” means the Ontario Energy Board established pursuant to the *Ontario Energy Board Act, 1998* (being Schedule “B” of the Energy Competition Act, S.O. 1998, c. 15), as may be amended from time to time (*Market Rules*);

“Operating Orders” are orders issued by a *Controlling Authority* to facilitate the removal or restoration of *Equipment* or to establish the necessary conditions for *Work Protection (Transmission System Code)*;

“Operating Services” means those services provided by Hydro One to the Recipient with respect to the operation of the Recipient’s assets described in Schedule “A”;

“Outage” means the removal of *Equipment* from service, unavailability of *Equipment* connection or temporary de-rating, restriction of use, or reduction in performance of *Equipment* for any reason

including, but not limited to, permitting the inspection, testing, *Maintenance* or repair of *Equipment* (*Market Rules*);

“Planned Outage” means an *Outage* that is planned or intentional by a *Controlling Authority* at a pre-selected time, usually for construction, preventive *Maintenance* or repair (*Transmission System Code*);

“Promptly” means performed in an expeditious manner and without undue delay, using due diligence, and with the intent of completing the required act or task as quickly as practicable (*Transmission System Code*);

“Protections” means *Equipment* designed to detect and isolate failed or faulted elements;

“Qualified” means assessed by a Party in personal competency, familiarity with and knowledge of all applicable rules, regulations, guidelines, policies, codes, procedures, apparatus and *Equipment*, and dangers with respect to work and operation (*Transmission System Code*);

“Supporting Guarantee” is a guarantee issued in support of a *Work Permit* and/or another *Supporting Guarantee*. It certifies that an *Isolated* or *Isolated and De-energized* condition exists at points under the control of the Issuer of the *Supporting Guarantee* (*Work Protection Code*);

“Transmission Authority” means a position of authority in Five Nations Energy responsible for the authorization of changes in conditions to the Transmission Facilities. This position has the same responsibilities as the *Controlling Authority* at Hydro One Networks. (Connection Facilities Agreement)

“Transmission System” means a system for transmitting electricity and includes any structures, *Equipment* or other things used for that purpose (*Market Rules*);

“Transmission System Code” means the code of standards and requirements issued by the OEB on July 25, 2005, as it may be amended, reissued or replaced from time to time.

“Transmitter” means a person who owns or operates a *Transmission System*.

“Work Authority” means the person responsible and in charge of specific work/test (*IESO-Hydro One Operating Agreement*);

“Work Permit” is a written guarantee that an *Isolated*, or *Isolated and De-energized* condition has been established for work, and will continue to exist, except for authorized tests, until the *Work Permit* is surrendered;

“Work Protection” means a guarantee issued by a Party that an *Isolated* or *Isolated and De-energized* condition has been established for work on *Equipment*, and shall continue to exist, except for authorized tests, until the guarantee is surrendered (*Transmission System Code*); and

“Work Protection Code” means IHS/Utility Work Protection Code which establishes conditions for work on Hydro One’ *Equipment* that when combined with appropriate work practices described therein, is meant to provide employees with a safe work area.

ARTICLE III: TERM

3.1 Effective Date & Term

This *Agreement* shall take effect as of January 1, 2017 and subject to Section 3.2 below, shall continue in full force and effect for one (1) years therefrom (the "**Initial Term**") and shall thereafter be automatically renewed for successive periods of one (1) years upon the same terms and conditions herein (hereinafter the Initial Term and renewal periods collectively referred to as the "**Term**").

3.2 Termination

(a) This *Agreement* may be terminated at any time by mutual agreement. It may also be terminated upon at least one years prior notice in writing given by either Party to the other, provided that such unilateral termination shall not prejudice any outstanding obligations entered into under this *Agreement* that have accrued as of the date of termination.

(b) A Party ("**Terminating Party**") may, on giving notice to the other Party, terminate this *Agreement* on written notice to the other if the other Party fails to remedy a breach of any material obligation under this *Agreement* within 30 (thirty) days after receiving notice thereof from the Terminating Party.

(c) If either Party files or initiates proceedings or has proceedings filed or initiated against it, relating to its liquidation, insolvency, reorganization or other relief (such as the appointment of a trustee, receiver, liquidator, custodian or other official) under any bankruptcy, insolvency or other similar law or makes an assignment for the benefit of its creditors or enters into an agreement for the composition, extension or readjustment of its obligation in connection with the foregoing, this *Agreement* shall terminate automatically, without notice.

(d) If this *Agreement* is terminated by operation of (a), (b) or (c) above, the parties will continue to be liable for any obligations arising, liabilities accrued or amounts payable under this *Agreement* prior to termination.

ARTICLE IV: RIGHTS AND OBLIGATIONS

4.1 Hydro One shall provide the *Operating Services* to the Recipient commencing on the Effective Date of this *Agreement* according to the prices determined in accordance with the cost model set forth in Schedule "A" (the "**Cost Model**").

4.2 Hydro One may use subcontractors to perform any of its obligations under this *Agreement*.

4.3 Hydro One will have the right to change the prices/ and/or the Cost Model upon providing the Recipient not less than 120 days prior written notice thereof. Upon receipt of the aforementioned notice and notwithstanding Subsection 3.2(a) hereof, the Recipient shall have the right to terminate this *Agreement* upon providing Hydro One 45 days prior written notice. If the Recipient does not provide

notice of termination in accordance with this Section 4.3, the price change will be effective the 121st day following the provision of the notice.

4.4 All sales, value-added and other taxes relating to the provision of *Operating Services* by Hydro One, excluding taxes on the income of Hydro One, will be paid by the Recipient.

4.5 The Recipient shall provide 120 days written notice to Hydro One of any actual or anticipated change which may *Materially* affect the provision of *Operating Services* by Hydro One, such changes include, but are not limited to, the addition of new Equipment or replacement of existing Equipment which results in an increase or decrease in the *Operating Services* to be provided hereunder and the insolvency of the Recipient. Such changes must be acceptable to Hydro One. Failing which, Hydro One shall have the right to terminate this Agreement upon providing the Recipient with 45 days prior written notice.

4.6 Upon request, the Recipient shall provide diagrams of their facilities operated by Hydro One and/or review diagrams of their facilities provided by Hydro One.

ARTICLE V: WARRANTIES

5.1 Hydro One warrants that it will provide the *Operating Services* in accordance with the *Market Rules*, the *Transmission System Code* and *Good Utility Practice*.

THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, QUALITY, OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VI: INVOICING AND PAYMENT

6.1 All amounts payable by the Recipient to Hydro One under this Agreement shall be paid in accordance with the invoices rendered by Hydro One. Notwithstanding the foregoing, the Recipient shall pay Hydro One' invoices within 60 days of the receipt of any invoice. This obligation shall survive the termination of this Agreement.

6.2 Invoices will be issued annually based on services rendered during a calendar year. Invoice amounts will be based on the cost model in Schedule A, Article 2. Invoices will be calculated in Q1 of the year of service. Invoices will be rendered by Hydro One on or about the start of Q2 of each calendar year (April 1). Any changes to Operating Services which result in an increase or decrease in the Operating Services to be provided during the calendar year shall be invoiced or refunded in the following year's invoice. Partial calendar year service will be prorated based upon the portion of calendar days per year. A Sample invoice is provided in Schedule A, Article 3.

ARTICLE VII: ACCOUNTS AND RIGHT TO AUDIT

7.1 The parties hereby agree to keep all necessary proper accounts and records relating to the subject matter hereof. Such accounts and records, including invoices, receipts, time cards and vouchers

shall at all reasonable times be open to audit, inspection and copying by each Party to this *Agreement*. Accounts and records shall be preserved and kept available for audit for a period of six years.

ARTICLE VIII: DISPUTE RESOLUTION

8.1 The parties mutually agree to use their best efforts to resolve any disputes that may arise out of or in connection with this Agreement and the matters to which it relates.

8.2 If any dispute arises out of or in connection with any of the matters arising out of or relating to this Agreement, and the respective line managers of the parties responsible therefor cannot resolve the dispute by mutual agreement, then the following steps shall be followed:

(a) Either Party may refer the matter to a committee of 2, to be composed of 1 Vice-President from each of the parties with responsibility for the business unit involved in the dispute, to hear the dispute and attempt to negotiate a resolution;

(b) If the committee of Vice Presidents cannot resolve the dispute, either Party may refer the matter to a committee of 2 to be composed of the CEO from each of the parties (or their delegates), to hear the dispute and attempt to negotiate a resolution;

(c) If the CEOs of the parties cannot resolve the dispute, either Party may refer the matter to a committee of 2 to be composed of the Chair of the Board of Directors from each of the parties (or his or her delegate), to hear the dispute and attempt to negotiate a resolution;

(d) If the Chairs of the Boards of the parties cannot resolve the dispute, it shall be submitted to arbitration in accordance with Section 8.3.

8.3 The parties shall submit the dispute to binding arbitration in accordance with the *Arbitrations Act* (Ontario) and the decision of the arbitrator(s) shall be final and binding on the parties.

ARTICLE IX: LIMITATION OF LIABILITY AND FORCE MAJEURE EVENTS

9.1 Other than for sums payable under this Agreement, Hydro One shall only be liable to the Recipient and the Recipient shall only be liable to Hydro One for any damages that arise directly out of the wilful misconduct or negligence in meeting their respective obligations under this Agreement.

Notwithstanding the generality of the foregoing, neither Party shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

9.2 In any event, the total liability of Hydro One to the Recipient for any claim under this Agreement whether it arises by statute, contract or otherwise, will not exceed the total payments paid by the Recipient to Hydro One for the *Operating Services*. The foregoing limit does not apply to death or personal injury arising from the negligence of Hydro One in respect of accidental loss of, or damage

to the Recipient's tangible property, to the extent caused by the negligence or wilful misconduct of Hydro One, its employees or subcontractors. In the latter event, the limit of liability is \$3,000,000.00.

9.3 Force Majeure Events. Neither Party shall be liable to the other for any loss, damage or delay, or inability to perform any obligation under this Agreement in whole or in part due to a Force Majeure Event.

9.4 Obligations in the Event of a Force Majeure Event. In the event of a Force Majeure Event that prevents a Party from performing any of its obligations under this Agreement, such Party shall (1) expeditiously, without delay notify the other Party of the Force Majeure Event and its good faith assessment of the effect that the Force Majeure Event will have on its ability to perform any of its obligations, which notice shall be confirmed in writing as soon as reasonably practicable if such immediate notice is not in writing; (2) not be entitled to suspend performance of any of its obligations under the Agreement to any greater extent or for any longer duration than is caused by the Force Majeure Event; (3) use commercially reasonable efforts to mitigate the effects of such Force Majeure Event, remedy its inability to perform, and resume full performance of its obligations hereunder; (4) keep the other Party informed of such efforts on a continuing basis; and (5) provide written notice to the other Party of the resumption of the performance of any obligations affected by the Force Majeure Event.

Notwithstanding any of the foregoing, settlement of any strike, lockout, or labour dispute constituting a Force Majeure Event shall be within the sole discretion of the Party to the Agreement involved in such strike, lockout, or labour dispute and the requirement that a Party must use commercially reasonable efforts to remedy the cause of the Force Majeure Event and mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labour disputes.

ARTICLE X: MISCELLANEOUS

10.1 Governing Laws. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.2 Rights and Obligations. The rights and obligations of the parties under this Agreement shall at all times be subject to all applicable laws, regulations, orders and directives of any authority of competent jurisdiction, and shall be deemed to be amended to the extent required to comply with same.

10.3 Further Assurances. If either Party determines that in its reasonable discretion that any further instruments or other actions seem necessary or desirable to carry out the terms of this Agreement, the other Party shall execute and deliver all such instruments and do all such actions as such Party agree in its reasonable discretion as necessary or desirable to carry out the terms of this Agreement.

10.4 Remedies Not Exhaustive. All rights and remedies of either Party provided herein are not intended to be exclusive but rather are cumulative and are in addition to any other right or remedy otherwise available to either Party respectively at law or in equity, and any one or more of either Party's rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy either Party may have or may have exercised. The Parties further agree that where any of the remedies provided for and elected by the non-defaulting

Party are found to be unenforceable, the non-defaulting Party shall not be precluded from exercising any other right or remedy available to them at law or in equity.

10.5 No Waiver. No delay or failure in exercising any right under this Agreement or any partial or single exercise of any right, will constitute a waiver of that right or any other rights under this Agreement. No consent to a breach of any express or implied term set out in this *Agreement* constitutes consent to any subsequent breach.

10.6 Severability. If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held to be invalid as to any person, entity or circumstance or is determined to be not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in effect to the maximum extent permitted by law and, all other terms, covenants and conditions of this Agreement and their application shall not be affected, but shall remain in full force and effect and the parties shall be relieved of their respective obligations under this Agreement only to the extent necessary to comply with the court or government agency holding.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf.

HYDRO ONE NETWORKS INC.



I have the authority to bind the Corporation.

Name: Ryan Boudreau

Title: Grid Operations Manager

Date: Jan 3/2017

FIVE NATIONS ENERGY INC.



Name: Patrick Chilton

Title: Chief Executive Officer

Date: 29.12.2016

I/We have the authority to bind the corporation.

Schedule "A": Operating Services - Controlling Authority – Operating Details**1. Operating Services**

Service Type	Services	Cost Allocation Mechanism	Estimated Amount to be charged to Recipient (2017)
Operating Services	<p>Control Authority, including:</p> <ul style="list-style-type: none"> • Transmission System Monitoring/Control; Includes - alarm monitoring, asset monitoring, minor control. • Asset Operation within Hydro One Prescribed Limits; Includes - application of Hydro One equipment directives, switching on Hydro One transmission system to regulate the Recipient's system. • Emergency Response to Transmission System Events; Includes - response to IESO directed emergency actions, implementation of load shedding. <p>Response to Abnormal Conditions; Includes - 24/7 assessment, contacting customer.</p> <p>Record Maintenance; Includes - retention of logged items, retention of SCADA information, trip reports.</p> <p>Power System IT; Includes – IT support of power system applications used by the OGCC.</p> <p>Restoration Participant Attachment; Includes filing of the Restoration Participant Attachment with the IESO.</p>	Proportional Network Operating Division cost/year	\$294,840

Excluded Operating Services:

Hydro One does not administer Work Protection or Outage planning for the Recipient's Equipment.

2. Cost Model

The operating services cost model is based on the Hydro One' audited financial results for the previous year and the Hydro One asset allocation at the end of the previous year. The amount charged to the Recipient shall be determined using the following characteristics of the operating services for the Recipient described below.

2.1 Recipient Transmission Circuit Kilometers Operated

Line Section	Quantity (2015)
M9K (Moosonee SS X Kashechewan TS)	170.11 km
M3K (Moosonee SS X Fort Albany TS)	159.003 km
M3K (Fort Albany TS X Kashechewan TS)	11.008 km
K5A (Kashechewan TS X Attawapiskat TS)	100.005 km
A7V (Attawapiskat TS X Debeers Victor M TS)	100.005 km
Total Circuit Kilometers	540.131 km

2.2 NMS Points Associated with Recipient Equipment

The following subsections list the 178 alarms that Hydro One is monitoring on behalf of the Recipient.

2.2.1 Attawapiskat TS (34 NMS Points)

Attawapiskat Control/Status Points (7)			
3366-K5A OPEN/CLOSE	L7B4-7 OPEN/CLOSE	R1-B4 OPEN/CLOSE	T3-B4 OPEN/CLOSE
L7B4 TRIP/CLOSE	L7B4-B4 OPEN/CLOSE	T3A-B4 OPEN/CLOSE	
Attawapiskat Analog Points (9)			
A7V AMP B	A7V MW	R1 MX	T3A.LT MW only current
A7V AMP R	A7V MX	T3.LT MW only current	
A7V AMP W	B4 BUS KV W-N		
Attawapiskat Alarm Points (18)			
ACFAIL AN AC FAILURE HAS OCCURED. NON URGENT		L7B4 Breaker Low SF6 Block Operate	
BATT_CHARGER12 Cabinet AC Supply Fail		L7B4 Breaker Protection Trip	
BATT_CHARGER12 DC Supply Fail		L7B4 Breaker SF6 Low Density	
DCFAIL A DC FAILURE HAS OCCURED. URGENT		L7B4 Breaker Spring Discharged	
K5A_A7V PLC Equipment Trouble Alternate		L7B4 Breaker Trip Circuit Fail	
K5A_A7V PLC Equipment Trouble Main		PROT_TRIP A TRIP HAS OCCURED. PROT HAS OPERATED	
L7B4 Breaker Fail Protection Fail		Redundant CCU Fail	
L7B4 Breaker Failure Trip		RTU Communication Fail	
L7B4 Breaker Heater Fail		STATIONALARM AN ALARM AT THE STATION HAS OCCURED	

2.2.2 Fort Albany TS (38 NMS Points)

Fort Albany Control/Status Points (10)			
3364B2-M3K OPEN/CLOSE	R2-B2 OPEN/CLOSE	T1A-B2 OPEN/CLOSE	T1-B2A OPEN/CLOSE
R1-B2A OPEN/CLOSE	R2-B2 Trip/Close Block	T1A-B2 Trip/Close Block	T1-B2A Trip/Close Block
R1-B2A Trip/Close Block	3364B2A-M3K OPEN/CLOSE		
Fort Albany Analog Points (8)			
B2 BUS KV W	R1 MX	T1.LT MW	T1A.LT MW
B2A BUS KV W	R2 MX	T1.LT MX	T1A.LT MX
Fort Albany Alarm Points (20)			
125V DC Supply Fail	R1-B2A SF6 Low Density		
125V Rectifier Failure	R2-B2 Protection Trip		
Breaker Fail Protection Fail	R2-B2 SF6 Low Density		
Breaker Failure Trip	Redundant CCU Fail		
LFF1 Feeder Protection Trip	RTU Communication Fail		
LFF2 Feeder Protection Trip	T1.115 Protection Trip		
LFF3 Feeder Protection Trip (spare)	T1 R1 R2 Disconnect Trip Circuit Fail		
LFTIE Feeder Protection Trip (spare)	T1A.115 Protection Trip		
M3K KASH PLC Equipment Trouble Main	T1A-B2 SF6 Low Density		
R1-B2A Protection Trip	T1-B2A SF6 Low Density		

2.2.3 Kashechewan TS (88 NMS Points)

Kashechewan Control/Status Points (18)			
3365-K5A OPEN/CLOSE	L3B3-B3 OPEN/CLOSE	L9B3-9 OPEN/CLOSE	T2A-B3A OPEN/CLOSE
B3A-B3 OPEN/CLOSE MSO no monitoring	L5B3 TRIP/CLOSE	L9B3-B3 OPEN/CLOSE	T2CS OPEN/CLOSE
L3B3 TRIP/CLOSE	L5B3-B3 OPEN/CLOSE	L9R1 TRIP/CLOSE	T2CS Trip/Close Block
L3B3-3 OPEN/CLOSE	L9B3 TRIP/CLOSE	L9R1-9 OPEN/CLOSE	T2ACS Trip/Close Block
B3A-K5A MSO no monitoring	B3-K5A OPEN/CLOSE motorized		
Kashechewan Analog Points (14)			
B3 BUS FREQUENCY	K5A MX	M9K MX	T2.LT MX
B3 BUS KV B-N	M3K MW	R1 MX	T2A.LT MW
B3 BUS KV R-N	M3K MX	T2.LT MW	T2A.LT MX
K5A MW	M9K MW		
Kashechewan Alarm Points (56)			
125V DC Supply Fail	L9R1 Breaker Failure Trip		
125V Rectifier Failure	L9R1 Breaker Heater Fail		
K5A PLC Equipment Trouble Alternate	L9R1 Breaker Low SF6 Block Operate		
K5A PLC Equipment Trouble Main	L9R1 Breaker Protection Fail		
L3B3 Breaker Failure Trip	L9R1 Breaker Protection Trip		
L3B3 Breaker Heater Fail	L9R1 Breaker SF6 Low Density		

L3B3 Breaker Low SF6 Block Operate	L9R1 Breaker Spring Discharged
L3B3 Breaker Protection Fail	L9R1 Breaker Trip Circuit Fail
L3B3 Breaker Protection Trip	LFF1 Feeder Protection Trip
L3B3 Breaker SF6 Low Density	M3K FTALB PLC Equipment Trouble Main
L3B3 Breaker Spring Discharged	M3K MOOSE PLC Equipment Trouble Main
L3B3 Breaker Trip Circuit Fail	M9K PLC Equipment Trouble Main
L5B3 Breaker Failure Trip	R1 Differential Trip
L5B3 Breaker Heater Fail	R1 Gas Accumulation
L5B3 Breaker Low SF6 Block Operate	R1 Gas Pressure Relief Valve Operate
L5B3 Breaker Protection Trip	R1 Gas Trip
L5B3 Breaker SF6 Low Density	R1 Oil Level
L5B3 Breaker Spring Discharged	R1 Oil Temperature
L5B3 Breaker Trip Circuit Fail	R1 Overcurrent Trip
L5B3BKRPROT L5B3 BREAKER PROTECTIONS HAVE FAILED.	R1 Rapid Pressure Rise
L9B3 Breaker Failure Trip	R1 Winding Temperature
L9B3 Breaker Heater Fail	R1 Winding Temperature Trip
L9B3 Breaker Low SF6 Block Operate	Redundant CCU Fail
L9B3 Breaker Protection Fail	RTU Communication Fail
L9B3 Breaker Protection Trip	T2CS.115 Protection Trip
L9B3 Breaker SF6 Low Density	T2ACS.115 Protection Trip
L9B3 Breaker Spring Discharged	T2CS Disconnect Trip Circuit Fail
L9B3 Breaker Trip Circuit Fail	T2CS SF6 Low Density

2.2.4 Debeers Victor M TS (18 NMS Points)

Debeers Victor M Control/Status Points (9)			
4100-BK-001 TRIP/CLOSE	4100-BK-004 TRIP/CLOSE	4100-SW-002 OPEN/CLOSE	4100-SW-004 OPEN/CLOSE
4100-BK-002 TRIP/CLOSE	4100-SW-001 OPEN/CLOSE	4100-SW-003 OPEN/CLOSE	7018-A7V OPEN/CLOSE
4100-BK-003 TRIP/CLOSE			
Debeers Victor M Analog Points (8)			
A7V KV R-N	TL-001.LT MW	TL-002.LT MW	TL-003.LT MW
RE-001 MX	TL-001.LT MX	TL-002.LT MX	TL-003.LT MX
Debeers Victor M Alarm Points (1)			
RTU Communication Fail			

3. Sample Invoice

Below is a sample invoice that Hydro One will provide to the Recipient in accordance with Section 6.2

hydro one		PROFORMA INVOICE		
FIVE NATIONS ENERGY INC 78-C MOUNTJOY ST N SUITE 421 THAMES, ON, N4N 4V7 CANADA		Sales Document No.: 200115283 Customer Reference No.: N/A Customer No.: 20001499 Payment Terms: Net 60		
		GST / HST No.: 870865821RT0001		
For Billing enquiries, please call 1-877-554-7344 Business hours: 8:00am - 4:00pm Eastern Standard Time				
2015 contract price for the provision of Operating Services by Hydro One for the operation of the Five Nations Energy Inc. 115 kV transmission system.				
Line Item No.	Description	Qty.	Unit Price	TOTAL
1	Hydro One Operating Services	1.00	264,776.00	264,776.00
	HST 13.00%			34,420.88
		Subtotal		264,776.00
		HST		34,420.88
		TOTAL		299,196.88

1 of 1

Schedule "B": Contact List

Either Party has the right to change the position designations and telephone numbers listed below with immediate effect at any time by notice in writing delivered to the other Party by fax or other telegraphic means. Any employee of a Party with apparent authority may deliver such a notice to the other Party.

	Transmitter	Victor Mine	Five Nations Energy
Operating Contacts (Real Time)			
Name:	Various Controller - Sector 4		Various Substation Electricians
Location:	49 Sarjeant Drive Barrie L4N 4V9		FNEI office Timmins ON P4N 0B7
Phone Number:	866-384-4743+Access Code + 43537# (Five Nations)		705-288-8383 cell
Cell Number:			011-8816-224-55485 (second option after cell)
Fax Number:	705-792-6884		705-268-0071
Email:			vgovorov@fivenations.ca
**Emergency Number:	1-866-384-4743 + 911#		705-288-8383
Operating Contacts (Real Time)			
Position:			Use only when staff at the station and OGCC notified
Location:			Fort Albany TS
Phone Number:			705-278-3528 x 1
Cell Number:			
Operating Contacts (Real Time)			
Position:			Use only when staff at the station and OGCC notified
Location:			Kashechewan TS
Phone Number:			705-275-4232 x 1
Cell Number:			
Operating Contacts (Real Time)			
Name:	Various Sector 4 - Controller	Various Mine Security Staff	Use only when staff at the station and OGCC notified
Location:	49 Sarjeant Drive Barrie L4N 4V9		Attawapiskat TS
Phone Number:	866-384-4743 + Access Code 10011# (Victor Mines) + reason code	416-645-3888 ext 5583	705-997-2175 x 1
Cell Number:		416-645-3888 ext5188 Alt	
Fax Number:	705-739-1956	416-645-3902	

Operations Manager

Position:		Operations Manager - 1st Contact
Name:	Various On-Shift Operating Manager	Vladimir Govorov
Location:	49 Sarjeant Drive Barrie L4N 4V9	725 HWY 655 Timmins ON P4N 0B7
Phone Number:	705-792-3210	705-268-0056 (daytime)
Cell Number:		705-288-4535 (after hours)
Fax Number:	705-739-1956	705-268-0071
Email:	ogcc.txmanager@HydroOne.com	vgovorov@fivenations.ca

Operations Manager

Position:		CEO - 2nd Contact
Name:		Pat Chilton
Location:		725 HWY 655 Timmins ON P4N 0B7
Phone Number:		705-288-5454 cell
Email:		pchilton@fivenations.ca

Outage Planning (Pre-event)

Position:		Operations Manager
Name:	Various Outage Planner - Sector 4	Vladimir Govorov
Location:	49 Sarjeant Drive Barrie L4N 4V9	725 HWY 655 Timmins ON P4N 0B7
Phone Number:	866-384-4743 + 43537#	705-268-0056 (daytime)
Cell Number:		705-288-4535 (after hours)
Fax Number:	705-792-3050	705-268-0071
Email:	sector4.planning.ogcc@hydroone.com	vgovorov@fivenations.ca

Outage Planning Group Mailbox

Name:	Various Outage Planner - Sector 4	
Location:	49 Sarjeant Drive Barrie L4N 4V9	
Phone Number:	866-384-4743 + 43537#	
Fax Number:	705-792-3050	
Email:	sector4.planning.ogcc@hydroone.com	vgovorov@fivenations.ca

Operating Support (Post Event)

Position:	Grid Operations Manager	Operations Manager
Name:	Ryan Boudreau	Vladimir Govorov
Location:	49 Sarjeant Drive Barrie L4N 4V9	725 HWY 655 Timmins ON P4N 0B7
Phone Number:	705-792-3114 ext	705-268-0056 (daytime)
Cell Number:	647-449-7158	705-288-4535 (after hours)
Fax Number:	705-792-3147	705-268-0071
Email:	ryan.boudreau@HydroOne.com	vgovorov@fivenations.ca

Notes:

****Hydro One has installed an emergency phone line that will be answered on a priority basis. The number is provided for your use exclusively as per the following criteria:**

- 1. To reach a Controller when public/employee safety is at risk (i.e. downed power line but still energized, public inside transformer station fence, public climbing towers. Power line on a vehicle with people trapped inside, public contact with a live conductor.**
- 2. To reach a Hydro One Controller when a serious environmental impact is possible.**

Schedule "C": Notices

All correspondence, reports, documents and any other notices or other communication required to be given in connection with this *Agreement* shall be given in writing by fax, or other telegraphic or electronic means and, shall be addressed as follows below. The designation of the person to be so notified or the address of such person may be changed at any time by either Party by written notice.

In the case of notices to the Recipient to:

Operations Manager
Five Nations Energy Inc.
70-C Mountjoy St. N., Suite 421
Timmins, Ontario P4N 4V7

Fax Number: 1-705-268-0071

And

In the case of Hydro One Networks to:

Director
Network Operating Division
Hydro One Networks Inc.
49 Sarjeant Drive
Barrie, Ontario L4N 4V9

Fax Number: 1-705-792-3012

All notices shall be sufficiently given and conclusively deemed to be delivered:

- (a) on the date of transfer, receipt confirmed, if by means of facsimile, telegraphic or other electronic means of transfer;
- (b) on the third business day after the day of mailing, if by mail; and
- (c) at the time of delivery, if delivered by hand.

File Five Nations
- Operating Services
Agreement with
Hydro One

Operating Services Agreement

Made Between

Hydro One Networks Inc.

and

Five Nations Energy Inc.

for the

Operation of the Five Nations Energy Inc.

115 kV Transmission System

" 2006 "

THIS OPERATING SERVICES AGREEMENT made in duplicate this 29th day of September, 2006 but made effective as of 18, 2006

BETWEEN:

HYDRO ONE NETWORKS INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter referred to as "Hydro One Networks")

PARTY OF THE FIRST PART;

- and -

FIVE NATIONS ENERGY INC., a non-share corporation incorporated under the laws of Canada (hereinafter referred to as "Five Nations Energy")

PARTY OF THE SECOND PART.

WHEREAS in accordance with the *Electricity Act*, the Independent Electricity System Operator ("the *IESO*") directs the operation of the *IESO-Controlled Grid*;

WHEREAS in accordance with the appropriate regulations and rules in effect from time to time, the Parties wish to enter into this *Agreement* to describe the terms and conditions applicable to the provision of *Operating Services* by Hydro One Networks to Five Nations Energy on the terms and conditions as set out in this agreement;

NOW THEREFORE in consideration of the foregoing, and the mutual covenants, agreements, terms and conditions herein contained, the Parties intending to be legally bound hereby agree as follows:

ARTICLE I: GENERAL

1.1 Each of the Parties hereto confirms the truth and accuracy of the recitals and agrees that the recitals form part of this *Agreement*.

1.2 This *Agreement* constitutes the entire agreement between the parties with respect to the *Operating Services* and supersedes all prior oral or written representations and agreements concerning the subject matter of this *Agreement*.

1.3 Any written notice required by this *Agreement* shall be deemed properly given only if either mailed, facsimiled or delivered to the addresses specified in Schedule "D". Notices sent by registered mail shall be deemed to have been received on the date indicated on the delivery receipt. Notices sent by courier or facsimile shall be deemed to have been received on the date indicated in the delivery receipt or transmission slip if delivered during normal business hours; if not delivered during normal business hours, delivery shall be deemed to have occurred on the next *Business Day*. The designation of the person to be so notified or the address or facsimile number of such person may be changed at any time by either Party by written notice.

1.4 Unless otherwise specified, references in this *Agreement* to Sections or Articles are to sections and articles of this *Agreement*. Any reference in this *Agreement* to any statute or any section thereof will, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time. The insertions of headings are for convenience only and shall not affect the interpretation of this *Agreement*. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Neither Party shall assign this *Agreement* or any of its rights or obligations thereunder without obtaining the consent in writing of the other; except that no consent is necessary where assignment is to an Affiliate, provided a written notice of the assignment is delivered to the other Party.

This *Agreement* shall extend to, be binding upon and enure to the benefit of the said assigns and the respective successors of Five Nations Energy and Hydro One Networks.

1.6 Neither this *Agreement* or any provision hereof is intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

ARTICLE II: DEFINITIONS

2.1 Defined Terms

The following terms, wherever used in this *Agreement*, shall have the following meanings (where applicable, the source of the definition is indicated between parentheses following the definition):

"Affiliate" means, for Hydro One Networks, affiliates as that term is defined in the *Business Corporations Act* (Ontario), and for Five Nations Energy, affiliates as that term is defined in the *Business Corporations Act* (Canada).

"Agent" means a *Qualified* person duly authorized by a Party to perform specific activities or actions on its behalf (*IESO-Hydro One Networks Operating Agreement*);

"Agreement" means this *Agreement* and Schedules "A", "B", "C" and "D" and all amendments made hereto by written agreement between the Parties in accordance with the terms of this *Agreement*;

"Business Day" means a day other than a Saturday, a Sunday or a public holiday in the Province of Ontario (*Market Rules*);

"Confidential Information" means:

- (i) the terms of this *Agreement* and the operations and dealings under this *Agreement*;
- (ii) all information disclosed by a Party to the other Party under this *Agreement* or in negotiating this *Agreement* which by its nature is confidential to the Party disclosing the information; and
- (iii) all interpretative reports or other data generated by a Party that are based in whole or in part on information that is made *Confidential Information* by clauses (i) and (ii) (*Transmission System Code*);

"Controlling Authority" means a person or officer responsible for:

- (i) authorizing changes in the conditions or physical position of *Equipment*;
- (ii) forcing *Equipment* out of service;
- (iii) de-rating *Equipment*;
- (iv) applying *Equipment* limitations;

- (v) issuing *Operating Orders*;
- (vi) establishing conditions necessary for *Work Protection* and *Supporting Guarantees*, and
- (vii) establishing the appropriate conditions for and the coordination or switching on the *Equipment* under its control (*IESO-Hydro One Networks Operating Agreement*);

"Electricity Act" means the *Electricity Act, 1998* (being Schedule "A" of the Energy Competition Act, S.O.1998, c.15), as may be amended from time to time (*Market Rules*);

"Emergency" means any abnormal system condition that requires remedial action to prevent or limit loss of *Transmission Facilities* and/or generation facilities that adversely affects the reliability of the electricity system (*Transmission System Code*);

"Equipment" means any structures, transmission lines or cables, transformers, breakers, disconnect switches, buses for the purpose of conveying electricity; and their related voltage/current transformers, protection systems, telecommunications systems, or any other auxiliary *Equipment* (*IESO-Hydro One Networks Operating Agreement*);

"Force Majeure Event" means, in relation to a person, any event or circumstance, or combination of events or circumstances,

- (i) that is beyond the reasonable control of the person;
- (ii) that adversely affects the performance by the person of its obligations under this *Agreement*; and
- (iii) the adverse effects of which could not have been foreseen or prevented, overcome, remedied or mitigated in whole or in part by the person through the exercise of diligence and reasonable care and includes, but is not limited to, acts of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil disobedience or disturbances, vandalism or acts of terrorism, strikes, lockouts, restrictive work practices or other labour disturbances, unlawful arrests or restraints by government or governmental, administrative or regulatory agencies or

authorities unless the result of a violation by the person of a permit, licence or other authorization or of any applicable law, and acts of God including lightning, earthquake, fire, flood, landslide, unusually heavy or prolonged rain or accumulation of snow or ice or lack of water arising from weather or environmental problems; provided however, for greater certainty, that the lack, insufficiency or non-availability of funds shall not constitute a *Force Majeure Event* (Market Rules);

"Forced Outage" means an unscheduled *Outage* due to the actual or potential failure of *Equipment* (Market Rules);

"Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. *Good Utility Practice* is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America (Transmission System Code);

"Hold-Off" means a guarantee to limit operation of apparatus to facilitate work or reduce work hazards. Under no circumstances shall *Hold-Off* be used in place of *Work Protection* (Work Protection Code);

"IESO" means the Independent Electricity Market Operator established under Part II of the Electricity Act that directs the operations of Hydro One Networks' *Transmission System* (Market Rules);

"IESO-Controlled Grid" has the same meaning ascribed thereto under the *Electricity Act, 1998*; (Market Rules);

"IESO-Hydro One Networks Operating Agreement" means the Operating Agreement entered into by the *IESO* and Hydro One Networks

in accordance with the *Electricity Act, 1998* and the *Market Rules*;

"Maintenance" means, but is not limited to, routine maintenance, troubleshooting, repairs, approved changes, and such other modifications as may be required for the safe and efficient operation of the *Equipment* (Transmission System Code);

"Market Rules" means the rules made by the *IESO* under Section 32 of the *Electricity Act*;

"Material" or **"Materially"** relates to the essence of the contract, more than a mere annoyance to a right or obligation, but an actual obstacle preventing the performance or exercise of a right or obligation;

"OEB" means the Ontario Energy Board established pursuant to the Ontario Energy Board Act, 1998 (being Schedule "B" of the Energy Competition Act, S.O. 1998, c. 15), as may be amended from time to time (Market Rules);

"Operating Orders" are orders issued by a *Controlling Authority* to facilitate the removal or restoration of *Equipment* or to establish the necessary conditions for *Work Protection* (Transmission System Code);

"Operating Services" means those services provided by Hydro One Networks to Five Nations Energy with respect to the operation of Five Nations Energy's *Transmission System* as described in Schedule "A";

"Outage" means the removal of *Equipment* from service, unavailability of *Equipment* connection or temporary de-rating, restriction of use, or reduction in performance of *Equipment* for any reason including, but not limited to, permitting the inspection, testing, *Maintenance* or repair of *Equipment* (Market Rules);

"Planned Outage" means an *Outage* that is planned or intentional by a *Controlling Authority* at a pre-selected time, usually for construction, preventive *Maintenance* or repair (Transmission System Code);

"Promptly" means performed in an expeditious manner and without undue delay, using due

diligence, and with the intent of completing the required act or task as quickly as practicable (*Transmission System Code*);

"Protections" means *Equipment* designed to detect and isolate failed or faulted elements;

"Qualified" means assessed by a party in personal competency, familiarity with and knowledge of all applicable rules, regulations, guidelines, policies, codes, procedures, apparatus and *Equipment*, and dangers with respect to work and operation (*Transmission System Code*);

"Supporting Guarantee" is a guarantee issued in support of a *Work Permit* and/or another *Supporting Guarantee*. It certifies that an *Isolated* or *Isolated and De-energized* condition exists at points under the control of the Issuer of the *Supporting Guarantee* (*Work Protection Code*);

"Transmission System" means a system for transmitting electricity and includes any structures, *Equipment* or other things used for that purpose (*Market Rules*);

"Transmission System Code" means the code of standards and requirements issued by the OEB on July 25, 2005, as it may be amended, reissued or replaced from time to time.

"Transmitter" means a person who owns or operates a *Transmission System*.

"Work Authority" means the person responsible and in charge of specific work/test (*IESO-Hydro One Networks Operating Agreement*);

"Work Permit" is a written guarantee that an *Isolated*, or *Isolated and De-energized* condition has been established for work, and will continue to exist, except for authorized tests, until the *Work Permit* is surrendered;

"Work Protection" means a guarantee issued by a Party that an *Isolated* or *Isolated and De-energized* condition has been established for work on *Equipment*, and shall continue to exist, except for authorized tests, until the guarantee is surrendered (*Transmission System Code*); and

"Work Protection Code" means Hydro One Networks' work protection code attached hereto as Schedule "E" which establishes conditions for work on Hydro One Networks' *Equipment* that when combined with appropriate work practices described therein, is meant to provide Hydro One Networks employees with a safe work area.

ARTICLE III: TERM

3.1 Effective Date & Term

This *Agreement* shall take effect as of (insert date), 2006 and subject to Section 3.2 below, shall continue in full force and effect for five (5) years therefrom (the "Initial Term") and shall thereafter be automatically renewed for successive periods of one (1) years upon the same terms and conditions herein (hereinafter the Initial Term and renewal periods collectively referred to as the "Term").

3.2 Termination

(a) This *Agreement* may be terminated at any time by mutual agreement. It may also be terminated upon at least one years prior notice in writing given by either Party to the other, provided that such unilateral termination shall not prejudice any outstanding obligations entered into under this *Agreement* that have accrued as of the date of termination.

(b) A party ("Terminating Party") may, on giving notice to the other party, terminate this *Agreement* on written notice to the other if the other party fails to remedy a breach of any material obligation under this *Agreement* within 30 (thirty) days after receiving notice thereof from the Terminating Party.

(c) If either party files or initiates proceedings or has proceedings filed or initiated against it, relating to its liquidation, insolvency, reorganization or other relief (such as the appointment of a trustee, receiver, liquidator, custodian or other official) under any bankruptcy, insolvency or other similar law or makes an assignment for the benefit of its creditors or enters into an agreement for the composition, extension or readjustment of its obligation in connection with the foregoing, this

Agreement shall terminate automatically, without notice.

(d) If this Agreement is terminated by operation of (a), (b) or (c) above, the parties will continue to be liable for any obligations arising, liabilities accrued or amounts payable under this Agreement prior to termination.

ARTICLE IV: RIGHTS AND OBLIGATIONS

4.1 Hydro One Networks shall provide the *Operating Services* to Five Nations Energy commencing on the Effective Date of this Agreement at the prices set forth in Schedule "A".

4.2 Hydro One Networks may use subcontractors to perform any of its obligations under this Agreement.

4.3 Annually on the anniversary date of this Agreement, Hydro One Networks will have the right to increase the prices specified in Schedule "A" upon providing Five Nations Energy 120 days prior written notice thereof. Such price increases will be based upon Hydro One Networks' fully burdened labour costs that affect the cost of providing the *Operating Services* hereunder. Upon receipt of the aforementioned notice and notwithstanding Subsection 3.2(a) hereof, Five Nations Energy shall have the right to terminate this Agreement upon providing Hydro One Networks 45 days prior written notice. If Five Nations Energy does not provide notice of termination in accordance with this Section 4.3, the price increase will be effective the 121st day following the provision of the notice.

4.4 All sales, value-added and other taxes relating to the provision of *Operating Services* by Hydro One Networks, excluding taxes on the income of Hydro One Networks, will be paid by Five Nations Energy.

4.5 Five Nations Energy shall Promptly notify Hydro One Networks of any actual or anticipated change which may *Materially* affect the provision of *Operating Services* by Hydro One Networks, such changes include, but are not limited to, the addition of new Equipment or replacement of existing Equipment which results in an increase or decrease in

the *Operating Services* to be provided hereunder and the insolvency of Five Nations Energy.

ARTICLE V: WARRANTIES

5.1 Hydro One Networks warrants that it will provide the *Operating Services* in accordance with the *Market Rules*, the *Transmission System Code* and *Good Utility Practice*.

THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, QUALITY, OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VI: INVOICING AND PAYMENT

6.1 All amounts payable by Five Nations Energy to Hydro One Networks under this Agreement shall be paid in accordance with the invoices rendered by Hydro One Networks. Notwithstanding the foregoing, Five Nations Energy shall pay Hydro One Networks' invoices within 60 days of the receipt of any invoice. This obligation shall survive the termination of this Agreement.

ARTICLE VII: ACCOUNTS AND RIGHT TO AUDIT

7.1 The parties hereby agree to keep all necessary proper accounts and records relating to the subject matter hereof. Such accounts and records, including invoices, receipts, time cards and vouchers shall at all reasonable times be open to audit, inspection and copying by each party to this *Agreement*. Accounts and records shall be preserved and kept available for audit for a period of six years.

ARTICLE VIII: DISPUTE RESOLUTION

8.1 The parties mutually agree to use their best efforts to resolve any disputes that may arise out of or in connection with this Agreement and the matters to which it relates.

8.2 If any dispute arises out of or in connection with any of the matters arising out of or relating to

this Agreement, and the respective line managers of the parties responsible therefor cannot resolve the dispute by mutual agreement, then the following steps shall be followed:

(a) Either party may refer the matter to a committee of 2, to be composed of 1 Vice-President from each of the parties with responsibility for the business unit involved in the dispute, to hear the dispute and attempt to negotiate a resolution;

(b) If the committee of Vice Presidents cannot resolve the dispute, either party may refer the matter to a committee of 2 to be composed of the CEO from each of the parties (or their delegates), to hear the dispute and attempt to negotiate a resolution;

(c) If the CEOs of the parties cannot resolve the dispute, either party may refer the matter to a committee of 2 to be composed of the Chair of the Board of Directors from each of the parties (or his or her delegate), to hear the dispute and attempt to negotiate a resolution;

(d) If the Chairs of the Boards of the parties cannot resolve the dispute, it shall be submitted to arbitration in accordance with Section 8.3.

8.3 The parties shall submit the dispute to binding arbitration in accordance with the *Arbitrations Act* (Ontario) and the decision of the arbitrator(s) shall be final and binding on the parties.

ARTICLE IX: LIMITATION OF LIABILITY AND FORCE MAJEURE EVENTS

9.1 Other than for sums payable under this Agreement, Hydro One Networks shall only be liable to Five Nations Energy and Five Nations Energy shall only be liable to Hydro One Networks for any damages that arise directly out of the wilful misconduct or negligence in meeting their respective obligations under this Agreement.

Notwithstanding the generality of the foregoing, neither Party shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential or incidental damages, including but

not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in statute, contract, tort or otherwise.

9.2 In any event, the total liability of Hydro One Networks to Five Nations Energy for any claim under this Agreement whether it arises by statute, contract or otherwise, will not exceed the total payments paid by Five Nations Energy to Hydro One Networks for the *Operating Services*. The foregoing limit does not apply to death or personal injury arising from the negligence of Hydro One Networks in respect of accidental loss of, or damage to Five Nations Energy's tangible property, to the extent caused by the negligence or wilful misconduct of Hydro One Networks, its employees or subcontractors. In the latter event, the limit of liability is \$3,000,000.00.

9.3 **Force Majeure Events.** Neither party shall be liable to the other for any loss, damage or delay, or inability to perform any obligation under this Agreement in whole or in part due to a Force Majeure Event.

9.4 **Obligations in the Event of a Force Majeure Event.** In the event of a Force Majeure Event that prevents a party from performing any of its obligations under this Agreement, such party shall (1) expeditiously, without delay notify the other party of the Force Majeure Event and its good faith assessment of the effect that the Force Majeure Event will have on its ability to perform any of its obligations, which notice shall be confirmed in writing as soon as reasonably practicable if such immediate notice is not in writing; (2) not be entitled to suspend performance of any of its obligations under the Agreement to any greater extent or for any longer duration than is caused by the Force Majeure Event; (3) use commercially reasonable efforts to mitigate the effects of such Force Majeure Event, remedy its inability to perform, and resume full performance of its obligations hereunder; (4) keep the other party informed of such efforts on a continuing basis; and (5) provide written notice to the other party of the resumption of the performance of any obligations affected by the Force Majeure Event.

Notwithstanding any of the foregoing, settlement of any strike, lockout, or labour dispute constituting a

Force Majeure Event shall be within the sole discretion of the party to the Agreement involved in such strike, lockout, or labour dispute and the requirement that a party must use commercially reasonable efforts to remedy the cause of the Force Majeure Event and mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labour disputes.

ARTICLE X: MISCELLANEOUS

10.1 Governing Laws. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.2 Rights and Obligations. The rights and obligations of the parties under this Agreement shall at all times be subject to all applicable laws, regulations, orders and directives of any authority of competent jurisdiction, and shall be deemed to be amended to the extent required to comply with same.

10.3 Further Assurances. If either party determines that in its reasonable discretion that any further instruments or other actions seem necessary or desirable to carry out the terms of this Agreement, the other party shall execute and deliver all such instruments and do all such actions as such party agree in its reasonable discretion as necessary or desirable to carry out the terms of this Agreement.

10.4 Remedies Not Exhaustive. All rights and remedies of either Party provided herein are not intended to be exclusive but rather are cumulative and are in addition to any other right or remedy otherwise available to either Party respectively at law or in equity, and any one or more of either Party's rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy either Party may have or may have exercised. The Parties further agree that where any of the remedies provided for and elected by the non-defaulting Party are found to be unenforceable, the non-defaulting Party shall not be precluded from exercising any other right or remedy available to them at law or in equity.

10.5 No Waiver. No delay or failure in exercising any right under this Agreement or any partial or single exercise of any right, will constitute a waiver of that right or any other rights under this Agreement. No consent to a breach of any express or implied term set out in this Agreement constitutes consent to any subsequent breach.

10.6 Severability. If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held to be invalid as to any person, entity or circumstance or is determined to be not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in effect to the maximum extent permitted by law and, all other terms, covenants and conditions of this Agreement and their application shall not be affected, but shall remain in full force and effect and the parties shall be relieved of their respective obligations under this Agreement only to the extent necessary to comply with the court or government agency holding.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper officers duly authorized in that behalf.


HYDRO ONE NETWORKS INC.

I have the authority to bind the Corporation.

Name:

Title:

FIVE NATIONS ENERGY INC.


Name: CECIL MACDONALD
Title: GENERAL MANAGER

Name:

Title:

I/We have the authority to bind the Corporation.

SCHEDULE "A": OPERATING SERVICES

Service	Annual Cost		
	A	B	C
Transmission System Monitoring/Control; Includes - alarm monitoring, asset monitoring, minor control.	\$89,367	\$111,708	\$134,050
Asset Operation within Hydro One Networks Prescribed Limits; Includes - application of Hydro One Networks equipment directives, switching on Hydro One Networks Transmission System to regulate Five Nations Energy Inc.'s Transmission System.	44,683	44,683	44,683
Emergency Response to Transmission System Events; Includes - response to IMO directed emergency actions, implementation of load shedding. 2 events/year x 3 hours = 2 x 3 x \$122.42 – extra events based on this formula to be adjusted at year-end.	735	735	735
Outage Processing; Includes - scheduling, planning, submitting to IMO. 5 outages x 8 hours processing = 5 x 8 x \$122.42 - extra events based on this formula to be adjusted at year-end.	4,897	4,897	4,897
Crew Dispatching; Includes - 24/7 assessment, contacting, dispatching. 20 events/year x 1 hour = 20 x \$70.62 extra events based on this formula to be adjusted at year-end.	2,448	2,448	2,448
Record Maintenance; Includes - retention of logged items, retention of SCADA information, trip reports. Flat fee for administration	1,000	1,000	1,000
Total	\$143,130	\$165,471	\$187,813

* A – Existing Services

* B – Effective with Victor Mines initial connection – Estimated October 2006

* C – Effective with Victor Mine being in Production – July 2007

Annual contract amounts to be prorated effective with Victor Mines initial connection & production dates.

SCHEDULE "B": Ownership and Controlling Authority

MOOSONEE S.S.	
Hydro One Networks will own the following on the closing of the transfer of same to Hydro One Networks from Five Nations Energy in accordance with the Term Sheet dated February 18, 2000 made between Hydro One Networks and Five Nations Energy.	Five Nations Energy owns the following:
Note: *Indicates Controlling Authority belongs to Five Nations Energy	Note: *Indicates Controlling Authority belongs to HYDRO ONE NETWORKS
Transformers REACTOR 111R1	Transformers NONE
Breakers 111L6B1, 111L3B1	Breakers NONE
Switches 111-C6R, 111-M3K, 111R1-B1 111M3K-G	Switches NONE
Current/Voltage Transformers 111B1CVT	Current/Voltage Transformers NONE
Transmission Circuits 80 km of M3K from Moosonee S.S. to the load side of pole 442	Transmission Circuits M3K from pole 442 to Kashechewan, K5
Protection Systems Reactor protections, Bus protections, Line protections	Protection Systems NONE
Remote Terminal Unit NONE	Remote Terminal Unit ABB MINISCADA
Telecommunications ONTEL Telephone	Telecommunications NONE

FORT ALBANY CTS (NQ3364)	
Hydro One Networks owns the following	Five Nations Energy owns the following
Note: *Indicates Controlling Authority belongs to Five Nations Energy	Note: *Indicates Controlling Authority belongs to Hydro One Networks
Transformers	Transformers
NONE	3364R1*, 3364R2*, 3364T1*
Breakers	Breakers
NONE	NONE
Switches	Switches
NONE	3364R1-B2*, 3364R2-B2*, 3364T1-B2* 3364 3364-M3K*, 3364M3K-G*, M3K-MSO*
Current/Voltage Transformers	Current/Voltage Transformers
NONE	3364B2CVT*
Feeders	Feeders
NONE	NONE
Protection Systems	Protection Systems
NONE	Line protections, Bus protections, Reactor protections
Remote Terminal Unit	Remote Terminal Unit
NONE	ABB MINISCADA
Telecommunications	Telecommunications
NONE	Bell Canada

KASHECHEWAN CTS (NQ3365)	
Hydro One Networks owns the following:	Five Nations Energy owns the following:
Note: *Indicates Controlling Authority belongs to Five Nations Energy	Note: *Indicates Controlling Authority belongs to Hydro One Networks
Transformers	Transformers
NONE	3365T2*
Breakers	Breakers
NONE	3365L5B3*
Switches	Switches
NONE	3365T2-B3*, 3365M3K-G*, 3365K5A-G*, 3365-K5A*, 3365L5B3-B3*
Current/Voltage Transformers	Current/Voltage Transformers
NONE	3365B3CVT*
Feeders	Feeders
NONE	NONE
Protection Systems	Protection Systems
NONE	Line protections, Bus protections
Remote Terminal Unit	Remote Terminal Unit
NONE	ABB MINISCADA
Telecommunications	Telecommunications
NONE	Bell Canada

ATTAWAPISKAT CTS (NQ3366)	
Hydro One Networks owns the following	Five Nations Energy owns the following
Note: * Indicates Controlling Authority belongs to Five Nations Energy	Note: * Indicates Controlling Authority belongs to Hydro One Networks
Transformers	Transformers
NONE	3366R1*, 3366T3*, 3366T3A*
Breakers	Breakers
NONE	L7B4*
Switches	Switches
NONE	3366R1-B4*, 3366T3-B4*, 3366-K5A*, 3366K5A-G*, 3366T3A-B4*, L7B4-B4*, L7B4-7*, 3366A7V-G*
Current/Voltage Transformers	Current/Voltage Transformers
NONE	3366B4CVT*
Feeders	Feeders
NONE	NONE
Protection Systems	Protection Systems
NONE	Line protections, Bus protections, Reactor protections.
Remote Terminal Unit	Remote Terminal Unit
NONE	ABB MINISCADA
Telecommunications	Telecommunications
NONE	Bell Canada

SCHEDULE "C": SCADA CONTROL AND ALARM POINTS**New Moosonee SS:**

STATUS	CONTROL	ALARMS
138 kV B1 bus voltages - all 3 phases 111R1-B1, 111L6B1, 111L3B1, 111-C6R and 111-M3K MW and Mvars for 111M3K interface	111L6B1 open/close 111L3B1 open/close 111-C6R open/close 111R1-B1 open/close	111L6B1 and 111L3B1 <ul style="list-style-type: none"> • Trip alarm • SF6 alarms • Lockout • Trip circuit failure • Spring Discharged • Heater Failure • Breaker Fail 111R1-B1 <ul style="list-style-type: none"> • Trip alarm • SF6 alarms • Lockout • Trip circuit failure • Trouble alarm Station Urgent and Non Urgent Transformer differential or over current

Fort Albany S.S.

STATUS	CONTROL	ALARMS
138 kV single phase voltage MW and MVARs 3364T1-B2, 3364R1-B2, 3364R2-B2, 3364-M3K status	3364T1-B2 3364R1-B2 3364R2-B2	T1-B2, R1-B2, R2-B2, <ul style="list-style-type: none"> • SF6 Low Density • Trip/Close Block T1, R1, R2 <ul style="list-style-type: none"> • Disconnect Trip Failure R1-B2, R2-B2 <ul style="list-style-type: none"> • Protection trip Feeder Protection Trip Station Urgent and Non Urgent

Kashechewan S.S.

STATUS	CONTROL	ALARMS
138 kV 3 phase voltage MW and MVars 3365-M3K ,L5B3-B3, 3365-K5A	3365L5B3 3365T2-B3	3365L5B3 <ul style="list-style-type: none"> • Trip alarm • SF6 alarms • Lockout • Trip circuit failure • Spring Discharged • Heater Failure • Breaker Fail DC Supply fail Rectifier failure 3365T2-B3 <ul style="list-style-type: none"> • SF6 alarm Disconnect Trip Circuit Failure T2 Protection Trip Feeder Protection Trip

Attawapiskat SS

STATUS	CONTROL	ALARMS
138 kV single phase voltage MW and MVars 3366T3A-B4 3366T3-B4 status 3366R1-B4 3366-K5A L7B4-B4 L7B4-7	3366T3-B4 3366T3A-B4 3366R1-B4 L7B4	Station Urgent and Non Urgent L7B4 <ul style="list-style-type: none"> • Breaker Trip • Protection Fail • Trip Circuit Failure • Spring Discharged • Breaker Fail • Heater Fail • SF6 Alarms DC Supply fail Rectifier failure 3366T3A, 3366T3 <ul style="list-style-type: none"> • Protection Operated Station Alarm

SCHEDULE "D": CONTACT LIST

	HYDRO ONE	Five Nations Energy	Victor Mine
Operating Contacts (Real Time)			
Position:	Controller – Sector 4		
Name:	Various		
Location:	Ontario Grid Control Centre, Barrie, ON		
Phone Number:			
Five Nations	1-866-384-4743 + 42213		
Victor Mine	1-866-384-4743 + 10011		
Fax:	705-792-6884		
**Emergency Number:			
Five Nations	1-866-384-743+42213+911		
Victor Mine	1-866-384-4743+10011+911		
Outage Planning (pre-event)			
Position:	Outage Planner		
Name:	Various		
Location:	OGCC, Barrie, ON		
Phone Number:			
Five Nations	1-866-384-4743 +42213		
Debeers (Victor Mine)	1-866-384-4743+10011		
Fax Number:	705-792-3050		
Email Address:	Operating.planning.ogcc@hydroone.com		
Operating Support (post event)			
Position:	Asst. Network Mgt Officer		
Name:	Udayan Nair		
Location:	OGCC, Barrie, ON		
Phone Number:	705-792-3010		
Fax Number:	705-792-3116		
Email Address:			
Operations Manager (real time)			
Position:	On-Shift Operating Mgr	General Manager	
Name:	Various	Cecil MacDonald	
Location:	OGCC, Barrie, ON	Five Nations Energy 70-C Mountjoy St. N., Suite 421 Timmins, ON P4N 4V7	
Phone Number:	705-792-3120	705-268-0056 705-266-4827 - cell	
Fax Number:	705-739-1956	705-268-0071	
Email:		cmacdonald@fivenations.com	

Notes:

**Hydro One Networks has installed an emergency phone line that will be answered on a priority basis. The number is provided for your use exclusively as per the following criteria:

1. To reach a Controller when public/employee safety is at risk (i.e. downed power line but still energized, public inside transformer station fence, public climbing towers. Power line on a vehicle with people trapped inside, public contact with a live conductor.
2. To reach a Hydro One Controller when a serious environmental impact is possible.

Dispatch/Response to Alarms

For Non-Scheduled and emergency response to power outages, power quality problems and alarms related to FNEI during both normal business hours and after hours.

For both lines and stations related issues, Moosonee Lines should be the initial contact for Network Operating (Dispatch). Moosonee Lines will assess the situation and contact Timmins Station Maintenance Supervisory staff if required.

Local staff will advise both Cec McDonald and Larry Brooksbank of the power outage, power quality issue or alarm

NOTICES

All correspondence, reports, documents and any other notices or other communication required to be given in connection with this *Agreement* shall be given in writing by fax, or other telegraphic or electronic means and, shall be addressed as follows below. The designation of the person to be so notified or the address of such person may be changed at any time by either party by written notice.

in the case of notices to Five Nations Energy to:

General Manager of Five Nations Energy Inc.
Five Nations Energy Inc.
70-C Mountjoy St. N., Suite 421 Timmins, Ontario P4N 4V7

Facsimile Number: 1-705-268-0071
Email: cmacdonald@fivenations.ca

and, in the case of Hydro One Networks to:

Secretary
Hydro One Networks Inc.
483 Bay Street, 10th Floor, South Tower, Toronto, Ontario M5G 2P5
Facsimile Number: (416) 345-6306

All notices shall be sufficiently given and conclusively deemed to be delivered:

- (a) on the date of transfer, receipt confirmed, if by means of facsimile, telegraphic or other electronic means of transfer;
- (b) on the third business day after the day of mailing, if by mail; and
- (c) at the time of delivery, if delivered by hand.

1

2

ATTACHMENT 25(q)

**INSURANCE APPRAISAL REPORT OF
SPECIFIED PROPERTY OF:**

FIVE NATIONS ENERGY INC.

***SITUATED AT VARIOUS LOCATIONS THROUGHOUT
WESTERN JAMES BAY, NORTHERN ONTARIO***

**Prepared by:
Suncorp Valuations**

File No. 38281

**PREMISE OF VALUE
Cost of Reproduction New**

Effective Date: December 31, 2012

Currency: Canadian Dollars

September 6, 2013

Five Nations Energy Inc.
Suite 421
70C Mountjoy St. North
Timmins, ON P4N 4V7

Attention: Larry Brooksbank
Consultant, IFRS Transition

**RE: INSURANCE APPRAISAL OF SPECIFIED INSURABLE ASSETS OF
INTEREST TO FIVE NATIONS ENERGY INC. ("FNEI")**

In accordance with your authorization, we have completed an inspection and prepared an insurance appraisal of certain Five Nations Energy Inc.'s ("FNEI") Insurable Assets. Our appraisal findings and conclusions are summarized in the attached document.

Our final invoice for the valuation service is also attached. We would appreciate your timely attention relative to its payment.



Should you have any questions regarding our report or our invoice, please contact the undersigned.

We thank you for your confidence in our services and look forward to serving your valuation requirements in the future.

On behalf of,
SUNCORP VALUATIONS

A handwritten signature in dark ink, appearing to read 'Joe Lombardo'. The signature is fluid and cursive, with a large, looped 'J' and a trailing 'o'.

Joe Lombardo, ASA
Regional Vice President

JL/mr

Attachment

TABLE OF CONTENTS

	PAGE
TITLE PAGE	
LETTER OF TRANSMITTAL	
TABLE OF CONTENTS	
PURPOSE AND DATE OF APPRAISAL	1
INTENDED USERS OF APPRAISAL	1
IDENTIFICATION OF APPRAISAL PROPERTY	1
PREMISE OF VALUE	2
PROPERTY USE	2
APPRAISAL INCLUSIONS	2
APPRAISAL EXCLUSIONS	3
LIMITATIONS OF SERVICE	3
SCOPE OF APPRAISAL SERVICE	3
INSURANCE EXCLUSIONS	4
CONCLUSION OF COSTS	5
 <u>APPENDICES</u>	
APPENDIX "A" – GENERAL SERVICE CONDITIONS	"A"-1
APPENDIX "B" – CONTINGENT AND LIMITING CONDITIONS	"B"-1
APPENDIX "C" – CERTIFICATION STATEMENT	"C"-1
APPENDIX "D" – SUMMARY OF CRN BY PROPERTY CLASS	"D"-1
APPENDIX "E" – INVENTORY OF ASSETS BY PROPERTY CLASS	"E"-1

September 6, 2013

Five Nations Energy Inc.
Suite 421
70C Mountjoy St. North
Timmins, ON P4N 4V7

Ladies and Gentlemen:

**RE: INSURANCE APPRAISAL OF SPECIFIED INSURABLE ASSETS OF
INTEREST TO FIVE NATIONS ENERGY INC. ("FNEI")**

In accordance with your authorization, we have completed a visual inspection and insurance appraisal of the certain Five Nations Energy Inc.'s ("FNEI") Assets. The details of our service, findings and conclusions are presented in the ensuing sections of this appraisal report.

PURPOSE AND DATE OF APPRAISAL

We have performed this appraisal service for the purpose of developing an estimate of the **Cost of Reproduction New (CRN)** of the specified property, to assist with the placement of property insurance coverage.

The effective date of the appraisal is December 31, 2012.

INTENDED USERS OF APPRAISAL

The appraisal report is only valid for the purpose defined herein. Accordingly, the intended authorized users will be limited to the FNEI, its insurance broker or agent, and the insurer of the property. Any liability to unintended users is expressly denied. For further clarification of our services please refer to the General Service Conditions and Contingent and Limiting Conditions on pages "A"-1 and "B"-1, which form an integral part of this report.

IDENTIFICATION OF APPRAISAL PROPERTY

The specified property appraised was situated at various locations throughout Western James Bay in Northern Ontario.

PREMISE OF VALUE

The cost estimate for the specified property appraised was developed on the following premise of value:

Cost of Reproduction New* (CRN) is defined as: *"the monetary amount required to reproduce property of like kind and quality at one time in accordance with current market prices for materials, labour, manufactured equipment, contractor's overhead, profit and fees, but without provisions for overtime, bonuses for labour, or premiums for materials."*

***Cost of Reproduction New (CRN)** is synonymous with the insurance industry's definition of **"Replacement Cost New."**

CRN takes into account current market prices for labour, duties and freight, building materials and equipment, contractors' overhead, profit and fees, engineering and installation costs, as well as applicable taxes. It is exclusive of the cost of demolition, grading or filling in connection with removal of destroyed property or reconstruction.

In the event of a partial loss, the amount of the loss may be based on the repair cost which is usually proportionately higher than the CRN for the entire property, as defined in this report.

PROPERTY USE

As at the effective date of appraisal the specified property was being utilized for power transmission purposes to the local power distribution companies.

APPRAISAL INCLUSIONS

The following classifications of property were **included** in our insurance appraisal report:

- Buildings
- Land Improvements
- Leasehold Improvements
- Transmission Station Equipment
- Office Furniture and Equipment
- Computer Hardware
- Transportation Equipment
- Tools, Shop and Garage Equipment
- Construction-in-Progress (New Office Building)

APPRAISAL EXCLUSIONS

We **excluded** the following classifications of property for insurance purposes:

- Land
- Poles, Towers and Fixtures
- Overhead Conductors and Devices
- Computer Software
- Licensed Transportation Equipment
- Leased or Rented Asset not Requiring Insurance Coverage
- Personal Property of the Employees
- Supplies and Consumables
- All other Tangible and Intangible Assets

LIMITATIONS OF SERVICE

In completing this appraisal service we did not perform a bylaw study pertaining to the specified property.

SCOPE OF APPRAISAL SERVICE

The scope of our appraisal service included:

Step 1: Representative Visual Inspection and Inventory of the Insurable Assets

We performed a representative visual inspection and inventory of the FNEI assets at the various sites.

For the Buildings, we:

- 1) Reviewed available architectural drawings; and
- 2) Performed an architectural notation of building features and services.

For the Machinery and Equipment, we:

- 1) Reviewed single line diagrams, if available;
- 2) Reviewed engineering project files, if available;
- 3) Performed an itemized inventory of assets over \$5,000, including notation of make, model, serial number and size/capacity;
- 4) Performed a walk-thru inspection of minor value assets (i.e. under \$5,000) including office furniture and equipment, computer hardware, etc.
- 5) Relied on the Fixed Asset Records to develop a listing of computer hardware; and
- 6) Performed a review of historical records.

Step 2: Development of Insurable Values

Once we completed an up-to-date inventory of FNEI Assets, we developed our opinion of their CRN.

For the Buildings and Land Improvements, we utilized a variety of costing sources including the Marshall Valuation Service, R.S. Means and other miscellaneous costing sources. The CRN conclusion comprises soft and hard costs, as well as applicable non-recuperable taxes, if any.

For the Machinery and Equipment, we employed various sources to develop our opinion of CRN, including:

- Current quotations from manufacturers and suppliers;
- Indexing of Historical Costs (for recently purchased assets);
- Suncorp's proprietary cost database; and
- The advice of FNEI representatives.

In all instances, the CRN conclusions reflect the current cost of the specified assets, installed, in-place, with consideration to material/equipment cost, freight, design and engineering costs and non-recuperable taxes, where applicable.

Assets or process systems with a replacement cost over \$5,000 were itemized. The balance of the assets below this threshold was reported on a grouped basis, by location.

Construction-in-Progress comprising the new office building has been included in our report "as if complete".

INSURANCE EXCLUSIONS

We have not reviewed your property and casualty insurance policy relative to the subject property in order to identify applicable insurance exclusions, if any. Our reported CRN costs therefore, include and segregate both below grade and above grade assets. Below grade assets comprise the following:

- 1) Excavation, backfill and site preparation (within footprint of the building)
- 2) Foundations below the lowest floor slab
- 3) Architectural or engineering fees associated with the two items above

We recommend that you review the noted below grade assets with your insurance broker or agent in order to if these items should be insured.

CONCLUSION OF COSTS

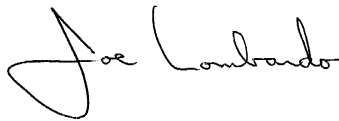
Based on the appraisal investigation detailed herein and the valuation methodology applied it is our opinion that as at December 31, 2012, the CRN cost of the specified FNEI Assets situated at various locations throughout Western James Bay, Ontario is reasonably stated as follows:

\$41,635,000

(FORTY ONE MILLION, SIX HUNDRED AND THIRTY FIVE THOUSAND DOLLARS)

All costs throughout the report are expressed in Canadian dollars and are inclusive of applicable taxes.

On behalf of,
SUNCORP VALUATIONS

A handwritten signature in black ink, appearing to read "Joe Lombardo", is written over the company name.

Joe Lombardo, ASA
Regional Vice President

APPENDICES

APPENDIX "A"

GENERAL SERVICE CONDITIONS

The service(s) provided by Suncorp Valuations (referred to as "Suncorp") were performed in accordance with professional appraisal standards. Our compensation is not contingent in any way upon the conclusion of cost. We will assume, without independent verification, the accuracy of all data that was provided to us. We have acted as an independent contractor and have reserved the right to use subcontractors. All files, working papers, or documents that were developed by us during the course of the engagement will be our property. We will retain this data for at least seven years.

Our report will only be used for the specific purpose(s) stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties that need to review the information contained therein. No one should rely on the report as a substitute for his or her own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold Suncorp harmless from any losses, claims, actions, damages, expenses or liabilities, including reasonable legal fees, to which we may become subject to in connection with this assignment, except for those attributed to our negligence. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, subcontractor, affiliate, and agent or like individual or group.

We will reserve the right to include your company name in our reference list, however, we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings.

APPENDIX "B"

CONTINGENT AND LIMITING CONDITIONS

The services provided by Suncorp are subject to the following contingent and limiting conditions:

- Exhibits, if presented in the report, are included for the sole purpose of illustration, to assist the reader in visualizing the property. We did not survey the subject site, and therefore will not assume responsibility for such matters, nor other technological and engineering techniques that are required to discover any inherent or hidden conditions of the subject property. Architectural drawings provided by the client or their agent were deemed to be accurate as to the building dimensions and specifications, unless information is received to the contrary.
- Fees for the professional services rendered in conjunction with our appraisal report do not account for any professional time associated with or required to appear in court to give expert witness testimony relative to the subject property. Fees associated with expert witness testimony, if required, will be agreed to with the client at the time they are required.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property was assumed to be good and marketable, and free and clear of any liens and encumbrances, unless otherwise stated.
- No environmental audit or historic use study of the subject property was conducted as part of this appraisal. It was assumed that the use of the subject property complies fully with any and all environmental regulations and laws. It was further assumed that there are no hazardous materials on or in the vicinity of the subject property.
- The mechanical and heating systems, piping, plumbing and other building services and equipment, if included in the report, were assumed to be in good working condition and adequate for the building(s). This equipment was not tested, nor did Suncorp assume any responsibility for testing of such.
- We will reserve the right to alter, revise and/or rescind the costs reported should any subsequent or additional information be found, or in the event the engagement parameters are modified to any degree.
- The costs concluded in this report are only valid as at the specified appraisal date. No consideration was given to future economic factors including inflation/deflation, currency exchange fluctuations, labour, etc.

APPENDIX "C"

CERTIFICATION STATEMENT

RE: SPECIFIED ASSETS OF FIVE NATIONS ENERGY INC.
SITUATED AT VARIOUS LOCATIONS THROUGHOUT WESTERN JAMES BAY, NORTHERN ONTARIO

A personal inspection of the referenced subject property was conducted by Mr. Paul Assinck, B.Eng., on June 11-14, 2013 for the purpose of preparing an insurance appraisal of the referenced assets for Five Nations Energy Inc. In addition to the representative property inspection, this appraisal investigation included the collection of property data, a valuation analysis, and the preparation of this report. The subject property was appraised by Mr. Paul Assinck, B.Eng. This report was reviewed by Joe Lombardo, ASA.

We hereby certify that, to the best of our knowledge and belief, the statements of fact contained in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is impartial and unbiased.

We have no present or prospective interest, nor any bias or personal interest with respect to the subject property, and no personal interest with respect to the parties involved with this assignment. Our findings are not contingent upon developing or reporting predetermined results, and our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined cost or direction of cost that favours the cause of the client, the amount of the cost opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

Our analysis, opinions and conclusions are in conformity with the Uniform Standards of Professional Appraisal Practice including the Competency Provision.

The American Society of Appraisers has a mandatory recertification program. We verify that we are in compliance with these requirements. No professional assistance was provided to the persons signing this certificate other than the persons indicated in this certification statement.

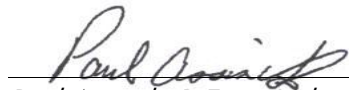
Based on the appraisal investigation detailed herein and the valuation methodology applied it is our opinion that as at December 31, 2012, the CRN cost of the specified property is reasonably stated as follows:

\$41,635,000
(FORTY ONE MILLION, SIX HUNDRED AND THIRTY FIVE THOUSAND DOLLARS)

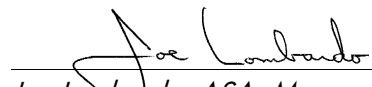
CRN = COST OF REPRODUCTION NEW

ALL COSTS ARE EXPRESSED IN CANADIAN DOLLARS

On behalf of,
SUNCORP VALUATIONS



Paul Assinck, B.Eng., Valuation Consultant


*Joe Lombardo, ASA, Manager
Regional Vice President*

DATE: September 6, 2013

APPENDIX “D”

**SUMMARY OF CRN
BY PROPERTY CLASS**

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
SUMMARY OF COST OF REPRODUCTION NEW (CRN)
As at: December 31, 2012

Class Code	Asset Class	Cost of Reproduction New (CRN)
1715	STATION EQUIPMENT	36,207,600.00
1908	BUILDINGS & FIXTURES	435,000.00
1910	LEASEHOLD IMPROVEMENTS	35,000.00
1915	OFFICE FURNITURE & EQUIPMENT	54,600.00
1920	COMPUTER HARDWARE	87,000.00
1930	TRANSPORTATION EQUIPMENT	150,000.00
1940	TOOLS, SHOP & GARAGE EQUIPMENT	365,800.00
N/A	CONSTRUCTION-IN-PROGRESS	4,300,000.00
TOTAL ASSETS:		\$41,635,000.00

APPENDIX “E”

INVENTORY OF ASSETS BY PROPERTY CLASS

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-01	Station Equipment	Land Improvements	1	Dedicated Site, with Fenced Enclosure, Gravel Base	N/A	N/A	N/A	Attawapiskat Substation Site	12/1/2009	12,500.00
SE-02	Station Equipment	Buildings & Fixtures	1	Fiber Optic Building - 12' x 20' x 10' High, Pre-Fabricated Skid Type All Weather	N/A	N/A	N/A	Attawapiskat Substation Site	12/1/2009	109,000.00
SE-03	Station Equipment		1	Fiber Optic Equipment, Attawapiskat Substation	N/A	N/A	N/A	Attawapiskat Substation Site	12/1/2009	299,800.00
SE-04	Station Equipment		1	Fibre Optic Feeder Across Yard to Control Room Building, Including Network Closet, Ethernet Converter Equipment, Switches, Ethernet Distribution, Power Supplies	N/A	N/A	N/A	Attawapiskat Substation Site	12/1/2009	70,900.00
SE-05	Station Equipment	Land Improvements	1	Dedicated Site, with Fenced Enclosure, Gravel Base	N/A	N/A	N/A	Fort Albany Substation Site	12/1/2009	12,500.00
SE-06	Station Equipment	Buildings & Fixtures	1	Fiber Optic Building - 12' x 20' x 10' High, Pre-Fabricated Skid Type All Weather	N/A	N/A	N/A	Fort Albany Substation Site	12/1/2009	109,000.00
SE-07	Station Equipment		1	Fiber Optic Equipment, Fort Albany Substation	N/A	N/A	N/A	Fort Albany Substation Site	12/1/2009	299,800.00
SE-08	Station Equipment		1	Fibre Optic Feeder Across Yard to Control Room Building, Including Network Closet, Ethernet Converter Equipment, Switches, Ethernet Distribution, Power Supplies	N/A	N/A	N/A	Fort Albany Substation Site	12/1/2009	70,900.00
SE-09	Station Equipment	Land Improvements	1	Dedicated Site, with Fenced Enclosure, Gravel Base	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2009	12,500.00
SE-10	Station Equipment	Buildings & Fixtures	1	Fiber Optic Building - 12' x 20' x 10' High, Pre-Fabricated Skid Type All Weather	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2009	109,000.00
SE-11	Station Equipment		1	Fiber Optic Equipment, Kashechewan Substation	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2009	300,100.00
SE-12	Station Equipment		1	Fibre Optic Feeder Across Yard to Control Room Building, Including Network Closet, Ethernet Converter Equipment, Switches, Ethernet Distribution, Power Supplies	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2009	70,900.00
SE-13	Station Equipment	Land Improvements	1	Dedicated Site, with Fenced Enclosure, Gravel Base	N/A	N/A	N/A	Moosonee Yard of Hydro One	12/1/2009	12,500.00
SE-14	Station Equipment	Buildings & Fixtures	1	Fiber Optic Building - 12' x 20' x 10' High, Pre-Fabricated Skid Type All Weather	N/A	N/A	N/A	Moosonee Yard of Hydro One	12/1/2009	109,000.00
SE-15	Station Equipment		1	Fiber Optic Equipment within Fiber Optic Building at Moosonee Site	N/A	N/A	N/A	Moosonee Yard of Hydro One	12/1/2009	299,800.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-16	Land Improvements	Land Improvements	1	Site Improvements, Muskeg Stripping & Clearing, Imported Gravel, Grounding Grid, with 6 ft Fence and Barbed Wire	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	434,400.00
SE-17	Station Equipment		1	Double Upright & Double Cross Member Tower & Hdwe, Gang Disconnect, Single Capacitive Voltage Transformer, Overhead Buswires & Deadend Insulators, Second Double Upright Tower With Single Cross Member	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	408,700.00
SE-18	Station Equipment		1	Quad Posts & Aluminum Busways System for Circuit Switcher Lineup	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	83,600.00
SE-19	Station Equipment		1	Circuit Switcher for Transformer T1A	S & C Electric Canada Ltd	2020	00-10270T	Fort Albany Station Site	11/1/2001	189,500.00
SE-20	Station Equipment		1	Power Transformer T1A, 132000Volt/8320Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors	ABB Canada	393801BNS	393801	Fort Albany Station Site	11/1/2001	977,000.00
SE-21	Station Equipment		1	DC Shunt Reactor #R1, with Surge Arrestors, 138000 Volt Nominal Operating Voltage, 3.4 MVAR Capacity	ABB Canada	N/A	15040-02	Fort Albany Station Site	11/1/2001	977,000.00
SE-22	Station Equipment		1	Quad Posts & Aluminum Busways System for Circuit Switcher Lineup	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	83,600.00
SE-23	Station Equipment		2	Circuit Switchers for Transformer T1 and Reactor R1	S & C Electric Canada Ltd	2020	00-10267T, 00-10269T	Fort Albany Station Site	11/1/2001	378,900.00
SE-24	Station Equipment		1	Power Transformer T1A, 132000Volt/8320Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors (INSURABLE VALUE REFLECTS UNIT AS IF ENERGIZED)	ABB Canada	393802BNS	393802	Fort Albany Station Site	11/1/2001	977,000.00
SE-25	Station Equipment		1	DC Shunt Reactor #R2, with Surge Arrestors, 138000 Volt Nominal Operating Voltage, 3.4 MVAR Capacity	ABB Canada	N/A	15040-02	Fort Albany Station Site	11/1/2001	977,000.00
SE-26	Station Equipment		1	Original Metal Clad Outdoor Switchgear & Metal Enclosed Building with 3 Metal Clad Switchgear Cells, 2 Drawout 8320 Volt Breakers, 18ft x 12ft Outdoor Metal Enclosed Construction	ABB Canada	VHK Medium Voltage Breakers (2)	N/A	Fort Albany Station Site	11/1/2001	432,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-27	Station Equipment		1	DC Battery Power System inside Original Outdoor Metal Enclosed Breaker Building for Breaker & Circuit Switcher Operations, with Load Bank, Battery Cabinet, 92 VHB type TP55 Cells, DC Distribution Panel & Wiring	Primax Technologies	P4500F	N/A	Fort Albany Station Site	11/1/2001	127,200.00
SE-28	Station Equipment		1	Protection & Control Cabinet in Original Metal Clad Outdoor Switchgear Building	ABB Canada	Fort Albany Substation Protection & Control Cabinet	N/A	Fort Albany Station Site	11/1/2001	197,600.00
SE-29	Station Equipment		2	Outbound 8320 Volt Feeder #F1 & F2 to Municipal Distribution Company Lines, with Double Poles & Hardware, cross beam, 3 Automatic Voltage Regulating Transformers, Disconnects, Cables to Breaker	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	423,400.00
SE-30	Station Equipment		1	Security Camera System	Mobotic	N/A	N/A	Fort Albany Station Site	11/1/2001	70,400.00
SE-31	Station Equipment	Buildings & Fixtures	1	Heated Storage Container / Sea Can Intermodal Shipping Container with Heating, Insulation, Drywall to Interior and Timber Cribbing Foundation	N/A	8ft x 8ft x 20ft	N/A	Fort Albany Station Site	11/1/2001	19,000.00
SE-32	Station Equipment		1	Miscellaneous Tools, Greenlee Tool Chest, Hot Sticks, Ground Wires, Ladders, etc	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	25,300.00
SE-33	Station Equipment	Buildings & Fixtures	2	Plain Storage Containers / Intermodal Sea Can Containers for Cold Storage of Materials & Tools	N/A	8ft x 8ft x 20ft	N/A	Fort Albany Station Site	11/1/2001	12,600.00
SE-34	Station Equipment		2	Containers Tools & Eqpt, Consisting of; 1 - Manta Ray Pisa Screw Anchor Setting Machine, Reddy Construction Heater 6000BTU, Grip Hoist Cable Tensioning Winch, Snatch Blocks, Tensioning Reels & Blocks for Linemen	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	56,900.00
SE-35	Station Equipment		1	Transformer Moving Equipment, (1 set of 2 Sets of Equipment)	N/A	N/A	N/A	Fort Albany Station Site	11/1/2001	27,500.00
SE-36	Station Equipment	Land Improvements	1	Site Improvements, Muskeg Stripping & Clearing, Imported Gravel, Grounding Grid, with 6 ft Fence and Barbed Wire	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2001	405,200.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-37	Station Equipment		1	Double Upright & Double Cross Member Tower & Hdwe, Gang Disconnect, Single Capacitive Voltage Transformer (Removed in 2008), Overhead Buswires & Deadend Insulators, Second Double Upright Tower with Single Cross Member	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2001	433,100.00
SE-38	Station Equipment		1	Circuit Switcher for Transformer T2	S & C Electric Canada Ltd	2020	00-10271T	Kashechewan Substation Site	12/1/2001	188,300.00
SE-39	Station Equipment		1	Power Transformer T2, 132000Volt/8320Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors	ABB Canada	N/A	393803	Kashechewan Substation Site	12/1/2001	992,800.00
SE-40	Station Equipment		1	SF6 Gas Type Circuit Breaker #L5-B3 for K5A 132000 Volt Feeder to Attawapiskat, 145KV Rated Voltage Capacity	ABB Canada	145PM	N/A	Kashechewan Substation Site	12/1/2001	226,000.00
SE-41	Station Equipment		1	Original Metal Clad Outdoor Switchgear & Metal Enclosed Building with 3 Metal Clad Switchgear Cells, 3 Drawout 8320 Volt Breakers, 18ft x 12ft Outdoor Metal Enclosed Construction	ABB Canada	VHK Medium Voltage Breakers (3)	N/A	Kashechewan Substation Site	12/1/2001	604,200.00
SE-42	Station Equipment		1	DC Battery Power System Inside Original Outdoor Metal Enclosed Breaker Building for Breaker & Circuit Switcher Operations, with Load Bank, Battery Cabinet, 92 VHB type TP55 Cells, DC Distribution Panel & Wiring	Primax Technologies	P4500F	N/A	Kashechewan Substation Site	12/1/2001	126,400.00
SE-43	Station Equipment		1	Protection & Control Cabinet in Original Metal Clad Outdoor Switchgear Building	ABB Canada	Kashechewan Substation Protection & Control Cabinet	N/A	Kashechewan Substation Site	12/1/2001	196,400.00
SE-44	Station Equipment		1	Miscellaneous Network Ethernet Hub, UPS, Switch, Sensor Hub	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2001	40,300.00
SE-45	Station Equipment		1	Outbound 8320 Volt Feeder #F1 to Municipal Distribution Company Lines, with Double Poles & Hardware, Cross Beam, 3 Automatic Voltage Regulating Transformers, Disconnects, Cables to Breaker	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2001	210,400.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-46	Station Equipment		2	Breaker Isolation Switches on Steel towers, with Cables to Outbound Feeder Pole Line KSA, (Revised since 2002)	Alstom	CVGB	N/A	Kashechewan Substation Site	12/1/2001	252,900.00
SE-48	Station Equipment		1	Security Camera System	Mobotic	N/A	N/A	Kashechewan Substation Site	12/1/2001	69,900.00
SE-49	Station Equipment	Buildings & Fixtures	1	Heated Storage Container / Sea Can Intermodal Shipping Container with Heating, Insulation, Drywall to Interior and Timber Cribbing Foundation	N/A	8ft x 8ft x 20ft	N/A	Kashechewan Substation Site	12/1/2001	19,000.00
SE-50	Station Equipment		1	Miscellaneous Tools, Greenlee Tool Chest, Hot Sticks, Ground Wires, Ladders, etc.	N/A	N/A	N/A	Kashechewan Substation Site	12/1/2001	25,300.00
SE-51	Station Equipment	Land Improvements	1	Site Improvements, Muskeg Stripping & Clearing, Imported Gravel, Grounding Grid, with 6 ft Fence and Barbed Wire	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	445,000.00
SE-52	Station Equipment		1	Double Upright & Double Cross Member Tower & Hdwe, Gang Disconnect, Single Capacitive Voltage Transformer, Overhead Buswires & Deadend Insulators, Second Double Upright Tower with Single Cross Member	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	463,100.00
SE-53	Station Equipment		1	Quad Posts & Aluminum Busways System for Circuit Switcher Lineup	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	94,100.00
SE-54	Station Equipment		2	Circuit Switchers	S & C Electric Canada Ltd	2020	00-10272T, 00-10273T	Attawapiskat Station Site	12/1/2002	430,000.00
SE-55	Station Equipment		1	Quad Posts & Aluminum Busways System for Circuit Switcher Lineup	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	94,100.00
SE-56	Station Equipment		1	Power Transformer T3, 132000Volt/4160Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors	ABB Canada	N/A	393901	Attawapiskat Station Site	12/1/2002	1,173,000.00
SE-57	Station Equipment		1	DC Shunt Reactor #1, with Surge Arrestors, 138000 Volt Nominal Operating Voltage, 2.5 MVAR Capacity	ABB Canada	N/A	1541-01	Attawapiskat Station Site	12/1/2002	1,173,000.00
SE-58	Station Equipment		1	Power Transformer T3A, 132000Volt/4160Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors	ABB Canada	N/A	393902	Attawapiskat Station Site	12/1/2002	1,173,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-59	Station Equipment		1	Original Metal Clad Outdoor Switchgear & Metal Enclosed Building with 3 Metal Clad Switchgear Cells, 2 Drawout 4160 Volt Breakers, 15ft x 12ft Outdoor Metal Enclosed Construction	ABB Canada	VHK Medium Voltage Breakers (2)	N/A	Attawapiskat Station Site	12/1/2002	478,300.00
SE-60	Station Equipment		1	DC Battery Power System inside Original Outdoor Metal Enclosed Breaker Building for Breaker & Circuit Switcher Operations, with Load Bank, Battery Cabinet, 92 VHB type TP55 Cells, DC Distribution Panel & Wiring	Primax Technologies	P4500F	N/A	Attawapiskat Station Site	12/1/2002	143,800.00
SE-61	Station Equipment		1	Protection & Control Cabinet in Original Metal Clad Outdoor Switchgear Building	ABB Canada	Attawapiskat Substation Protection & Control Cabinet	N/A	Attawapiskat Station Site	12/1/2002	223,900.00
SE-62	Station Equipment		1	Outbound 4160 Volt Feeder #F1 to Municipal Distribution Company Lines, with Double Poles & Hardware, Cross Beam, 3 Automatic Voltage Regulating Transformers, Disconnects, Cables to Breaker	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	240,400.00
SE-63	Station Equipment		1	Outbound 4160 Volt Feeder #F2 to Municipal Distribution Company Lines, with Double Poles & Hardware, Cross Beam, 3 Automatic Voltage Regulating Transformers, Disconnects, Cables to Breaker	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	240,400.00
SE-64	Station Equipment		1	Security Camera System	Mobotic	N/A	N/A	Attawapiskat Station Site	12/1/2002	80,100.00
SE-65	Station Equipment		1	Miscellaneous Network Ethernet Hub, UPS, Switch, Sensor Hub	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	45,800.00
SE-66	Station Equipment	Buildings & Fixtures	1	Heated Storage Container / Sea Can Intermodal Shipping Container with Heating, Insulation, Drywall to Interior and Timber Cribbing Foundation	N/A	8ft x 8ft x 20ft	N/A	Attawapiskat Station Site	12/1/2002	22,900.00
SE-67	Station Equipment		1	Miscellaneous Tools, Greenlee Tool Chest, Hot Sticks, Ground Wires, Ladders, etc	N/A	N/A	N/A	Attawapiskat Station Site	12/1/2002	29,300.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-68	Station Equipment		1	Electric Heater 800 Watt, Wall Mount Fan Coil Heater Addition to Original Metal Clad Outdoor Enclosed Breaker Enclosure	N/A	N/A	N/A	Fort Albany Station Site	10/16/2003	400.00
SE-69	Station Equipment		1	Electric Heater 800 Watt, Wall Mount Fan Coil Heater Addition to Original Metal Clad Outdoor Enclosed Breaker Enclosure	N/A	N/A	N/A	Kashechewan Substation Site	10/16/2003	400.00
SE-70	Station Equipment		1	Electric Heater 800 Watt, Wall Mount Fan Coil Heater Addition to Original Metal Clad Outdoor Enclosed Breaker Enclosure	N/A	N/A	N/A	Attawapiskat Station Site	10/16/2003	400.00
SE-71	Station Equipment		1	Heater Package AddOTOPM to L5 B3 Breaker	N/A	N/A	N/A	Kashechewan Station Site	10/23/2003	9,800.00
SE-72	Station Equipment		1	Minor Station Equipment	N/A	N/A	N/A	Fort Albany Station Site	1/26/2004	7,400.00
SE-73	Station Equipment		1	Minor Station Equipment	N/A	N/A	N/A	Kashechewan Station Site	1/26/2004	7,400.00
SE-74	Station Equipment		1	Capital Spares - Relays for Stations (Items 1800230840, 1800223068, 1800220435, 1800227749, 160008607)	ABB Canada	N/A	N/A	All Stations	12/31/2005	25,000.00
SE-75	Station Equipment		1	Capital Spares - Circuit Switcher	S & C Electric	2020	N/A	All Stations	12/31/2005	84,700.00
SE-76	Station Equipment		1	Capital Spares - Capacitive Voltage Transformer	Trench Ltd	N/A	N/A	All Stations	12/31/2005	9,200.00
SE-77	Station Equipment		1	Miscellaneous Freight	Moosonee Transportation Ltd	N/A	N/A	All Stations, Capital Spares	12/31/2005	1,500.00
SE-78	Station Equipment		1	SNC Lavalin Engineering, Remainder of Energizing Second Transformers	N/A	N/A	N/A	All Stations	12/31/2005	64,600.00
SE-79	Land Improvements		1	Station Equipment, Completion of Substation Fencing, All Three Sites	N/A	N/A	N/A	All Stations	12/31/2005	46,000.00
SE-80	Station Equipment		1	Station Equipment - Air Conditioner for Control Room	N/A	N/A	N/A	All Stations	12/31/2005	1,200.00
SE-81	Station Equipment		1	Set of Transformer Moving Equipment, Hardwood Timber Bedworks & Steel Framed Rolling Cradle for Transformer Saddle	N/A	N/A	N/A	Fort Albany Station	4/1/2005	26,000.00
SE-82	Station Equipment		1	Set of Transformer Moving Equipment, Hardwood Timber Bedworks & Steel Framed Rolling Cradle for Transformer Saddle	N/A	N/A	N/A	Attawapiskat Station	4/1/2005	26,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-83	Station Equipment		1	Capital Spares - Feeder Terminal Relay and Accessories	ABB Canada	N/A	N/A	All Stations	4/1/2005	20,000.00
SE-78-01	Station Equipment		1	SNC Lavalin - SNC Lavalin Engineering, Remainder of Energizing Second Transformers	N/A	N/A	N/A	All Stations	4/12/2005	20,700.00
SE-83	Station Equipment		1	Capital Spares - Relays	ABB	N/A	N/A	All Stations	1/25/2006	10,200.00
SE-84	Station Equipment		1	Air Conditioner, Albany Station	N/A	N/A	N/A	Fort Albany Station	1/25/2006	400.00
SE-80-01	Station Equipment		1	Commercial Aviation - Portion of Charter to Install Air Conditioners at Each Site	N/A	N/A	N/A	All Stations	1/25/2006	2,600.00
SE-78-01	Station Equipment		1	Energization of Spare Transformers, Fort Albany	N/A	N/A	N/A	Fort Albany Station	1/25/2006	190,000.00
SE-78-02	Station Equipment		1	Energization of Spare Transformers, Attawapiskat	N/A	N/A	N/A	Attawapiskat Station	1/25/2006	190,000.00
SE-85	Station Equipment	Buildings & Fixtures	1	Attawapiskat Station Building, Portion of 2006 to 2008 Station Improvements Projects for DeBeers Canada, (Amounts to 50% Additional Space Paid for by FNEI in New Control Room Building)	N/A	N/A	N/A	Attawapiskat Station	10/16/2006	148,600.00
SE-86	Station Equipment		1	ABB - New Substation Computer and Programming	ABB	N/A	N/A	All Stations	12/31/2007	14,000.00
SE-87	Station Equipment	Buildings & Fixtures	1	Materials for Storage Canister	N/A	N/A	N/A	All Stations	12/31/2007	2,800.00
SE-88	Station Equipment		1	Westburne Ruddy, Yard Lights for Stations	N/A	N/A	N/A	All Stations	12/31/2007	8,700.00
SE-80-02	Station Equipment		1	Misc Items, Air Conditioner	N/A	N/A	N/A	All Stations	12/31/2007	400.00
SE-89	Station Equipment	Office Furniture & Equipment	1	Misc Items from Staples for Control Buildings	N/A	N/A	N/A	All Stations	12/31/2007	3,800.00
SE-90	Station Equipment	Land Improvements	1	Materials for Substation Fencing	N/A	N/A	N/A	All Stations	12/31/2007	100.00
SE-91	Station Equipment		1	Remainder for Kashechewan 2ND Transformer Project	N/A	N/A	N/A	Kashechewan Station Site	12/31/2007	34,700.00
SE-92	Station Equipment		1	Circuit Switcher	S & C Electric	2020	06-10401T	Fort Albany Station Site	5/31/2007	191,300.00
SE-93	Station Equipment		1	Cables & Energizing Transformer	N/A	N/A	N/A	Fort Albany Station Site	5/31/2007	116,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-94	Station Equipment		1	Metal Clad Switchgear Lineup Inside New Control Room Building by DeBeers, 5 Cabinets, 2 Live Breakers, 1 Metering Cell, 1 Spare Breaker, 1 Spare Empty Cell	Siemens	3AH (8320 Volt)		Fort Albany Station Site	5/31/2007	561,300.00
SE-95	Metering Equipment		1	Metering Configuration and Real Time Meter Instrumentation	Hydro One	N/A	N/A	Fort Albany Station Site	5/31/2007	30,900.00
SE-96	Station Equipment		2	Breaker Drawout Carts	Siemens, ABB	N/A	N/A	Fort Albany Station Site	5/31/2007	20,600.00
SE-97	Station Equipment		5	Protection & Relaying Panels & Equipment, C/O: 1 Rack for F3 & F4 Feeder Prot'n, 1 Rack for T1 & T1A Prot'n, 1 Rack for Microscada, 1 Rack for Line M3K Prot'n, 1 Rack for Breaker Fail Prot'n & Aux Trip Relays	ABB Canada	N/A	N/A	Fort Albany Station Site	5/31/2007	804,900.00
SE-98	Station Equipment		2	DC Battery Power Systems Inside New Control Room Building provided by DeBeers Canada for standby Breaker & Circuit Switcher Operations, with Load Bank, Battery Cabinet, 83 HBL Type KPM105P Cells, DC Distribution Panel & Wiring	Primax Technologies	P4500F	N/A	Fort Albany Station Site	5/31/2007	218,000.00
SE-99	Station Equipment	Office Furniture & Equipment	1	Miscellaneous Desk, Chair, File Cabinets, Furniture & Fixtures	N/A	N/A	N/A	Fort Albany Station Site	5/31/2007	3,400.00
SE-100	Station Equipment		1	Circuit Switcher 3365-T2A-B3A	S & C Electric	2020	08-10452T-L	Kashechewan New Station Site	9/30/2007	213,400.00
SE-101	Station Equipment		1	Power Transformer T2A, 132000Volt/8320Volt, 6/8/10MVA, ONAN/ONAN/ONAF, with 3 Surge Arrestors	Virginia Transformer Corp	N/A	48006MA001U-HA135A	Kashechewan New Station Site	9/30/2007	1,147,000.00
SE-102	Station Equipment		1	Metal Clad Switchgear Cabinet Lineup Inside New Control Room, 2 Breakers Live, 1 Spare Cell with Breaker, 8320 Volt, Metering Cell Cabinet, 1 - Spare Empty Expansion Cell	Siemens	3AH (3)	N/A	Kashechewan New Station Site	9/30/2007	671,000.00
SE-103	Metering Equipment		1	Metering Configuration and Real Time Meter Instrument	Hydro One	N/A	N/A	Kashechewan New Station Site	9/30/2007	36,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-104	Station Equipment		2	DC Battery Power Systems inside New Control Room Building provided by DeBeers Canada for Standby Breaker & Circuit Switcher Operations, with Load Bank, Battery Cabinet, 83 HBL Type KPM105P Cells, DC Distribution Panel & Wiring	Primax Technologies	P4500F	N/A	Kashechewan New Station Site	9/30/2007	252,000.00
SE-105	Station Equipment		5	Protection & Relaying Panels; 1 - Transformer Protection Panel for T2 & T2A, 1 - Feeder Protection Panel for F3 & F4, 1 - Reactor, Differential, & Trip Lockout Panel, 1 - 132KV line M3K Protection Panel, 1 - ABB Microscada Panel	ABB Canada	N/A	N/A	Kashechewan New Station Site	9/30/2007	850,000.00
SE-106	Station Equipment		2	Breaker Drawout Carts	Siemens, ABB	N/A	N/A	Kashechewan New Station Site	9/30/2007	24,000.00
SE-107	Station Equipment	Office Furniture & Equipment	1	Miscellaneous Desk, Chair, File Cabinets, Furniture & Fixtures	N/A	N/A	N/A	Kashechewan New Station Site	9/30/2007	5,000.00
SE-108	Station Equipment		1	Cables & Duct Banks from Old Station Transformer #T2 to New Switchgear building in New Substation Yard, Removal of Old Cables from XFMR & Switchgear Lineup	N/A	N/A	N/A	Kashechewan New & Old Station Site	9/30/2007	596,000.00
SE-109	Station Equipment		1	Cables & Duct Banks from New Switchgear Building in New Substation Yard to Existing Switchgear Lineup inside Old Substation Yard	N/A	N/A	N/A	Kashechewan New & Old Station Site	9/30/2007	596,000.00
SE-110	Station Equipment		1	Spare PLC Panel	ABB Canada	N/A	N/A	Kashechewan New Station Site	9/30/2007	130,000.00
SE-111	Station Equipment		1	Attawapiskat 2nd Transformer	N/A	N/A	N/A	Attawapiskat Station Site	10/31/2007	117,500.00
SE-112	Station Equipment	Buildings & Fixtures	1	Kash Station Building, Portion of 2006 to 2008 Station Improvements Projects for DeBeers Canada	N/A	N/A	N/A	Kashechewan Station Site	12/4/2007	145,000.00
SE-113	Station Equipment		1	SNC Lavalin Power Ontario Inc.- Unbilled PST for Previous Projects	N/A	N/A	N/A	All Stations	12/31/2008	43,000.00
SE-114	Station Equipment	Land Improvements	1	Expansion of Yard in Moosonee	N/A	N/A	N/A	Moosonee	12/31/2008	20,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-115	Station Equipment		1	Spare Current Transformers	Polycast Industrial	N/A	N/A	All Stations	12/31/2008	1,000.00
SE-116	Station Equipment		1	Spare Circuit Switcher & Solenoid Coils	S&C Electric Canada Ltd.	N/A	N/A	All Stations	12/31/2008	27,000.00
SE-117	Station Equipment	Buildings	1	20FT Sea Canister for Moosonee Fibre Shelter Storage Site	Valard Construction Ltd.	N/A	N/A	Moosonee	12/31/2008	3,000.00
SE-118	Station Equipment		1	Materials for Substation Backup Power	Epitron Inc.	N/A	N/A	Kashechewan Substation Site	12/31/2008	1,000.00
SE-119	Station Equipment	Land Improvements	1	Gillies Enterprises Equipment-Albany Station-Substation Fence Upgrades, Additional Gravel for Garage Base	Gillies Enterprises Equipment	N/A	N/A	Fort Albany Substation Site	12/31/2008	19,000.00
SE-105-01	Station Equipment		1	Kash 2nd Transformer Project - Additional Cost	N/A	N/A	N/A	Kashechewan Substation Site	12/31/2008	49,000.00
SE-120	Station Equipment		1	Misc. Capital - Flights, Powertel Contracting	N/A	N/A	N/A	All Stations	12/31/2009	12,800.00
SE-121	Station Equipment	Land Improvements	1	Station Civil Upgrades All Three Sites - Gate Repairs and Concrete Gate Sill Plates for Theft & Break-In Prevention	N/A	N/A	N/A	All Stations	12/31/2009	132,800.00
SE-122	Station Equipment			Fort Albany 2nd Transformer - Additional Cost	N/A	N/A	N/A	Fort Albany Station Site	12/31/2009	72,400.00
SE-123	Station Equipment		1	Capital Additions to Fibre Optic Project	N/A	N/A	N/A	All Stations	12/31/2009	53,100.00
SE-124	Station Equipment		1	Capitalized Interest Re: Fiber Optic Project	N/A	N/A	N/A	All Stations	12/31/2009	-
SE-119-01	Station Equipment	Land Improvements		Summer 2009 Unbilled Station Civil Upgrades	Gillies Enterprises Equipment	N/A	N/A	All Stations	3/31/2010	4,700.00
SE-125	Station Equipment	Land Improvements	1	DeBeers Transfer - Site Improvements, Muskeg Stripping & Clearing, Imported Gravel, Grounding Grid, with 6 ft Fence and Barbed Wire	N/A	N/A	N/A	Kashechewan Station Site	12/17/2010	555,200.0
SE-126	Station Equipment		2	DeBeers Transfer - Inbound Power Line Carrier System for M3K & M9K High Voltage Feeders with 2 - WaveTraps Each, 3 - Capacitive Voltage Transformers Each, 2 - Power Line Carrier Coupler Cabinets Each and 3 - Galvanized Steel Towers Each	Trench	N/A	N/A	Kashechewan Station Site	12/17/2010	674,600.0

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

<u>Asset ID #</u>	<u>Asset Class</u>	<u>Revised Asset Class</u>	<u>Qty.</u>	<u>Asset Description</u>	<u>Manufacturer</u>	<u>Model #</u>	<u>Serial #</u>	<u>Asset Location</u>	<u>Acq. or Construction Date</u>	<u>Cost of Reproduction New (\$)</u>
SE-127	Station Equipment		1	DeBeers transfer - Triple Upright & Double Cross Member Tower & Hdwe, with 2 Motorized Gang Main Disconnects, Overhead Buswires Front to Back & Deadend Insulators, Second Triple Upright Tower with Double Cross Members at Back End of Station, 2 Ground Switches	N/A	N/A	N/A	Kashechewan Station Site	12/17/2010	724,100.0
SE-128	Station Equipment		2	DeBeers Transfer - Main High Voltage Feed Breakers M9K & M3K feeders	Areva	DT1-145-F1	11385A-DT12, 11385B-DT12	Kashechewan Station Site	12/17/2010	474,600.0
SE-129	Station Equipment		2	DeBeers transfer - Gang Operated Manual Hand Operated Disconnect Switches for M3K & M9K Buses	Areva	CGVB	N/A	Kashechewan Station Site	12/17/2010	109,900.0
SE-130	Station Equipment		1	DeBeers Transfer - B3A Busways Cables & Deadends Insulators etc. with Bus Disconnect Switch & Bus Ground Switch	Areva	CGVB	N/A	Kashechewan Station Site	12/17/2010	229,700.0
SE-131	Station Equipment		1	DeBeers Transfer - Triple Post & Triple Bus Bar System & Cable Risers to Bus B3A	N/A	N/A	N/A	Kashechewan Station Site	12/17/2010	54,900.0
SE-132	Station Equipment		1	DeBeers Transfer - Manual 3 Phase Disconnect Switch #LR91	Areva	CGVB	N/A	Kashechewan Station Site	12/17/2010	112,600.0
SE-133	Station Equipment		1	DeBeers Transfer - SF6 Gas Circuit Breaker for Reactor R1	Areva	DT1-145-F1	11366DT12	Kashechewan Station Site	12/17/2010	240,500.0
SE-134	Station Equipment		1	DeBeers Transfer - DC Shunt Reactor #R1, with Surge Arrestors, 138000 Volt Nominal Operating Voltage, 5.5 MVAR Capacity	ABB Canada	KKRU145-NC-6000	11F1431052	Kashechewan Station Site	12/17/2010	954,600.0
SE-135	Station Equipment	Buildings & Fixtures	1	DeBeers Transfer - New Substation Control Building DBC (Portion of Cost Only, Balance by FNEI), 32ft x 20ft x 10ft on Concrete Stem Piers	N/A	32ft x 20ft x 10ft	N/A	Kashechewan Station Site	12/17/2010	277,400.0
SE-136	Station Equipment		4	DeBeers Transfer - Power Line Carrier Communications & Protection & Relaying Panels for M9K, M3K Circuits	ABB Canada	N/A	N/A	Kashechewan Station Site	12/17/2010	729,500.0

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-137	Station Equipment		1	DeBeers Transfer - Outbound Circuit K5A Power Line Carrier Equipment installed in Kashechewan Old Station Yard with 3 - Galvanized Steel Towers, 3 - Capacitive Voltage Transformers, 2 - Power Line Carrier Wave Traps, 2 - Carrier Coupling & Connection Cabinets etc.	Trench	N/A	N/A	Kashechewan Station Site	12/17/2010	336,800.0
SE-138	Station Equipment		1	DeBeers Transfer - High Voltage Inbound Power Line Carrier Equipment Installed in Fort Albany Station with 3 - Galvanized Steel Towers, 3 - Capacitive Voltage Transformers, 2 - Power Line Carrier Wave Traps, 2 - Carrier Coupling & Connection Cabinets etc.	N/A	N/A	N/A	Fort Albany Substation Site	12/17/2010	336,800.0
SE-139	Station Equipment	Buildings & Fixtures	1	DeBeers Transfer - New Substation Control Building DBC, 32ft x 20ft x 10ft on Concrete Stem Piers	N/A	32ft x 20ft x 10ft	N/A	Fort Albany Substation Site	12/17/2010	431,400.0
SE-140	Station Equipment		1	DeBeers Transfer - Power Line Carrier Communications & Protection & Relaying Panel for M3K Circuit	ABB Canada	N/A	N/A	Fort Albany Substation Site	12/17/2010	182,000.0
SE-141	Station Equipment	Land Improvements	1	DeBeers Transfer - Site improvements, Site Expansion & Fence Alterations to Allow for PLCC Additions to Fort Albany Station	N/A	N/A	N/A	Fort Albany Substation Site	12/17/2010	179,300.0
SE-142	Station Equipment		1	DeBeers Transfer - High Voltage Inbound Power Line Carrier Equipment Installed in Attawapiskat Station with 3 - Galvanized Steel Towers, 3 - Capacitive Voltage Transformers, 2 - Power Line Carrier Wave Traps, 2 - Carrier Coupling & Connection Cabinets etc.	N/A	N/A	N/A	Attawapiskat Substation Site	12/17/2010	336,800.0
SE-143	Station Equipment	Buildings & Fixtures	1	DeBeers Transfer - New Substation Control Building by DBC (Portion of Cost Only, Balance by FNEI), 32ft x 20ft x 10ft on Concrete Stem Piers	N/A	32ft x 20ft x 10ft	N/A	Attawapiskat Substation Site	12/17/2010	277,400.0
SE-144	Station Equipment		3	DeBeers Transfer - Power Line Carrier Communications & Protection & Relaying Panels for K5A, K5A Panel #2, A5V Circuit	N/A	N/A	N/A	Attawapiskat Substation Site	12/17/2010	546,700.0

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1715 - STATION EQUIPMENT
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
SE-145	Station Equipment	Land Improvements	1	DeBeers Transfer - Site improvements, Site Expansion & Fence Alterations to Allow for PLCC Additions to Attawapiskat Station	N/A	N/A	N/A	Attawapiskat Substation Site	12/17/2010	179,300.0
SE-146	Station Equipment		1	DeBeers Transfer - Attawapiskat to Victor Mine Sub-Circuit, with Manual Disconnect Switch, SF6 Gas Circuit Breaker, Overhead Tower & Motorized Disconnect Switch, Ground Switch	N/A	N/A	N/A	Attawapiskat Substation Site	12/17/2010	584,500.0
SE-147	Station Equipment		1	DeBeers Transfer - Outbound Circuit A7V Power Line Carrier Equipment Installed in Attawapiskat Station Yard with 3 - Galvanized Steel Towers, 3 - Capacitive Voltage Transformers, 2 - Power Line Carrier Wave Traps, 2 - Carrier Coupling & Connection Cabinets etc.	N/A	N/A	N/A	Attawapiskat Substation Site	12/17/2010	336,600.0
SE-147	Station Equipment		1	Spectracom-GPS Clock for Substations	Spectracom/Sherwotz er Satellite	N/A	N/A	All Stations	2/28/2011	10,000.00
SE-148	Station Equipment		1	Kash 2nd Feeder Project	Kash 2nd Feeder Project-Cooper Industries	N/A	N/A	Kashechewan Station Site	12/31/2012	31,500.00
SE-149	Station Equipment		1	Replacement Battery Chargers for Stations	Primax Technologies	N/A	N/A	All Stations	12/31/2012	27,900.00
SE-150	Station Equipment		1	Kirk Key Interlock System	Kirk Key	N/A	N/A	All Stations	12/31/2012	1,000.00
SE-151	Station Equipment		1	S&C Interlock-Antenna for SF6 Gas sensor	N/A	N/A	N/A	All Stations	12/31/2012	2,500.00
SE-152	Station Equipment		1	Canadian Network Consulting and Services-Remote Power Devices to Allow Remote Shutdown	N/A	N/A	N/A	All Stations	12/31/2012	27,200.00
GRAND TOTAL:										\$36,207,600.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1908 - BUILDINGS AND FIXTURES
As at: December 31, 2012**

<u>Asset ID</u> #	<u>Class</u> Code	<u>Asset</u> Class	<u>Revised</u> <u>Asset</u> Class	<u>Qty.</u>	<u>Asset Description</u>	<u>Asset Location</u>	<u>Acq. or</u> <u>Construction</u> Date	<u>Cost of</u> <u>Reproduction</u> New (\$)
B-001	1908	Buildings		1	Attawapiskat Garage 1863/1968, 30ft x 40ft Galvanized Steel Quonset Building	Attawapiskat First Nation, Western James Bay, Ontario	6/9/2004	227,000.00
B-002	1908	Buildings		1	Kashechewan Garage 1862/1969, 12ft x 20ft Quonset Building at edge of Kashechewan Airport	Kashechewan First Nation, Western James Bay, Ontario	6/10/2006	76,000.00
B-003	1908	Buildings		1	Fort Albany Garage 1861/1971, 16ft x 30ft Quonset Building	Fort Albany Substation	1/2/2008	132,000.00
GRAND TOTALS:								\$435,000.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1910 - LEASEHOLD IMPROVEMENTS
As at: December 31, 2012**

<u>Asset ID</u> #	<u>Class</u> Code	<u>Asset Class</u>	<u>Revised</u> <u>Asset Class</u>	<u>Qty.</u>	<u>Asset Description</u>	<u>Asset Location</u>	<u>Acq. or</u> <u>Construction</u> <u>Date</u>	<u>Cost of</u> <u>Reproduction</u> <u>New (\$)</u>
LI-001	1910	Leasehold Improvements		1	Leasehold improvements 1866/1970 - FNEI Office, Timmins, ON	36 Birch Street, Timmins, ON	2/28/2005	35,000.00
GRAND TOTALS:								\$35,000.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1915 - OFFICE FURNITURE AND EQUIPMENT
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
OF&E-01	Office Furn. & Equip.		1	2003 Additions, Misc Prints, Coat Crees, Media Boards, File Room Racks, Storage Cabinets, File Cabinets, Etc.	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2003	7,300.00
OF&E-02	Office Furn. & Equip.		1	2003 Additions, Board room Furniture, to be Left Behind for Mushkegowag Council	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2003	11,000.00
OF&E-03	Office Furn. & Equip.		1	2004 additions, Lucy's Office Suite (formerly Cecil),	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2004	7,300.00
OF&E-04	Office Furn. & Equip.		2	Drawing File Cabinets (Planhold file cabinets), SAFCO, Danails office	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2005	4,000.00
OF&E-05	Office Furn. & Equip.		2	5 Drawer Lateral File Cabinets	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2005	2,500.00
OF&E-06	Office Furn. & Equip.		1	Set of Tamarack Geese in Boardroom	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2005	3,500.00
OF&E-08	Office Furn. & Equip.		1	Balance of 2005 OF&E Additions	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2005	4,500.00
OF&E-12	Office Furn. & Equip.		1	Capitalized Office OF&E / Vladamir's Office Suite	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2006	5,000.00
OF&E-13	Office Furn. & Equip.		1	2007 OF&E Additions - Roseanna's Office Suite	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2007	3,000.00
OF&E-14	Office Furn. & Equip.		1	2009 OF&E additions, 4 Drawer Lateral File	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2009	800.00
OF&E-15	Office Furn. & Equip.		1	2010 OF&E additions, New Workstations for Technicians	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2010	2,100.00
OF&E-16	Office Furn. & Equip.		1	2011 additions, New Workstation	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2011	2,000.00
OF&E-17	Office Furn. & Equip.		1	2012 additions, Receptionist's workstation, 3 side chairs, 2 swivel tilt chairs	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	1,600.00
GRAND TOTALS:										\$54,600.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1920 - COMPUTER HARDWARE
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
CH-02	Computer Hardware	Tools, Shop & Garage Equip.	1	Kubota diesel generator on trailer, in possession of Hydro One, may be an unrecorded deletion.	Kubota	N/A	N/A	Hydro One Moosonee	2/26/2002	25,000.00
CH-03	Computer Hardware	Tools, Shop & Garage Equip.	1	Generator, 16HP V Twin	Briggs & Stratton	Vanguard 16HP V	N/A	Attawapiskat Station	9/12/2001	4,000.00
CH-04	Computer Hardware	Tools, Shop & Garage Equip.	1	Generator, Elite, Series 6200	Briggs & Stratton	All three Substations	1017524195	Kashechewan Station	9/12/2001	4,000.00
CH-05	Computer Hardware	Tools, Shop & Garage Equip.	1	Generator, Elite, Series 6200	Unknown	N/A	N/A	Fort Albany Station	9/12/2001	4,000.00
CH-22	Computer Hardware		1	Projector with Accessories in File Room	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2007	900
CH-25	Computer Hardware		1	Wireless Access Point	Cisco Systems	Aironet	N/A	36 Birch Street, Timmins, ON	12/31/2007	500
CH-30	Computer Hardware		1	Server on main Network Rack with Raid Drives	HP	Proliant ML350	N/A	36 Birch Street, Timmins, ON	12/31/2009	6,000.00
CH-32	Computer Hardware		1	Xerox Copier/Printer	Xerox	Color Qube 9201	BRE236461	36 Birch Street, Timmins, ON	12/31/2010	24,000.00
CH-37	Computer Hardware		1	Tower Computer for Running Big Screen Monitor in Vlad's Office	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2010	1,200.00
CH-40	Computer Hardware		1	New rack Mounted UPS in Server Room	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2010	900.00
CH-41	Computer Hardware		1	Server Tower to rack mounting Conversion Kit	HP	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2010	350.00
CH-42	Computer Hardware		1	Laptop for new employee Operations Technician	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2011	1,100.00
CH-43	Computer Hardware		1	New Desktop & Monitor for Student in Server Room now	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2011	1,100.00
CH-44	Computer Hardware		1	Backup tape System for Server	HP	Storage Works RDX, 500GB	N/A	36 Birch Street, Timmins, ON	12/31/2011	1,050.00
CH-45	Computer Hardware		1	Laptop for New CEO Lucie	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2011	1,450.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1920 - COMPUTER HARDWARE
As at: December 31, 2012**

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
CH-46	Computer Hardware		4	Computer Monitors throughout office	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2011	950.00
CH-47	Computer Hardware		1	Mobile Devices Testing for Interoffice Communications, 1 - Kindle device, 1 - Apple IPAD device, Vlad	Kindle, Apple	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	1,200.00
CH-49	Computer Hardware		1	New Laptop for Roseanna	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	1,100.00
CH-50	Computer Hardware		1	Laptop for Operations Technician	Lenovo	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	870.00
CH-51	Computer Hardware		1	Desktop Computer for April	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	1,170.00
CH-52	Computer Hardware		3	Monitors for Vlad's Desk & System Control Monitoring	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	520.00
CH-53	Computer Hardware		1	Stand for 3 Monitors at Vlad's Desk	N/A	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	240.00
CH-54	Computer Hardware		9	IPAD Mobile Devices for Inter-office Employees	Apple	N/A	N/A	36 Birch Street, Timmins, ON	12/31/2012	5,400.00
GRAND TOTALS:										\$87,000.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1930 - TRANSPORTATION EQUIPMENT
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Manufacturer	Model #	Serial #	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
TE-03	Transportation Equipment		1	PT-4 pole trailer, Not Inspected, located at Kashechewan Local Distribution Company				Kashechewan Substation Site	7/29/2005	50,000.00
TE-06-01	Transportation Equipment		1	Snow Plow for 2008 Silverado				Attawapiskat	8/12/2008	7,000.00
TE-08	Transportation Equipment		1	Box Trailer for Argo Avenger	Interstate Mfg	1712TA2-FD320	1UK500E2281067233	Throughout	8/12/2008	7,000.00
TE-09	Transportation Equipment		1	Box Trailer for Argo Avenger	Interstate Mfg	1712TA2-FD320	1UK500E2281067233	Throughout	8/12/2008	7,000.00
TE-010	Transportation Equipment		1	Swamp & All Terrain Vehicle	Argo Manufacturing	Avenger 700	2DGSSOBR39NV27917	Throughout	8/12/2008	29,000.00
TE-11	Transportation Equipment		1	Swamp & All Terrain Vehicle	Argo Manufacturing	Avenger 700		Throughout	8/12/2008	29,000.00
TE-12	Transportation Equipment		1	Argo Utility Trailer	Argo Manufacturing			Throughout	8/12/2008	3,000.00
TE-13	Transportation Equipment		1	Argo Utility Trailer	Argo Manufacturing			Throughout	8/12/2008	3,000.00
TE-14	Transportation Equipment		1	Miscellaneous Minor Items for Argo Avengers & Trailers	Argo Manufacturing			Throughout	8/12/2008	1,000.00
TE-17	Transportation Equipment		1	Snow Plow Attachment and Hydraulic Lift Tailgate for 2011 GMC Sierra	Joe Rent All & Hydraulics			Kashechewan Substation Site	8/31/2011	14,000.00
GRAND TOTALS:										\$150,000.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1940 - TOOLS, SHOP AND GARAGE EQUIPMENT
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
TS&GE-01	Tools, Shop & Garage Equip.		1	Shot Gun Stick and Accessories, inside Storage Container at Kashechewan Station	Kashechewan Station	6/24/2003	3,800.00
TS&GE-02	Tools, Shop & Garage Equip.		1	Grounding Cables and Clamps W/Access., Inside Storage Building/Sea Can at Kashechewan Station	Kashechewan Station	6/24/2003	6,000.00
TS&GE-06	Tools, Shop & Garage Equip.		1	Burndy, Model PAT750-18Volt Cordless Cable Clip Crimper, with Dies	Head Office Basement Storage Area	11/19/2004	5,100.00
TS&GE-08	Tools, Shop & Garage Equip.		1	Miscellaneous Hand Tools Including Substation tools & Grounding Set		12/31/2005	8,900.00
TS&GE-09	Tools, Shop & Garage Equip.		1	Grounding Cables with Reels and Racks		12/31/2006	20,200.00
TS&GE-10	Tools, Shop & Garage Equip.		1	Radio Phone for Kash Garage, (Still in Use)		12/31/2006	3,400.00
TS&GE-11	Tools, Shop & Garage Equip.		1	Tools & Supplies for Line Repairs		12/31/2006	3,100.00
TS&GE-12	Tools, Shop & Garage Equip.		1	Electrical Hamlet, Teaching Device for Elementary Classroom Presentations		12/31/2006	14,700.00
TS&GE-13	Tools, Shop & Garage Equip.		3	Epitron Inc, (3) Arc Flash Suits Protective Gear for Substations	All Substations	12/31/2007	4,500.00
TS&GE-14	Tools, Shop & Garage Equip.		1	Gas Powered Drill for Working on Poles, Stihl, Model 045, (Purchased Used)		12/31/2007	900.00
TS&GE-15	Tools, Shop & Garage Equip.		1	Miscellaneous Hand & Stations Tools	Fort Albany Station	12/31/2007	2,300.00
TS&GE-16	Tools, Shop & Garage Equip.		2	Epitron Inc, Dataloggers to Investigate Voltage Levels		12/31/2007	1,000.00
TS&GE-16-01	Tools, Shop & Garage Equip.		1	Epitron Inc, Additional Cost - Dataloggers	All Substations	12/31/2008	2,700.00
TS&GE-17	Tools, Shop & Garage Equip.		1	High Voltage Training Kit Binders	All Substations	12/31/2008	3,700.00
TS&GE-18	Tools, Shop & Garage Equip.		1	Sling Choker Ltd, Misc Tools for Line Work	All Substations	12/31/2008	5,000.00
TS&GE-19	Tools, Shop & Garage Equip.		1	Quinns Powerline Consulting, Emergency Response Planning Project	All Substations	12/31/2008	1,400.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1940 - TOOLS, SHOP AND GARAGE EQUIPMENT
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
TS&GE-20	Tools, Shop & Garage Equip.		1	Sling Choker Mfg, Hoists for Emergency Line Repair Work	All Substations	12/31/2008	600.00
TS&GE-21	Tools, Shop & Garage Equip.		1	Steelworks Welding & Fabrication, Helicopter Mounted Personnel Basket for Overhead Line Work	All Substations	12/31/2008	900.00
TS&GE-22	Tools, Shop & Garage Equip.		1	ABB Inc, Optical Cable for Troubleshooting & Programming SCADA Hardware & Software	All Substations	12/31/2008	2,700.00
TS&GE-23	Tools, Shop & Garage Equip.		1	Sling Choker Mfg. Tools for Line Work	All Substations	12/31/2008	3,300.00
TS&GE-24	Tools, Shop & Garage Equip.		1	Canadian Network Consulting, Fibre Fusion Tool, Corning Fusion Tool Kit and Greenlee Fibre Tool	All Substations	12/31/2009	41,200.00
TS&GE-25	Tools, Shop & Garage Equip.		1	Wesco Distribution, 3 - Greenlee Tool Boxes, One Per Station	All Substations	12/31/2009	1,800.00
TS&GE-26	Tools, Shop & Garage Equip.		1	Elcom Radio for Fort Albany	Fort Albany Station	12/31/2009	4,500.00
TS&GE-27	Tools, Shop & Garage Equip.		1	GPS Unit	All Substations	12/31/2009	400.00
TS&GE-28	Tools, Shop & Garage Equip.		3	Pairs of Linemans Rubber Gloves & Testing Certificates for 3 Substations	All Substations	12/31/2009	900.00
TS&GE-29	Tools, Shop & Garage Equip.		1	Manta Ray Pisa Screw Anchoring Powerhead & Wrench System	All Substations	12/31/2010	18,000.00
TS&GE-30	Tools, Shop & Garage Equip.		1	Epitron Inc, Voltage Tester	All Substations	12/31/2010	500.00
TS&GE-31	Tools, Shop & Garage Equip.		1	Lot of Miscellaneous Tools for Safety, Testing, etc.	All Substations	12/31/2011	7,400.00
TS&GE-32	Tools, Shop & Garage Equip.		2	Iridium Sat Phones	All Substations	12/31/2011	3,100.00
TS&GE-33	Tools, Shop & Garage Equip.		1	Ground Cluster	All Substations	12/31/2011	1,600.00
TS&GE-34	Tools, Shop & Garage Equip.		2	Volt Meters	All Substations	12/31/2011	1,500.00
TS&GE-35	Tools, Shop & Garage Equip.		1	Testing Equipment, Wika Model GA10, SF6 Gas Quality Analyzer for SF6 Gas Circuit Breakers	All Substations	12/31/2011	21,700.00

FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: 1940 - TOOLS, SHOP AND GARAGE EQUIPMENT
As at: December 31, 2012

Asset ID #	Asset Class	Revised Asset Class	Qty.	Asset Description	Asset Location	Acq. or Construction Date	Cost of Reproduction New (\$)
TS&GE-36	Tools, Shop & Garage Equip.		1	Testing Equipment, OMICRON, Model CPC100 Power Factor & Contact Resistance & Transformer tester, OMICRON model CP-SB1 Transformer Test Switch, OMICRON Model CMC356 Signal Analyzer, OMICRON Model CP-TD1 Booster Amplifier	All Substations	4/27/2011	141,000.00
TS&GE-37	Tools, Shop & Garage Equip.		1	Tools, Infrared Thermometer, etc.	All Substations	1/12/2012	1,100.00
TS&GE-38	Tools, Shop & Garage Equip.		1	GPS Video Mapping Equipment Used to Mark Waypoints	Throughout	1/12/2012	10,500.00
TS&GE-39	Tools, Shop & Garage Equip.		1	Oil Pump and Filter FOR Maintenance on Transformers and Reactors	All Substations	1/12/2012	8,000.00
TS&GE-40	Tools, Shop & Garage Equip.		1	10kv Tester, MEGGER, Model S1-1052/2, 10KV Insulation Tester, Catalogue # 1000-387, Serial Number 120212.1632	All Substations	1/12/2012	6,200.00
TS&GE-41			1	Miscellaneous Tools & Minor Items	All Substations	1/12/2012	2,200.00
GRAND TOTALS:							\$365,800.00

**FIVE NATIONS ENERGY INC.
INSURANCE APPRAISAL REPORT
ASSET CLASS: CONSTRUCTION-IN-PROGRESS
As at: December 31, 2012**

<u>Asset ID</u> <u>#</u>	<u>Asset Class</u>	<u>Revised</u> <u>Asset Class</u>	<u>Qty.</u>	<u>Asset Description</u>	<u>Asset Location</u>	<u>Acq. or</u> <u>Construction</u> <u>Date</u>	<u>Cost of</u> <u>Reproduction</u> <u>New (\$)</u>
CIP-001	CIP	Buildings	1	New Office Building, Anticipated Completion as at Approximately Sept 2013	725 Highway 655 Timmins, Ontario, P4N 0B7	9/1/2013	4,300,000.00
GRAND TOTALS:							\$4,300,000.00

6-Staff-26

Ref: Exhibit 6 / Tab 2 / Schedule 2

- a) Please advise whether the Board of Director costs are included in Table 6-2-2-A (Exhibit 6 / Tab 2 / Schedule 2 / p. 1).
- b) If available, please update Table 6-2-2-A to reflect actual salary and benefits costs incurred in 2016 (Exhibit 6 / Tab 2 / Schedule 2 / p. 1).
- c) Please provide a table that reconciles where the salary and benefit amounts in Table 6-2-2-A (Executive / Management and Non-Management) are captured in Table 6-2-1-B (cost categories and amounts) (Exhibit 6 / Tab 2 / Schedule 2 / p. 1 and Exhibit 6 / Tab 2 / Schedule 1 / p. 2).
- d) Five Nations Energy stated that it plans to hire two apprentices and one substation electrician in 2016 (Exhibit 6 / Tab 2 / Schedule 2 / pp. 1-2).
 - i. Please advise whether these positions were filled in 2016. If not, please explain.
 - ii. Please explain why the total number of FTEs only increased by 2 between 2015 and 2016. Are some of the planned new hires part-time?
- e) Please provide the job title and a summary of responsibilities for each of Five Nations Energy's employees (and indicate whether the job is part-time or full-time – including the FTE amount associated with the position). Please also indicate whether the position is considered Executive / Management or Non-Management (Exhibit 6 / Tab 2 / Schedule 2 / p. 1).
- f) Please discuss the proposed salary increases reflected in Table 6-2-2-A. Specifically, please provide the proposed salary increases that Five Nations Energy intends to provide to each category of employee (Exhibit 6 / Tab 2 / Schedule 2 / p. 1).
- g) Please provide a breakdown showing the amount of the increase in salary and benefit costs (between 2015 and 2016) that is caused by hiring additional employees and by pay increases (\$ amount and %). Please provide the breakdown for each line in Table 6-2-2-A (Exhibit 6 / Tab 2 / Schedule 2 / p. 1).

Response:

(a) No. Board of Directors costs are not included in Table 6-2-2-A

(b) Table 6-2-2-A is updated immediately below with actual figures for 2016:

All figures except FTEs shown in \$000's	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
Number of FTEs (including part time)						
Executive & Management	2	2	2	2	3	3
Non-Management	4	5	5	6	6	6
Total	6	7	7	8	9	9
Total Salary & Wages (\$)						
Executive & Management	245.8	276.2	260.8	277.9	432.7	407.1
Non-Management	188.1	260.5	295.8	403.1	360.7	328.3
Total	433.9	536.7	556.6	681.0	793.4	735.4
Total Current & Accrued Benefits (\$)						
Executive & Management	32.2	33.0	31.0	33.3	48.0	60.0
Non-Management	30.3	46.9	49.7	67.9	87.6	111.9
Total	62.6	79.9	80.7	101.2	135.6	171.9
Total Compensation (Salary, Wages & Benefits) (\$)						
Executive & Management	278.1	309.2	291.9	311.2	480.7	467.1
Non-Management	218.5	307.4	345.8	471.0	448.3	440.3
Total	496.6	616.6	637.3	782.2	929.0	907.4

(c) The amounts in Table 6-2-2-A are broken down between Executive & Management and Non-Management. As such, in Table 6-2-1-B (cost categories and amounts) Non-Management Salary and Benefits are contained in Account 4820 Transformer Station Equipment Labour, and Account 5615 General Admin Salaries and Expenses.

Executive & Management Salary and Benefits in Table 6-2-2-A are contained in Account 5605 Executive Salaries & Expense and Account 5610 Management Salaries and Expenses in Table 6-2-1-B (cost categories and amounts).

(d) i. FNEI only hired one additional apprentice in 2016. FNEI reached the maximum number of apprentices under the journeyman/apprentice ratio mandated by the Ministry of Training. FNEI was waiting for the rate application process to complete before hiring another substation electrician.

(d) ii. The text in the evidence at Exhibit 6/Tab 2/Schedule 2, page 2, line 3 is incorrect (where it states "...planning to add two apprentices and one substation electrician, to bring the total number of apprentices to three, and the total number of substation electricians to three"). FNEI

1 already had two apprentices. FNEI currently has three executive/management employees and six
2 non-management employees for a total of nine FTE.

3
4 (e) FNEI currently has nine FTEs (all full-time), as described below.

5
6 Chief Executive Officer FTE-1 Executive/Management

7 Summary of Position: (excerpt from Job Description)

8 *The CEO will also be responsible for the establishment and achievement of current and long-*
9 *term objectives of the FNEI organization including developing and implementing the strategic*
10 *goals and objectives of the organization. Working closely with the Chair, the CEO will enable*
11 *the Board to fulfill its governance function, to give direction and leadership toward the*
12 *achievement of the organization's philosophy, mission, strategy, and its annual goals and*
13 *objectives. The CEO will oversee the company operations to ensure internal efficiencies,*
14 *outstanding quality of service to FNEI's customers, and cost-effective management of*
15 *resources.*

16
17 Administrative Assistant FTE-1 Non-Management

18 Summary of Position: (excerpt from Job Description)

19 *The Administrative Assistant position is an integral part of the Five Nations Energy Inc.*
20 *(FNEI), to provide overall executive/administrative support to the Chief Executive Officer,*
21 *Board of Directors, Finance and Administration, and Maintenance and Operations*
22 *department.*

23
24 Secretary/Receptionist FTE-1: Non-Management

25 Summary of Position: (excerpt from Job Description)

26 *The Secretary/Receptionist position will be an integral part of the Five Nations Energy Inc.*
27 *(FNEI), to provide overall reception and office support.*

28
29 Finance Controller FTE-1: Executive/Management

30 Summary of Position: (excerpt from Job Description)

31 *Reporting to and providing resource to the CEO, the FC will set FNEI's financial policy and*
32 *direction while also being an active participant in, and driver of, the organization's overall*
33 *strategy within the parameters set by the Ontario Energy Board ("OEB") and FNEI's Board of*
34 *Directors. The FC will lead all financial administration, business planning, and budgeting*
35 *activities. As a member of the senior leadership team, the FC will work closely with the*
36 *finance and human resource committee of the board of directors.*

37
38 Operations Manager: FTE-1: Executive/Management

39 Summary of Position: (excerpt from Job Description)

40 *The Operations Manager will be responsible for the safe and reliable operations and*
41 *maintenance of the high voltage FNEI transmission lines, communications facilities and*
42 *stations owned by FNEI. The Operations Manager will also perform field work as well as*

administer contracts involved in the civil, mechanical and electrical, needs of the FNEI system.

Substation Electrician FTE-2: Non-Management

Summary of Position: (excerpt from Job Description)

The Journey person Substation Electrician reports to the Operations Manager and works with other members of the operations department and assists other outsourced technical and engineering resources as directed within the scope of his qualifications. Duties of this position include testing of transformers; routine maintenance and testing of substation oil circuit reclosers; installation, operation and maintenance SCADA equipment and associated devices; operation and maintenance of high voltage substations, switches, voltage regulators, capacitors, fiber optic communication equipment; and keeping accurate system and equipment records. Supports a positive work environment that emphasizes the Company's current mission statement and core values.

Substation Electrician Apprentice FTE-2: Non-Management

Summary of Position: (excerpt from Job Description)

The Substation Electrician Apprentice reports to the Operations Manager and works under supervision of the designated Journey person/Substation Electrician who coordinates the activity of the apprentice with other departments assisting other classifications as directed within the scope of his/her qualifications. Duties of this position include testing of transformers; routine maintenance and testing of substation oil circuit reclosers; installation, operation and maintenance of SCADA equipment and associated devices; operation and maintenance of high voltage substations, switches, voltage regulators, capacitors, fiber optic communication equipment; and keeping accurate system and equipment records. The apprentice will actively support a positive work environment that emphasizes the Company's current mission statement and core values.

(f) Table 6-2-2-A shows the summary of employee compensation proposed for 2016. The table below shows the proposed salary and benefit cost increases for 2016 as compared to 2015.

All figures except FTEs shown in \$000's	2015 Actual	2016 Proposed	2016 Increase
Number of FTEs (including part time)			
Executive & Management	3	3	0
Non-Management	6	8	2
Total	9	11	2
Total Salary & Wages			
Executive & Management	432.7	404.3	(28.4)
Non-Management	360.7	463.8	103.1
Total	793.4	868.0	74.7
Total Current & Accrued Benefits			
Executive & Management	48.0	56.2	8.2
Non-Management	87.6	116.8	29.2
Total	135.6	173.0	37.4

Total Compensation (Salary, Wages & Benefits)			
Executive & Management	480.7	460.4	(20.3)
Non-Management	448.3	580.6	132.3
Total	929.0	1041.1	112.0

(g) The table below shows the salary and staffing increases proposed for 2016 compared to the actual salary and staffing levels as at December 31, 2015. Please note that the total dollar value of the proposed salary and staffing increases does not equal the \$112.0 total above for various reasons including actual overtime costs, one time staff turnover costs etc. for 2015.

All figures except FTEs shown in \$000's						
	2016 Proposed	% Increase	Salary Increase	% Increase	Staffing Increase	% Increase
Number of FTEs (including part time)						
Executive & Management	0		0		0	
Non-Management	2		0		2	
Total						
Total Salary & Wages						
Executive & Management	\$37.0	19.6%	\$37.0	19.6%	\$0	0%
Non-Management	\$214.4	63.7%	\$49.5	14.7%	\$164.9	49.0%
Total	\$251.4	47.9%	\$86.5	16.5%	\$164.9	31.4%
Total Current & Accrued Benefits						
Executive & Management	\$5.2	21.1%	\$5.2	19.8%	\$0	0%
Non-Management	\$40.8	66.0%	\$9.2	14.7%	\$31.6	51.1%
Total	\$46.0	53.3%	\$14.4	16.5%	\$31.9	36.6%
Total Compensation (Salary, Wages & Benefits)						
Executive & Management	\$42.1	19.8%	\$42.1	19.8%	\$0	0%
Non-Management	\$255.2	64.1%	\$58.7	14.7%	\$196.5	49.3%
Total	\$297.4	48.6%	\$100.9	16.5%	\$196.5	32.1%

6-Staff-27

Ref: Exhibit 6 / Tab 2 / Schedule 3

Preamble:

Five Nations Energy noted that it procures the services of Attawapiskat Power Corporation, Fort Albany Power Corporation, and Kashechewan Power Corporation to assist with maintenance work (at the stations) and emergency response.

Five Nations Energy procures the services of the three LDCs in accordance with MSAs. The MSAs do not have a fixed fee (for annual services) or fixed scope of work. Instead, the MSAs allow Five Nations Energy to procure services (at fixed labour rates and equipment rental rates) on an as-needed basis, pursuant to a prescribed form of purchase order.

Question(s):

- a) **Please file the MSAs on the record of the current proceeding (Exhibit 6 / Tab 2 / Schedule 3 / pp. 1-2).**
- b) **If the MSAs do not set out the fixed labour rates and equipment rental rates, please provide those fixed rates (Exhibit 6 / Tab 2 / Schedule 3 / p. 2).**
- c) **Please file the “prescribed form of purchase order” on the record of the current proceeding (Exhibit 6 / Tab 2 / Schedule 3 / p. 2).**
- d) **Please provide the total cost of services procured from the three LDCs in each year during the 2010-2016 period. Please provide a breakdown of the LDC costs between maintenance work and emergency response (Exhibit 6 / Tab 2 / Schedule 3 / pp. 1-2).**
- e) **Please provide the amount included in the proposed 2016 revenue requirement associated with the costs for procuring services from the LDCs (Exhibit 6 / Tab 2 / Schedule 3 / pp. 1-2).**
- f) **Please discuss where the costs of procuring services from the LDCs is included in Table 6-2-1-B (cost categories and amounts) (Exhibit 6 / Tab 2 / Schedule 3 / pp. 1-2 and Exhibit 6 / Tab 2 / Schedule 1 / p. 2).**

Response:

(a) Please see attached.

(b) Each MSA sets out the fixed labour rates and equipment rental rates in Appendix A.

(c) Please see attached.

(d) The total cost of services procured from the three LDCs in each year during the 2010-2016 period, including a breakdown of the LDC costs between maintenance work and emergency response, is set out below.

**LDC Total Cost of Services Procured
Years 2010-2016**

2010	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	5,913	172,243	-	44,627	13,186	235,969
KPC	17,642	37,555	-	-	19,601	74,798
FAPC	7,547	17,567	-	-	4,155	29,269

2011	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	6,202	44,971	230	-	22,739	74,142
KPC	21,960	76,606	-	-	50,426	148,993
FAPC	8,717	30,751	-	-	4,098	43,566

2012	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	7,159	64,400	-	-	7,568	79,127
KPC	18,566	44,136	-	-	17,756	80,457
FAPC	7,472	48,209	-	-	4,049	59,730

2013	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	8,256	-	-	-	7,373	15,629
KPC	16,782	113,851	12,650	-	18,747	162,031
FAPC	10,515	132,570	180	8,249	5,043	156,557

2014	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	8,059	68,750	-	-	6,861	83,670
KPC	18,950	146,758	-	-	18,920	184,628
FAPC	11,177	126,474	-	51,429	7,587	196,668

2015	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	8,416	-	-	-	4,076	12,492
KPC	18,126	162,472	24,644	-	19,362	224,604
FAPC	11,098	155,003	-	25,863	5,647	197,611

2016	Electricity	Maintenance	Emergency	Capital	Other	Total
APC	9,946	13,800	-	-	4,970	28,716
KPC	24,835	219,643	1,390	84,423	23,417	353,708
FAPC	13,427	224,878	-	-	5,701	244,007

(e) There was no specific amount included in the 2016 revenue requirement for procuring services from the LDCs. In other words, FNEI does not build its budget based on who it will pay in an upcoming year, but rather on the work/activities that need to be done.

(f) The costs of procuring services from the LDCs in Table 6-2-1-B are recorded in the following cost categories:

- Electricity Purchases: Account 4815 Station Buildings & Fixtures Expenses.
- Maintenance Costs (Station Maintenance and Emergency Station Maintenance): Account 4916 Maintenance-Transformer Station Equipment.
- Maintenance Costs (Line Maintenance and Emergency Line Maintenance): 4930 Maintenance of Towers, Poles and Structures.
- Capital Expenses related work is recorded in the appropriate Capital Asset account.
- Other expenses refer to DeBeers Canada related electricity sales that are rebilled to DBC as well as other miscellaneous costs.

1

2

ATTACHMENT 27(a)



ATTAWAPISKAT POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Attawapiskat Power Corporation
General delivery, Attawapiskat, ON P0L 1A0
(hereinafter referred to as "APC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and APC now wish to enter into this Contract in order to establish terms and conditions whereby APC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by APC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. APC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at APC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) APC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;



- (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the APC operational insurance;
 - (F) Employer's liability; and
 - (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of APC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.
- (iii) Worker's Compensation
- Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by APC.
- (iv) APC shall ensure that all coverage applies to APC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, APC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of APC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) APC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the APC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of APC and/or its Subcontractors.



- (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.
- (d) All limits and deductibles are expressed in Canadian dollars.
- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

APC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) APC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnitee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of APC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing APC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI



Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.

- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.
- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "APC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any APC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an APC Indemnatee, then such APC Indemnatee shall not be indemnified hereunder in the proportion that the APC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) APC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the APC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) APC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. In no event shall APC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any APC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any APC Indemnatee (unless the APC Indemnatee claim is in respect of personal injury or death).



- (c) Neither APC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.
- (d) Notwithstanding anything else in this Contract, the parties agree that APC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless APC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by APC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of APC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to APC an amount, which shall be limited to:
 - (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to APC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, APC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.



7.2 Termination by FNEI

- (a) APC will be deemed to be in default under this Contract if it:
 - (i) fails to perform any material obligation of APC under this Contract;
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to APC of its default and in the event APC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), APC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by APC by reason of any undertakings or commitments by APC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, APC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to APC within that period (the "Cure Period") APC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.



ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for APC performance of the Work and obligations under the Contract, FNEI shall pay APC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by APC(collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by APC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing APC's costs of performing the Work, in the opinion of APC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to APC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment


- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, APC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., APC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1. FNEI obligated to pay only for the services provided, APC should have supporting documentation included in invoice.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", APC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**


This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: 
Name: Vladimir Gorodov
Title: Operations Manager
Date: 25.11.2015

Attawapiskat Power Corporation

By: 
Name: Christina Edwards-Kelake
Title: General Manager
Date: 25.11.2015

**APPENDIX "A" – SCOPE OF WORK**

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC. The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

- i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 250 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accommodation, while working for FNEI :

15 %



D) **Planned weekly inspections** of local transformer station : \$ 250/week

E) **Materials:** FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

FNEI AND APC will target an initial response requirement to FNEI within one (1) hour on average.. APC have qualified staff available to be contacted by FNEI on a continuous basis, and contact numbers will be provided to FNEI.

**APPENDIX "C": LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) APC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	



FORT ALBANY POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Fort Albany Power Corporation
P.O. Box 236
For Albany, ON P0L 1H0
(hereinafter referred to as "FAPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and FAPC now wish to enter into this Contract in order to establish terms and conditions whereby FAPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by FAPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. FAPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date...

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at FAPC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) FAPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
 - (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the FAPC operational insurance;



- (F) Employer's liability; and
- (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of FAPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

(iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by FAPC.

- (iv) FAPC shall ensure that all coverage applies to FAPC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, FAPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of FAPC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) FAPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the FAPC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of FAPC and/or its Subcontractors.
- (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.



- (d) All limits and deductibles are expressed in Canadian dollars.
- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

FAPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) FAPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnatee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnatee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of FAPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing FAPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.



- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "FAPC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any FAPC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an FAPC Indemnatee, then such FAPC Indemnatee shall not be indemnified hereunder in the proportion that the FAPC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) FAPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the FAPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) FAPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. In no event shall FAPC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any FAPC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any FAPC Indemnatee (unless the FAPC Indemnatee claim is in respect of personal injury or death).
- (c) Neither FAPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.



- (d) Notwithstanding anything else in this Contract, the parties agree that FAPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless FAPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by FAPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of FAPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to FAPC an amount, which shall be limited to:
- (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to FAPC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, FAPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

7.2 Termination by FNEI

- (a) FAPC will be deemed to be in default under this Contract if it:
- (i) fails to perform any material obligation of FAPC under this Contract;



- (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to FAPC of its default and in the event FAPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), FAPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by FAPC by reason of any undertakings or commitments by FAPC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, FAPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to FAPC within that period (the "Cure Period") FAPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for FAPC performance of the Work and obligations under the Contract, FNEI shall pay FAPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by FAPC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by FAPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the



date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing FAPC's costs of performing the Work, in the opinion of FAPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to FAPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, FAPC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., FAPC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", FAPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: _____

Name: _____

Title: _____

Date: _____

Vladimir Kovorov

Operations Manager

25.11.2015

Fort Albany Power Corporation

By: _____

Name: _____

Title: _____

Date: _____

Joslyn Nakogee

General Manager

November 25/15



APPENDIX "A" – SCOPE OF WORK

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC . The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

- i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 250 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accomodation, while working for FNEI :

15 %



D) Planned weekly inspections of local transformer station : \$ 250/week

E) Materials: FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX "B" – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

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Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem .

FNEI AND FAPC will target an initial response requirement to FNEI within one (1) hour on average.. FAPC have qualified staff available to be contacted by FNEI on a continuous basis , and contact numbers will be provided to FNEI.

**APPENDIX "C": LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 x 5 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) FAPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	



KASHECHEWAN POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,

a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Kashechewan Power Corporation

P.O. Box 229
Kashechewan, ON P0L 1S0
(hereinafter referred to as "KPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and KPC now wish to enter into this Contract in order to establish terms and conditions whereby KPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by KPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. KPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at KPC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) KPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
 - (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the KPC operational insurance;
 - (F) Employer's liability; and



- (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of KPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

- (iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by KPC.

- (iv) KPC shall ensure that all coverage applies to KPC agents, assigns and employees.

4.2 General Insurance Conditions:

- (a) Certificates of Insurance

Before starting work, KPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of KPC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) KPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the KPC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of KPC and/or its Subcontractors.
 - (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.
 - (d) All limits and deductibles are expressed in Canadian dollars.



- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

KPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) KPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnatee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnatee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of KPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing KPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.



- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "KPC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any KPC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an KPC Indemnatee, then such KPC Indemnatee shall not be indemnified hereunder in the proportion that the KPC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) KPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the KPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) KPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. In no event shall KPC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any KPC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any KPC Indemnatee (unless the KPC Indemnatee claim is in respect of personal injury or death).
- (c) Neither KPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.



- (d) Notwithstanding anything else in this Contract, the parties agree that KPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless KPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by KPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of KPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to KPC an amount, which shall be limited to:
- (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to KPC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, KPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

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- (a) KPC will be deemed to be in default under this Contract if it:
- (i) fails to perform any material obligation of KPC under this Contract;
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.



- (b) In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to KPC of its default and in the event KPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), KPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by KPC by reason of any undertakings or commitments by KPC prior to the date of termination.

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 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, KPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to KPC within that period (the "Cure Period") KPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
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ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for KPC performance of the Work and obligations under the Contract, FNEI shall pay KPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by KPC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by KPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.



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- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing KPC's costs of performing the Work, in the opinion of KPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to KPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

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- (b) In respect of the Non-scheduled Work Activities in Appendix "A", KPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: [Signature]
Name: Vladimir Gorodov
Title: Operations Manager
Date: 25. 11. 2015

Kashechewan Power Corporation

By: [Signature]
Name: Mary Williams
Title: General Manager
Date: November 25, 2015

**APPENDIX "A" – SCOPE OF WORK**

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC. The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

- i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 250 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accomodation, while working for FNEI :

15 %



D) Planned weekly inspections of local transformer station : \$ 250/week

E) Materials: FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

FNEI AND KPC will target an initial response requirement to FNEI within one (1) hour on average. KPC have qualified staff available to be contacted by FNEI on a continuous basis, and contact numbers will be provided to FNEI.

**APPENDIX “C”: LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) KPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	

1

2

ATTACHMENT 27(c)

FIVE NATIONS ENERGY INC.

Mailing Address:

70-C Mountjoy Street North

Suite 421

Timmins, ON P4N 4V7

Phone: (705) 268-0056

Fax: (705) 268-0071

**PURCHASE ORDER NO:**

Purchase Order

Purchase Order Issued To:

Ship To/ Shipping Instructions:

PO Date: _____

Ordered By: _____

Authorized By: _____

Authorized By: _____

Authorized By: _____

Charge to Account #: _____

Project Name: _____

Payment Terms: _____

Item No.	Qty Req.	Description	Unit Cost	Extended Cost

6-Staff-28

Ref: Exhibit 6 / Tab 2 / Schedule 4

Question(s):

a) Please provide the date when Five Nations Energy's purchasing policy first came into effect (Exhibit 6 / Tab 2 / Schedule 4).

b) Please confirm that all non-affiliate purchases have been made in accordance with the purchasing policy during the historic period (Exhibit 6 / Tab 2 / Schedule 4).

Response:

(a) FNEI has always had a purchasing policy contained within its Financial Policies and Procedures. FNEI filed its Financial Policies and Procedures (revisions to September 2009) in its last rates proceeding (EB-2009-0387). The principles of budgeting, utilization of purchase orders, the requirement for competitive quotes, and the use of an RFP or equivalent processes have always been in place. The specific thresholds referred to in Exhibit 6/Tab 2/Schedule 4 were incorporated in Revision 12 of the document (approved September 24, 2015).

(b) Confirmed.

6-Staff-29

Ref: Exhibit 6 / Tab 2 / Schedule 6

Preamble:

Five Nations Energy stated that it is forecasting regulatory costs in 2016 of \$324,000. This amount was calculated by taking the actual average regulatory costs during the previous four years (actual 2012 through 2015 - \$274,000), and adding \$50,000 to that amount (which reflects one-fifth of the forecast cost of the rebasing proceeding).

Five Nations Energy noted that actual regulatory spending in 2011 and 2012 were unusually high. Therefore, Five Nations Energy determined that including only 2012 costs in the average (used to develop the 2016 forecast) was more appropriate.

Question(s):

- a) **Please provide a detailed breakdown of the regulatory costs incurred in each year during the 2011-2015 period (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**
- b) **If available, please provide a detailed breakdown of actual 2016 regulatory spending (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**
- c) **Please explain why Five Nations Energy's regulatory expenses in 2011 and 2012 were unusually high (\$340,800 – 2011 and \$352,400 – 2012) (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**
- d) **Please explain why the regulatory costs for 2012 (which Five Nations Energy stated were unusually high) have been included in the average used to develop the 2016 forecast (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**
- e) **Please provide the average annual regulatory costs incurred over the 2013-2015 period (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**
- f) **Please explain why the average annual regulatory costs incurred during the 2013-2015 period would not be more reflective of the expected regulatory costs (excluding the rebasing proceeding costs) for 2016 (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).**

g) Please provide a detailed breakdown (legal, consultant, intervenor, etc.) of the \$250,000 in regulatory costs associated with the rebasing proceeding (Exhibit 6 / Tab 2 / Schedule 6 / p. 1).

Response:

(a) and (b) Please refer to the table below:

	2011	2012	2013	2014	2015	2016
Rates Consultant	3,860	3,597	0	0	0	2,145
Legal Fees	318,928	327,321	229,464	237,322	220,895	369,646
OEB Fees and Charges	18,037	21,449	17,346	18,012	19,702	13,574
Total:	340,824	352,368	246,810	255,334	240,597	385,365

(c) The analysis of the 2011 and 2012 regulatory costs is detailed in the table below:

Regulatory Cost Analysis 2011 & 2012 (\$)				
Year	2009 Rate Application Filing Costs	2009 Rate Application Implementation Costs	General Regulatory and Other Support	OEB Fees & Charges
2011	157,394	56,321	109,072	18,037
2012	157,132	0	173,787	21,449

FNEI asked for and received permission to allocate the costs for the EB-2009-0387 over the three years subsequent to the rate order being issued. FNEI also incurred some expenditures in implementing the rate order.

(d), (e) and (f) The average over the three years 2013 to 2015 is \$247,580. Adding \$50,000 to that gives a total of \$297,580 a difference of \$26,420 when compared to the \$324,000 that FNEI included in the 2016 forecast for regulatory costs.

(g) The estimated \$250,000 in regulatory costs is broken down as follows:

2016 Breakdown of Estimate (\$)	
Rates Consultant	2,145
Working Capital Study	30,000
FNEI Auditor	4,751
Legal Fees	213,104
Total:	250,000

6-Staff-30

Ref: Exhibit 6 / Tab 3 / Schedule 1 Updated
Exhibit 6 / Tab 3 / Schedule 2
Exhibit 6 / Tab 3 / Schedule 3
Exhibit 3 / Tab 1 / Schedules 4-9
Exhibit 2 / Tab 1 / Schedules 2 / Appendix III
Exhibit 3 / Tab 2 / Schedule 2 / p. 4

Question(s):

- a) OEB staff understands that the revised useful lives at Exhibit 2 / Tab 1 / Schedule 2 / Appendix III are in accordance with Five Nations Energy's Capitalization Policy and the Kinectrics Study commissioned by the OEB. Please explain why the revised useful lives are not used for calculating the depreciation expense at Exhibit 6 / Tab 3 / Schedule 3. Please recalculate the depreciation expense, and provide an update to Exhibit 6 / Tab 3 / Schedule 3, for 2016 using the revised useful lives set out in Exhibit 2 / Tab 1 / Schedule 2 / Appendix III.
- b) Please update Five Nations Energy's revenue requirement using the depreciation expense calculated based on the revised useful lives in part (a) above.
- c) If available, please provide the actual 2016 depreciation expense (Exhibit 6 / Tab 3 / Schedules 2-3).
- d) Five Nations Energy stated that "in instances where availability is not dependent on project completion, expenditures are accumulated in an assets under construction account until such time as they are available for use." Please advise whether this statement is accurate (Exhibit 6 / Tab 3 / Schedule 1 Updated / p. 1).
- e) Please provide a table that sets out the depreciation rates proposed by Five Nations Energy for each asset class (Exhibit 6 / Tab 3 / Schedule 1 Updated / p. 1). Please also provide the depreciation rates that were approved by the OEB in Five Nations Energy's most recent rebasing proceeding (EB-2009-0387).
- f) Please provide rationale supporting the depreciation rates used for: Office Furniture and Equipment, and Tools, Shop and Garage Equipment (Exhibit 6 / Tab 3 / Schedule 3).

- 1 g) Please confirm that for 2011-2013, the information included in the Detailed
2 Depreciation and Amortization tables set out at Exhibit 6 / Tab 3 / Schedule 3 show
3 the following:
4
- 5 i. Opening Assets at Cost reflects the previous year December asset values at
6 cost (e.g. 2011 opening assets at cost reflects December 2010 asset values at
7 cost) as found in the rate base schedules at Exhibit 3 / Tab 1 / Schedules 4-6.
8 Please advise whether these amounts reflect gross PP&E.
9
 - 10 ii. Opening Accumulated Depreciation reflects the previous year December
11 accumulated depreciation (e.g. 2011 opening accumulated depreciation
12 reflects December 2010 accumulated depreciation) as found in the rate base
13 schedules at Exhibit 3 / Tab 1 / Schedules 4-6.
14
 - 15 iii. Opening Net Book Value reflects the previous year December net book value
16 (e.g. 2011 opening net book value reflects December 2010 net book value) as
17 found in the rate base schedules at Exhibit 3 / Tab 1 / Schedules 4-6.
18
 - 19 iv. The Adjusted Cost Base equals Opening Assets at Cost + Additions –
20 Disposals.
21
 - 22 v. The Closing Accumulated Depreciation reflects the current year December
23 accumulated depreciation (e.g. 2011 closing accumulated depreciation
24 reflects December 2011 accumulated depreciation) as found in the rate base
25 schedules at Exhibit 3 / Tab 1 / Schedules 4-6.
26
 - 27 vi. The Closing Net Book Value reflects the current year December net book
28 value (e.g. 2011 closing net book value reflects December 2011 net book
29 value) as found in the rate base schedules at Exhibit 3 / Tab 1 / Schedules 4-6.
30
- 31 h) For 2014-2016, the amounts included in the Detailed Depreciation and
32 Amortization tables (Exhibit 6 / Tab 3 / Schedule 3) do not match the rate base
33 schedules in the same manner as they did for the 2011-2013 period (Exhibit 3 / Tab
34 1 / Schedules 7-9). For example, the 2015 Opening Net Book Value is \$29,642,600 in
35 the Detailed Depreciation and Amortization Table (Exhibit 6 / Tab 3 / Schedule 3 /
36 p. 8) and the December 2014 Net Book Value is \$29,729,400 (Exhibit 3 / Tab 1 /
37 Schedule 7). Please explain and reconcile these differences.
38

- 1 i) Please explain what is included in Additions and Disposals columns in the Detailed
2 Depreciation and Amortization tables (Exhibit 6 / Tab 3 / Schedule 3).
3
- 4 j) Please explain how the depreciation expense is calculated each year. Please provide
5 the formula used by Five Nations Energy for the calculation of the annual
6 depreciation expense. Please provide rationale supporting the depreciation expense
7 calculation methodology. Please explain why the depreciation expense does not
8 equal the Average Cost Base * Depreciation Rate (Exhibit 6 / Tab 3 / Schedule 3).
9
- 10 k) Please explain how fully depreciated assets are accounted for by Five Nations
11 Energy when calculating the depreciation expense (Exhibit 6 / Tab 3 / Schedule 3).
12
- 13 l) Please add a column to all of the Detailed Depreciation and Amortization Tables,
14 which sets out the fully depreciated amount associated with each asset class and
15 shows how the fully depreciated amounts are accounted for in the depreciation
16 expense calculation (Exhibit 6 / Tab 3 / Schedule 3).
17
- 18 m) Five Nations Energy used a PP&E account (#1995) for capital contributions.
19 According to APH article 430, capital contributions are treated as deferred revenue
20 (and recorded in APH Account 2440) to be included as an offset to rate base and
21 amortized to income over the life of the facilities to which they relate. Please advise
22 whether Five Nations Energy reviewed APH Articles 430 and 510 and has
23 accounted for contributions in aid of construction in accordance with the APH for
24 regulatory purposes? If not, please provide adjusted schedules to ensure that all
25 IFRS related transitional items have been filed in accordance with the APH.
26
- 27 n) There is no depreciation rate applied to the Building & Fixtures, and Power
28 Operated Equipment asset classes in the Detailed Depreciation and Amortization
29 tables. However, there is a depreciation expense (Exhibit 6 / Tab 3 / Schedule 3).
30
- 31 a. Please explain the depreciation expense incurred associated with Buildings
32 & Fixtures, and Power Operated Equipment for each year 2013-2016.
33
- 34 b. Please provide the depreciation rates used to calculate the depreciation
35 expense for the above noted asset classes.
36

- 1 c. Please advise whether Five Nations Energy is seeking approval of the
2 depreciation rates applied to these asset classes and provide rationale
3 supporting the depreciation rates.
4
- 5 d. In regard to the depreciation expense for the Buildings and Fixtures asset
6 class, please explain why the expense was \$690,000 in 2013 and fell to
7 \$130,000 for the 2014-2016 period.
8
- 9 o) Please explain what is included in the accumulated depreciation adjustments
10 column. For each accumulated depreciation adjustment made, please describe the
11 adjustment and provide rationale supporting the adjustment (Exhibit 6 / Tab 3 /
12 Schedule 3).
13
- 14 p) In the 2014 Detailed Depreciation and Amortization table, the Average Cost Base
15 seems to reflect the 2014 accumulated depreciation (based on the average of
16 monthly closing balances). Please advise whether this is an error. If so, please
17 update the table to reflect the correct information (Exhibit 6 / Tab 3 / Schedule 3 /
18 p. 7).
19
- 20 q) For 2010-2011, Five Nations Energy used depreciation rates of 20% for computer
21 hardware and 50% for computer software. Beginning in 2012, the depreciation rate
22 for both computer hardware and computer software was set at 20%. Please explain
23 this change (Exhibit 6 / Tab 3 / Schedule 3) and discuss whether the depreciation
24 rates used are in accordance with the OEB's findings in EB-2009-0387.
25
- 26 r) Please file live Excel spreadsheets for the Detailed Depreciation and Amortization
27 tables (Exhibit 6 / Tab 3 / Schedule 3) and the rate base schedules (Exhibit 3 / Tab 1
28 / Schedules 2-9).
29
30

31 **Response:**

32 (a) FNEI has used the revised useful lives in calculating the depreciation expense at Exhibit
33 6/Tab 3/Schedule 3. You will notice that each asset account has a depreciation rate column.
34 Prior to the asset componentization exercise these schedules were a simple calculation using the
35 depreciation rate for that asset account (as all assets recorded in that asset account were
36 depreciated at the same rate). Since the IFRS asset componentization exercise an asset account
37 can have numerous components depreciated at different rates. FNEI has always maintained
38 detailed asset amortization worksheets and since the componentization exercise these worksheets

calculated the amortization expense per individual depreciation rate. Exhibit 6/Tab 3/Schedule 3, Pages 1 through 9 use the actual depreciation expense total per asset account for the specific year shown along with any depreciation adjustments. The Depreciation Rate column in Exhibit 6/Tab 3/Schedule 3 is not used to calculate the depreciation expense.

(b) See response to (a) above. No adjustment is required.

(c) Please see attached. The tables show the 2016 Detailed Depreciation and Amortization Schedule as well as the Numerical Summary of Depreciation and Amortization updated with 2016 actuals.

(d) This is a typo. The correct statement should read: “*in instances where availability is dependent on project completion....*” The intent is not to begin amortization until an asset is available for use.

(e) Please see table below for current amortization periods:

<u>Class Code</u>	<u>Asset Class</u>	<u>Cost Accounts</u>	<u>Useful life</u>
1708	Buildings & Fixtures	1708	20-40 years
1715	Station Equipment	1715	10-50 years
1725	Poles & Fixtures	1725	15-40 years
1730	Overhead Conductors & Devices	1730	25-60 years
1905	Land	1855	In finite
1908	Buildings & Fixtures	1856/1860/1861/1862/1863	20-40 years
1915	Office Furniture & Equipment	1869	4-10 years
1920	Computer Hardware	1872	3-4 years
1925	Computer Software	1875	4 years
1930	Transportation Equipment	1878	5-7 years
1940	Tools, Shop & Garage Equipment	1884/1887	5-10 years
1995-1708	CIA - Buildings & Fixtures	1910	20-40 years
1995-1715	CIA - Station Equipment	1911	10-50 years
1995-1725	CIA - Poles & Fixtures	1912	40 years
1995-1730	CIA - Overhead Conductors & Devices	1913	50-60 years

For historic depreciation rates, please see attachment – excerpts from materials in EB-2009-0387.

(f) The rationale for the depreciation rate of 20% for both: Office Furniture and Equipment, and Tools, Shop and Equipment was discussed in FNEI’s last rate case (EB-2009-0387), excerpts of which are provided as an attachment to the information request above (30(e)). This same depreciation rate was used by the outside consultant in the asset componentization exercise that

1 FNEI undertook in 2012. The useful life of the assets contained in these two accounts were not
2 changed.

3
4 (g) i. This is to confirm that for 2011 to 2013 the Detailed Depreciation and Amortization Tables
5 set out in Exhibit 6 / Tab 3 / Schedule 3 reflect the previous year December asset values at cost.
6 Exhibit 6 / Tab 3 / Schedule 3 is the continuity schedule showing the actual asset costs,
7 additions, adjustments etc. and actual depreciation and depreciation adjustments etc. however the
8 rate base schedules found at Exhibit 3 / Tab 1 / Schedules 4 to 6 are based on the average
9 monthly balances of gross PP & E.

10
11 (g) ii. See response to (g) i. above, likewise with depreciation.

12
13 (g) iii. See response to (g) i. above. The asset values at cost in the numerical summary of rate
14 base represents the average monthly balances. The monthly balances that are averaged for the
15 year are, however, based on the ending balance of the previous period plus any additions less any
16 disposals.

17
18 (g) iv. Confirmed.

19
20 (g) v. Confirmed.

21
22 (g) vi. Confirmed.

23
24 (h) There was a slight formula error in Exhibit 6/Tab 3/Schedule 3, page 7 (Detailed
25 Depreciation & Amortization Schedule for 2014). This error carried forward and caused the
26 discrepancy in the 2015 and 2016 schedules as well. Attached are the corrected schedules
27 (Exhibit 6/Tab 3/Schedule 3, pages 7-9).

28
29 (i) Exhibit 6/Tab 3/ Schedule 3 is the continuity schedule that ties in the capital assets additions
30 and disposals together with the amortization related to these capital assets on an account-by-
31 account basis. The additions column shows the capital additions for the year for that particular
32 account, and the disposals column show the capital asset disposals for the year for that particular
33 account. For example, in the schedule for 2015, the acquisition of the 80 km line shows up in the
34 additions column for asset account 1725 and 1730.

35
36 (j) FNEI completed the asset componentization exercise in 2012 as part of the OEB's directive
37 for utilities to switch to IFRS. As part of this exercise each asset class or account was broken
38 down into its various components that may or may not have the same useful life. Because of

1 this, a simplistic Average Cost Base multiplied by the Depreciation Rate calculation does not
2 equal the actual depreciation expense. FNEI chose to leave that column (Depreciation Rate) in
3 Exhibit 6/Tab 3/Schedule 3 more for descriptive or illustrative purposes as to the rate generally
4 applied to that asset account rather than for actual depreciation expense calculation purposes.
5 FNEI calculates depreciation expense based on the useful life of each component of assets
6 recorded in a specific asset account as required by IFRS.

7
8 (k) Fully depreciated assets do not enter into the calculation of depreciation expense for that
9 period.

10
11 (l) FNEI does not maintain a separate list of fully depreciated assets. The regular calculation to
12 determine depreciation takes into consideration only assets that are not already fully depreciated.
13 To continue to calculate depreciation on an asset already fully depreciated would result in a
14 negative net book value.

15
16 (m) FNEI's accounting treatment of capital contributions resulted in the same net income effect
17 as the illustrative example in APH 430.

18
19 (n) a. As noted in the response to question (j) above the actual depreciation expense is not
20 calculated on this schedule. FNEI uses two accounts with the description "Buildings &
21 Fixtures"(Account 1708 Buildings & Fixtures and account 1908 Buildings & Fixtures). FNEI
22 began using Account 1708 as a result of the IFRS asset componentization exercise where the
23 buildings and fixtures components of station assets originally recorded in Account 1715 were
24 now transferred to Account 1708. The assets contained in this account have a life expectancy of
25 40 years (2.5%) due to their size, type of construction and materials, and location. Account 1908
26 Buildings and Fixtures contains buildings and fixtures not part of the station such as garages,
27 office building, etc. This Account 1908 does have a rate of 4% shown on the schedules. As part
28 of the asset componentization exercise assets in this account are depreciated based on the
29 expected useful life of the various components that make up the asset, anywhere from 20 years to
30 40 years.

31
32 Account 1950 - Power Operated Equipment is where FNEI recorded the purchase of the ROW
33 brushing equipment in 2013. FNEI is using a rate of 10% (an expected lifespan of 10 years),
34 which is reasonable given the harsh terrain and expected use of this equipment. The consultant
35 performing the asset componentization confirmed that this was an appropriate useful life for this
36 type of asset and its intended use.

1 (n) b. The depreciation rates for assets contained in account 1908 Buildings and Fixtures range
2 from 2.5% to 5% depending on the estimated useful life of the specific component of the assets
3 contained in this account.
4

5 The depreciation rate for the asset contained in Account 1950 – Power Operated Equipment is
6 10% at this time. Should FNEI acquire assets that are recorded in that account with a different
7 expected lifetime then those newly acquired assets will be depreciated at that rate. This is the
8 premise behind IFRS componentization, specific components of an asset are depreciated as per
9 their specific life expectancy.
10

11 (n) c. It is FNEI's understanding that the depreciation rates FNEI is using have either already
12 been approved in a previous proceeding or fall in line with depreciation rates that the OEB has
13 already generally adopted as part of the Kinectrics Asset Depreciation Study.
14

15 (n) d. The continuity table shows a depreciation expense of \$690,000 for asset Account 1708
16 Buildings & Fixtures for 2013. For 2014 and following the depreciation expense shown for this
17 account is \$130,000 per year. As noted in the responses above, FNEI began using Account 1708
18 after the asset componentization exercise was completed. The amounts in this account were
19 transferred from Account 1715 Station Equipment. The depreciation to date associated with
20 these assets was also transferred from the accumulated depreciation account related to Account
21 1715. The \$690,000 represents the total of the accumulated depreciation for the assets now
22 contained in account 1708. Previously this would have been contained in the cumulative
23 depreciation account for Account 1715.
24

25 (o) This column represents the accumulated depreciation of assets disposed of during the period.
26

27 (p) There was an error in the 2014 Detailed Depreciation and Amortization table and the wrong
28 value was linked to that column. The corrected schedule is attached.
29

30 (q) FNEI did not use the depreciation rates for 2010-11 (for computer hardware/software) that
31 Board Staff sets out in the question. FNEI used the Board-approved depreciation rates from EB-
32 2009-0387 (not those listed in the Depreciation Rates column, as discussed above). In 2012,
33 FNEI determined that useful life for computer hardware exceeded two years, and adopted the
34 depreciation in the Electricity Distribution Rate Handbook.
35

36 (r) The live Excel spreadsheets are not owned by FNEI.
37
38

1

2

ATTACHMENT 30(c)

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2016-Test Year-(Actuals-Un-Audited)
(\$000's)

<u>Fixed Assets</u>	<u>Opening</u>	<u>Opening</u>	<u>Opening</u>			<u>Adjusted</u>	<u>Average</u>	<u>Depreciation</u>	<u>Depreciation</u>	<u>Accumulated</u>	<u>Closing</u>	<u>Closing</u>
	<u>Assets At</u>	<u>Accumulated</u>	<u>Net Book</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost Base</u>	<u>Cost Base</u>	<u>Rate</u>	<u>Expense</u>	<u>Depreciation</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>							<u>Adjustments</u>	<u>Depreciation</u>	<u>Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	950.6	3,480.8	0.0	0.0	4,431.4	4,431.4	0.00%	130.2	0.0	1,080.8	3,350.6
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	30,311.5	7,013.9	23,297.6	2,101.1	0.0	32,412.6	31,518.1	2.50%	943.3	0.0	7,957.2	24,455.4
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	50,926.5	16,137.9	34,788.6	2.0	0.0	50,928.5	50,928.4	4.00%	1,283.8	0.0	17,421.7	33,506.8
1730 - Overhead Conductors & Devices	20,440.3	5,627.2	14,813.1	0.7	0.0	20,441.1	20,441.0	4.00%	378.3	0.0	6,005.5	14,435.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6	0.0	0.0	250.6	250.6	0.00%	0.0	0.0	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	5,093.9	533.8	4,560.1	17.1	0.0	5,111.0	5,098.3	4.00%	187.9	0.0	721.7	4,389.3
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	61.9	49.1	12.8	1.7	0.0	63.6	62.1	20.00%	2.3	0.0	51.4	12.2
1920 - Computer Equipment - Hardware	94.2	71.9	22.3	8.8	0.0	103.0	100.5	20.00%	13.9	0.0	85.8	17.2
1925 - Computer Software	10.0	9.0	1.0	0.0	0.0	10.0	10.0	20.00%	0.7	0.0	9.7	0.3
1930 - Transportation Equipment	659.6	346.1	313.6	5.7	0.0	665.3	664.6	20.00%	70.4	0.0	416.4	248.9
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	476.7	376.0	100.7	13.4	0.0	490.0	486.5	20.00%	50.9	0.0	426.9	63.2
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	311.8	76.8	235.0	240.0	0.0	551.8	399.5	0.00%	38.9	0.0	115.7	436.1
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,768.6)	(19,984.0)	(46,784.6)	(30.0)	0.0	(66,798.6)	(66,771.1)	0.00%	(1,650.0)	0.0	(21,634.0)	(45,164.6)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	46,299.9	11,208.2	35,091.7	2,360.5	0.0	48,660.4	47,619.9		1,450.5	0.0	12,658.7	36,001.7

FIVE NATIONS ENERGY INC.

Numerical Summary of Depreciation and Amortization
(\$000's)

<u>Asset Class</u>	<u>Board Approved EB-2009-0387</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	0.0	690.2	130.2	130.2	130.2
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	338.2	582.6	810.2	815.0	253.3	832.4	883.5	943.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	455.5	1,266.4	1,887.3	1,887.3	1,190.2	1,190.3	1,190.6	1,283.8
1730 - Overhead Conductors & Devices	288.9	557.8	765.9	765.6	357.1	355.7	356.8	378.3
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	15.1	14.6	15.4	14.6	64.8	184.9	185.8	187.9
1910 - Leasehold Improvements	1.1	1.5	1.4	0.8	0.3	0.0	0.0	0.0
1915 - Office Furniture & Equipment	4.6	4.7	2.9	1.5	0.7	1.9	2.4	2.3
1920 - Computer Equipment - Hardware	11.5	16.2	15.0	14.1	14.1	17.7	13.0	13.9
1925 - Computer Software	1.3	1.7	2.1	1.7	1.7	1.9	0.7	0.7
1930 - Transportation Equipment	48.9	48.8	47.0	48.2	9.2	43.9	64.2	70.4
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	22.3	22.8	44.4	52.9	85.2	54.3	56.7	50.9
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	0.0	27.5	23.2	26.1	38.9
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	0.0	(1,330.5)	(2,384.0)	(2,384.0)	(1,644.0)	(1,644.0)	(1,647.0)	(1,650.0)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciation & Amortization	1,187.4	1,186.5	1,207.5	1,217.6	1,050.3	1,192.5	1,263.0	1,450.5

FIVE NATIONS ENERGY INC.

Numerical Summary of Depreciation and Amortization
(\$000's)

<u>Asset Class</u>	<u>Variance</u> <u>2010 vs. B.A.</u>	<u>Variance</u> <u>2011 vs. 2010</u>	<u>Variance</u> <u>2012 vs. 2011</u>	<u>Variance</u> <u>2013 vs. 2012</u>	<u>Variance</u> <u>2014 vs. 2013</u>	<u>Variance</u> <u>2015 vs. 2014</u>	<u>Variance</u> <u>2016 vs. 2015</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	0.0	0.0	0.0	690.2	(560.0)	(0.0)	0.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1715 - Station Equipment	244.4	227.6	4.8	(561.6)	579.1	51.0	59.8
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	810.9	620.9	(0.0)	(697.1)	0.1	0.3	93.1
1730 - Overhead Conductors & Devices	268.9	208.1	(0.3)	(408.5)	(1.3)	1.1	21.5
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1905 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	(0.5)	0.8	(0.8)	50.2	120.1	0.9	2.0
1910 - Leasehold Improvements	0.4	(0.1)	(0.6)	(0.4)	(0.3)	0.0	0.0
1915 - Office Furniture & Equipment	0.1	(1.8)	(1.4)	(0.8)	1.2	0.4	(0.0)
1920 - Computer Equipment - Hardware	4.7	(1.2)	(0.9)	0.0	3.6	(4.7)	0.9
1925 - Computer Software	0.4	0.4	(0.4)	0.0	0.2	(1.3)	(0.0)
1930 - Transportation Equipment	(0.1)	(1.9)	1.3	(39.1)	34.7	20.3	6.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	0.5	21.6	8.6	32.3	(30.9)	2.4	(5.8)
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	0.0	0.0	0.0	27.5	(4.3)	2.9	12.9
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(1,330.5)	(1,053.5)	0.0	740.0	(0.0)	(3.0)	(3.0)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electric	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Depreciation & Amortization	(0.9)	21.0	10.1	(167.3)	142.2	70.4	187.6

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ATTACHMENT 30(e)

DEPRECIATION AND AMORTIZATION

FNEI uses straight-line depreciation calculations based on the depreciable gross book value of each asset class. The rates utilized by FNEI are as follows:

The *Electricity Distribution Rate Handbook* (“EDHR”) does not provide a depreciation rate for asset in Account 1925 (Computer Software). FNEI uses a 5-year amortization period (20.00% depreciation rate), which FNEI understands to be the norm being applied by other Ontario utilities.

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USofA	Description	Depreciation Rate (FNEI)	Depreciation Rate (EDR)
1908	Buildings and Fixtures	4.00%	2.00%
1915	Office Furniture & Equipment	20.00%	10.00%
1940	Tools, Shop and Garage Equipment	20.00%	10.00%

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3 With respect to asset values recorded in Account 1915 (Office Furniture & Equipment) and
4 Account 1940 (Tools, Shop and Garage Equipment), FNEI and its accounting firm have always
5 utilized these same depreciation rates. These rates were those used in FNEI's original rate
6 application (RP-2001-0036). The value of FNEI's assets recorded in Account 1915 and 1940 are
7 not material (\$48,500 and \$83,200, respectively, in the 2010 test year). Going forward, FNEI
8 does not have any preference for continuing to use FNEI's historic depreciation rates for these
9 asset classes or changing to the depreciation rates in the EDRH.

10 For asset values recorded in Account 1908 (Building and Fixtures), FNEI again has always used
11 the 4.00% depreciation rate. FNEI believes that this is a more appropriate amortization period
12 than the 2.00% depreciation rate used in the EDRH, because most buildings and fixtures
13 recorded by FNEI in this Account would be expected to have a 25-year life rather than a 50-year
14 life. The landscape, climate and high cost of construction means that concrete or brick structures
15 are extremely rare.

- 1 Please refer to Exhibit 4, Tab 3, Schedule 2 and Exhibit 4, Tab 3, Schedule 3 for the numerical
- 2 depreciation schedules.

relied upon for this deviation from Board direction. In these circumstances the Board would expect the work to be carried out at a price no greater than cost plus 5%.

Depreciation Expense

FNEI requested 2010 Depreciation and Amortization expense of \$1,187,427, up approximately 53% from reported 2009 level of \$775,600, and 84% from reported 2008 level of \$645,200.¹⁴ FNEI uses straight-line depreciation calculations based on the depreciable gross book value of each asset class. FNEI has applied the same depreciation rates historically, consistent with those applied by other Ontario utilities. One exception is for Account 1908, where FNEI uses 4.00% rather than the 2.00% rate used in the *Electricity Distribution Rate Handbook*. FNEI noted that, due to conditions and building methods in remote Northern Ontario communities the expected life of buildings is 25-years, rather than the more typical 50-year life. FNEI noted that concrete or brick structures are extremely rare in their communities.

The methodology used for calculating rate base is based on the average of the monthly closing balances. This differs from the typical method applied by other transmitters and distributors, who generally use the average of the opening and closing balances.

FNEI indicated that in the early years of FNEI's existence (from 2002 through 2004), the use of the average opening and closing balances substantially overestimated rate base.¹⁵ This is due to both the change in the monthly fixed assets and also due to the timing of the addition and removal of assets from rate base in these early years. For instance, in 2009, use of the opening and closing balance methodology again overestimates rate base significantly since most of the capital expenditures placed into service were done so in the final month of that year. The differences in other years (2005-2008, 2010) are much smaller, reflecting the low level of capital expenditures and the timing of when the assets were put into service.

Board Findings

The Board accepts FNEI's argument that the conventional method for calculating depreciation expense produces an overestimation of rate base in its particular circumstances. The Board accepts FNEI's total Depreciation and Amortization expense

¹⁴ The increase over the Board approved level in RP-2001-0036 of \$1,100,600 is approximately 8%.

¹⁵ Board staff interrogatory 12

of \$1,187,427, subject to any minor adjustments consequential to other findings in this Decision. The Board notes that the method used by FNEI to calculate depreciation expense is similar to the approach used by natural gas distributors in Ontario to calculate the property, plant and equipment component of rate base.

Harmonized Sales Tax

The provincial sales tax ("PST") and goods and services tax ("GST") were harmonized effective July 1, 2010 into the Harmonized Sales Tax ("HST"). PST is typically included as an OM&A expense for transmission and distribution companies. When the GST and PST are harmonized, it is expected that corporations will realize a reduction in OM&A expenses and capital expenditures. FNEI will pay the HST on purchased goods and service but will claim an input tax credit for the PST portion.

Board staff submitted that the Board may wish to consider establishing a deferral account to track any savings in OM&A expenses and capital expenditures that might arise as a result of harmonizing the provincial sales tax and goods and services tax.

FNEI submitted that its OM&A expenses do not typically attract PST, and although PST is paid on capital expenditures, FNEI does not foresee significant capital expenditures in future years. While FNEI did not oppose the establishment of a deferral account for this purpose¹⁶, *per se*, FNEI submitted that establishment of such an account may cause unnecessary administrative burden in light of what FNEI contends will be miniscule amounts that will be recorded in the account. If such an account were approved, FNEI suggested that it would work in a fashion similar to the Hydro One Networks Inc. "Tax Rate Changes Account".

Board Findings

The Board directs that, beginning July 1, 2010, FNEI shall record in a deferral account, the incremental input tax credit it receives on revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of FNEI's next rate application. While the actual amounts recorded in such an account may well be small as FNEI contends, there is insufficient evidence at this point to determine whether the

¹⁶ Reply argument, para. 79. FNEI indicated that it had no issue with the establishment of such an account if the "administrative issue" associated with the account could be overcome.

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ATTACHMENT 30(h)

July 27, 2016

EB-2016-0231

Exhibit 6

Tab 3

Schedule 3

Page 7 of 9

Revised April 6, 2017

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2014
(\$000's)

<u>Fixed Assets</u>	<u>Opening</u>	<u>Opening</u>	<u>Opening</u>			<u>Adjusted</u>	<u>Average</u>	<u>Depreciation</u>	<u>Accumulated</u>		<u>Closing</u>	<u>Closing</u>
	<u>Assets At</u>	<u>Accumulated</u>	<u>Net Book</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost Base</u>	<u>Cost Base</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Depreciation</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>						<u>Expense</u>	<u>Adjustments</u>	<u>Depreciation</u>	<u>Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	690.2	3,741.2	0.0	0.0	4,431.4	760.7	0.00%	130.2	0.0	820.4	3,611.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	28,265.1	5,298.0	22,967.2	806.8	0.0	29,071.9	5,744.9	2.50%	832.4	0.0	6,130.4	22,941.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	47,190.0	13,756.9	33,433.1	0.0	0.0	47,190.0	14,401.6	4.00%	1,190.3	0.0	14,947.3	32,242.8
1730 - Overhead Conductors & Devices	19,165.5	4,927.3	14,238.2	0.0	12.7	19,152.8	5,120.0	4.00%	355.7	1.3	5,283.1	13,869.8
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6	0.0	0.0	250.6	0.0	0.00%	0.0	0.0	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,982.0	163.1	4,818.9	20.4	0.0	5,002.4	263.1	4.00%	184.9	0.0	348.0	4,654.4
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	49.2	44.8	4.4	12.7	0.0	61.9	45.7	20.00%	1.9	0.0	46.7	15.2
1920 - Computer Equipment - Hardware	59.9	41.1	18.8	30.8	0.0	90.8	50.3	20.00%	17.7	0.0	58.9	31.9
1925 - Computer Software	10.0	6.4	3.5	0.0	0.0	10.0	7.5	20.00%	1.9	0.0	8.4	1.6
1930 - Transportation Equipment	305.5	188.2	117.2	89.5	49.7	345.3	161.7	20.00%	43.9	49.7	182.5	162.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	401.1	265.0	136.1	61.9	0.0	463.0	294.4	20.00%	54.3	0.0	319.3	143.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	256.3	27.5	228.8	0.0	0.0	256.3	40.0	0.00%	23.2	0.0	50.7	205.6
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premi:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,708.6)	(16,692.9)	(50,015.7)	(30.0)	0.0	(66,738.6)	(17,583.4)	0.00%	(1,644.0)	0.0	(18,336.9)	(48,401.7)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	38,658.0	8,715.8	29,942.3	992.2	62.4	39,587.9	9,306.6		1,192.5	51.0	9,858.6	29,729.4

July 27, 2016

EB-2016-0231

Exhibit 6

Tab 3

Schedule 3

Page 8 of 9

Revised April 6, 2017

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2015
(\$000's)

<u>Fixed Assets</u>	<u>Opening</u>	<u>Opening</u>	<u>Opening</u>			<u>Adjusted</u>	<u>Average</u>	<u>Depreciation</u>	<u>Accumulated</u>		<u>Closing</u>	<u>Closing</u>
	<u>Assets At</u>	<u>Accumulated</u>	<u>Net Book</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost Base</u>	<u>Cost Base</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Depreciation</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>						<u>Expense</u>	<u>Adjustments</u>	<u>Depreciation</u>	<u>Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	820.4	3,611.0	0.0	0.0	4,431.4	4,431.4	0.00%	130.2	0.0	950.6	3,480.8
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	29,071.9	6,130.4	22,941.5	1,239.6	0.0	30,311.5	29,680.1	2.50%	883.5	0.0	7,013.9	23,297.6
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	47,190.0	14,947.3	32,242.8	3,736.5	0.0	50,926.5	48,144.7	4.00%	1,190.6	0.0	16,137.9	34,788.6
1730 - Overhead Conductors & Devices	19,152.8	5,283.1	13,869.8	1,287.5	0.0	20,440.3	19,478.2	4.00%	356.8	0.0	5,639.9	14,800.4
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6	0.0	0.0	250.6	250.6	0.00%	0.0	0.0	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	5,002.4	348.0	4,654.4	91.5	0.0	5,093.9	5,034.7	4.00%	185.8	0.0	533.8	4,560.1
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	61.9	46.7	15.2	0.0	0.0	61.9	62.0	20.00%	2.4	0.0	49.1	12.8
1920 - Computer Equipment - Hardware	90.8	58.9	31.9	3.4	0.0	94.2	93.2	20.00%	13.0	0.0	71.9	22.3
1925 - Computer Software	10.0	8.4	1.6	0.0	0.0	10.0	10.0	20.00%	0.7	0.0	9.0	1.0
1930 - Transportation Equipment	345.3	182.5	162.8	314.3	0.0	659.6	457.1	20.00%	64.2	0.0	246.7	412.9
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	463.0	319.3	143.7	13.7	0.0	476.7	472.3	20.00%	56.7	0.0	376.0	100.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	256.3	50.7	205.6	55.5	0.0	311.8	261.0	0.00%	26.1	0.0	76.8	235.0
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premi:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,738.6)	(18,336.9)	(48,401.7)	(30.0)	0.0	(66,768.6)	(66,741.1)	0.00%	(1,647.0)	0.0	(19,984.0)	(46,784.6)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	39,587.9	9,858.6	29,729.4	6,712.1	0.0	46,299.9	41,634.1		1,263.0	0.0	11,121.6	35,178.3

July 27, 2016

EB-2016-0231

Exhibit 6

Tab 3

Schedule 3

Page 9 of 9

Revised April 6, 2017

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2016-Test Year
(\$000's)

Fixed Assets	Opening	Opening	Opening			Adjusted	Average	Depreciation	Accumulated		Closing	Closing
	Assets At	Accumulated	Net Book	Additions	Disposals	Cost Base	Cost Base	Rate	Depreciation	Depreciation	Accumulated	Net Book
	Cost	Depreciation	Value						Expense	Adjustments	Depreciation	Value
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	950.6	3,480.8	0.0	0.0	4,431.4	4,431.4	0.00%	130.2	0.0	1,080.8	3,350.6
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	30,311.5	7,013.9	23,297.6	1,840.0	0.0	32,151.5	31,308.2	2.50%	898.3	0.0	7,912.2	24,239.3
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	50,926.5	16,137.9	34,788.6	10.0	0.0	50,936.5	50,931.9	4.00%	1,191.0	0.0	17,328.9	33,607.6
1730 - Overhead Conductors & Devices	20,440.3	5,639.9	14,800.4	10.0	0.0	20,450.3	20,445.8	4.00%	356.8	0.0	5,996.7	14,453.6
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6	0.0	0.0	250.6	250.6	0.00%	0.0	0.0	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	5,093.9	533.8	4,560.1	0.0	0.0	5,093.9	5,093.9	4.00%	187.1	0.0	720.9	4,373.0
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	61.9	49.1	12.8	0.0	0.0	61.9	62.0	20.00%	2.4	0.0	51.4	10.5
1920 - Computer Equipment - Hardware	94.2	71.9	22.3	15.0	0.0	109.2	102.3	20.00%	12.5	0.0	84.4	24.8
1925 - Computer Software	10.0	9.0	1.0	0.0	0.0	10.0	10.0	20.00%	0.7	0.0	9.7	0.3
1930 - Transportation Equipment	659.6	246.7	412.9	30.0	0.0	689.6	675.9	20.00%	75.8	0.0	322.5	367.1
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	476.7	376.0	100.7	35.0	0.0	511.7	495.7	20.00%	58.4	0.0	434.3	77.3
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	311.8	76.8	235.0	180.0	0.0	491.8	409.3	0.00%	27.4	0.0	104.2	387.6
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premi:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,768.6)	(19,984.0)	(46,784.6)	0.0	0.0	(66,768.6)	(66,768.6)	0.00%	(1,647.0)	0.0	(21,631.0)	(45,137.6)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	46,299.9	11,121.6	35,178.3	2,120.0	0.0	48,419.9	47,448.4		1,293.3	0.0	12,414.9	36,005.0

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2

ATTACHMENT 30(p)

July 27, 2016

EB-2016-0231

Exhibit 6

Tab 3

Schedule 3

Page 7 of 9

Revised April 7, 2017

FIVE NATIONS ENERGY INC.

Detailed Depreciation & Amortization - 2014
(\$000's)

<u>Fixed Assets</u>	<u>Opening</u>	<u>Opening</u>	<u>Opening</u>			<u>Adjusted</u>	<u>Average</u>	<u>Depreciation</u>	<u>Accumulated</u>		<u>Closing</u>	<u>Closing</u>
	<u>Assets At</u>	<u>Accumulated</u>	<u>Net Book</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost Base</u>	<u>Cost Base</u>	<u>Rate</u>	<u>Depreciation</u>	<u>Depreciation</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>						<u>Expense</u>	<u>Adjustments</u>	<u>Depreciation</u>	<u>Value</u>
1608 - Franchises & Consents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1705 - Land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1706 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1708 - Buildings and Fixtures	4,431.4	690.2	3,741.2	0.0	0.0	4,431.4	4,431.4	0.00%	130.2	0.0	820.4	3,611.0
1710 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1715 - Station Equipment	28,265.1	5,298.0	22,967.2	806.8	0.0	29,071.9	28,671.2	2.50%	832.4	0.0	6,130.4	22,941.5
1720 - Towers and Fixtures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1725 - Poles and Fixtures	47,190.0	13,756.9	33,433.1	0.0	0.0	47,190.0	47,190.0	4.00%	1,190.3	0.0	14,947.3	32,242.8
1730 - Overhead Conductors & Devices	19,165.5	4,927.3	14,238.2	0.0	12.7	19,152.8	19,158.1	4.00%	355.7	1.3	5,283.1	13,869.8
1735 - Underground Conduit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1740 - Underground Conductors & Devices	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1745 - Road and Trails	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1905 - Land	250.6	0.0	250.6	0.0	0.0	250.6	250.6	0.00%	0.0	0.0	0.0	250.6
1906 - Land Rights	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1908 - Buildings and Fixtures	4,982.0	163.1	4,818.9	20.4	0.0	5,002.4	4,992.3	4.00%	184.9	0.0	348.0	4,654.4
1910 - Leasehold Improvements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.00%	0.0	0.0	0.0	0.0
1915 - Office Furniture & Equipment	49.2	44.8	4.4	12.7	0.0	61.9	59.0	20.00%	1.9	0.0	46.7	15.2
1920 - Computer Equipment - Hardware	59.9	41.1	18.8	30.8	0.0	90.8	88.0	20.00%	17.7	0.0	58.9	31.9
1925 - Computer Software	10.0	6.4	3.5	0.0	0.0	10.0	10.0	20.00%	1.9	0.0	8.4	1.6
1930 - Transportation Equipment	305.5	188.2	117.2	89.5	49.7	345.3	338.4	20.00%	43.9	49.7	182.5	162.8
1935 - Stores Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1940 - Tools, Shop and Garage Equipment	401.1	265.0	136.1	61.9	0.0	463.0	430.3	20.00%	54.3	0.0	319.3	143.7
1945 - Measurement and Testing Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1950 - Power Operated Equipment	256.3	27.5	228.8	0.0	0.0	256.3	256.3	0.00%	23.2	0.0	50.7	205.6
1955 - Communication Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1960 - Miscellaneous Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1970 - Load Management Controls - Customer Premi:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1975 - Load Management Controls - Utility Premises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1980 - System Supervisory Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1990 - Other Tangible Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
1995 - Contributions and Grants - Credit	(66,708.6)	(16,692.9)	(50,015.7)	(30.0)	0.0	(66,738.6)	(66,711.1)	0.00%	(1,644.0)	0.0	(18,336.9)	(48,401.7)
2005 - Property Under Capital Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2010 - Electric Plant Purchased or Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
2050 - Completed Construction Not Classified - Electr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	0.0	0.0	0.0	0.0
Total	38,658.0	8,715.8	29,942.3	992.2	62.4	39,587.9	39,164.5		1,192.5	51.0	9,858.6	29,729.4

6-Staff-31

Ref: Exhibit 6 / Tab 5 / Schedule 1

Question(s):

- a) Please confirm that the Z-factor materiality threshold of \$100,000 proposed by Five Nations Energy is on a revenue requirement basis.

Response:

(a) Confirmed.

Exhibit 7 – Cost of Capital / Capital Structure

7-Staff-32

Ref: Exhibit 7 / Tab 1 / Schedule 1

Question(s):

- a) **Please confirm that the debt rates set out in Table 7-1-1-A are actual debt rates (Exhibit 7 / Tab 1 / Schedule 1 / p. 2).**
- b) **Please advise when the three loans set out in Table 7-1-1-A were originally procured by Five Nations Energy (Exhibit 7 / Tab 1 / Schedule 1 / p. 2).**
- c) **Please discuss the process undertaken by Five Nations Energy when selecting the loan providers (Exhibit 7 / Tab 1 / Schedule 1 / p. 2).**
- d) **Please advise whether Five Nations Energy is forecasting any new debt during the 2017-2021 period (Exhibit 7 / Tab 1 / Schedule 1 / p. 2).**
- e) **Please explain the rate base amount of \$35,809,700 used in the cost of capital calculation (Exhibit 7 / Tab 1 / Schedule 1 / p. 3). Please explain why this amount is different than the rate base amount of \$35,776,319 cited in Exhibit 3 / Tab 1 / Schedule 1. If the amount used in the cost of capital calculation is incorrect, please revise the cost of capital calculation and revise the related evidence as necessary.**

Response:

- (a) Confirmed. They are actual debt rates.
- (b) Term Loan #1 was procured on November 15, 2006. Term Loan #2 was procured on October 15, 2015. The BMO Term Loan #2 (building loan) was procured on November 29, 2013.
- (c) For Term Loan #1, FNEI issued a formal RFP to select a loan provider, and had approximately ten responses. Three potential providers were interviewed by the Finance Committee, and ultimately Manulife/PWB was selected based on overall financing package offered. For the Acquisition Loan, FNEI solicited offers from three Canadian chartered banks, as well as its existing lenders (Manulife/PWB), and ultimately selected Manulife based on their ability to provide a fixed term loan over a longer period of time. For Term Loan #2, FNEI asked

- 1 three Canadian chartered banks for proposals, and selected BMO on the basis of both rate and
2 flexibility (in terms of an additional loan facility and ability to pre-pay).
- 3 (d) FNEI does not forecast any new debt during the IR term.
- 4 (e) The rate base amount of \$35,809,700 used in the cost of capital calculation (Exhibit 7/Tab
5 1/Schedule 1/p.3) is from an earlier version of the evidence. The correct amount is the
6 \$35,776,319 figure used in Exhibit 3/Tab 1/Schedule 1. FNEI had amended this Schedule in
7 October, but did not include the updated Schedule in its November amendments.

7-Staff-33

**Ref: Exhibit 7 / Tab 2 / Schedule 1
EB-2009-0387 / Decision and Order
EB-2009-0387 / Exhibit 1 / Tab 1 / Schedule 13 / pp. 10-12**

Preamble:

In Exhibit 7 / Tab 2 / Schedule 1, Five Nations Energy set out its legal and practical arguments as to why it should be allowed to earn a ROE in the same manner as a for-profit utility and use its revenues in excess of costs to complete its corporate objectives. Five Nations Energy argued that some of its corporate objectives are not solely related to the development and operation of a transmission system.

Question(s):

- a) **Please provide the types of investments Five Nations Energy is considering making as part of achieving its corporate objectives that extend beyond the development and operation of a transmission system and provide examples. Please explain how these investments directly link to Five Nations Energy's corporate objects (Exhibit 7 / Tab 2 / Schedule 1 / pp. 2 and 11).**
- b) **Five Nations Energy noted that in the US, a number of utility commissions have accepted the principle that a not-for-profit cooperative utility is entitled to earn a reasonable return. In a number of these cases, the commission applies the TIER method (Times Interest Earned Ratio) (Exhibit 7 / Tab 2 / Schedule 1 / pp. 13-14).**
 - i. **Please provide any examples of decisions by utility commissions in the US or Canada that have approved the payment of returns for not-for-profit corporations in the same manner as Five Nations Energy has requested as part of its current application (i.e. a true ROE) as opposed to evaluating returns using the TIER method (Exhibit 7 / Tab 2 / Schedule 1 / pp. 13-14).**
 - ii. **Please provide Five Nations Energy's understanding of how the TIER method could be applied to Five Nations Energy in calculating the appropriate level of return (Exhibit 7 / Tab 2 / Schedule 1 / pp. 13-14).**
 - iii. **Please provide Five Nations Energy's position on using the TIER method for determining an appropriate level of return. Does Five Nations Energy**

1 continue to be of the view that the TIER methodology is not appropriate?
2 Please provide your response in the context of the evidence filed by Five
3 Nations Energy in EB-2009-0387 at Exhibit 1 / Tab 1 / Schedule 13 / pp. 10-
4 12.

5
6 iv. Please advise whether there is a TIER range that is generally used in the US
7 to determine the appropriateness of a not-for-profit corporations level of
8 return (and provide evidence supporting the range) (Exhibit 7 / Tab 2 /
9 Schedule 1 / pp. 13-14).

10
11 v. Please provide the TIER calculation using both generally accepted
12 methodologies: (a) net income plus interest on debt divided by interest on
13 debt; and (b) net income divided by interest on debt for each year 2010-2016
14 (for 2016 show both before and after the applied for changes in the
15 application are implemented) (Exhibit 7 / Tab 2 / Schedule 1 / pp. 13-14).

16
17 c) Please further discuss why Five Nations Energy believes that the OEB should not be
18 concerned with the potential loss of the non-profit status. Does Five Nations Energy
19 agree that the loss of the non-profit status would result in an increase in costs
20 recoverable from ratepayers (Exhibit 7 / Tab 2 / Schedule 1 / pp. 15-16)?

21
22 d) Five Nations Energy states that it accepts that the OEB has jurisdiction to require it
23 to establish its revenue requirement on a basis that allows it a sufficient cushion to
24 address unforeseen contingencies. However, it believes that there is no basis for
25 requiring the establishment of specific reserve funds and precluding Five Nations
26 Energy from earnings revenues in excess of the amount required to fund those
27 reserves (Exhibit 7 / Tab 2 / Schedule 1 / p. 17).

28
29 i. Please discuss the differences between not-for-profit and for-profit regulated
30 utilities.

31
32 ii. Please discuss whether Five Nations Energy believes that a for-profit utility is
33 in a better position than a not-for profit utility to invest capital back into the
34 utility. Please provide rationale for the response.

35
36 iii. In the absence of reserve funds and approval from the OEB to allocate
37 revenues in excess of profits towards non-utility activities, please discuss how

1 the OEB can be confident that there will be “sufficient cushion” to manage
2 unexpected utility costs that may arise?
3

4 iv. Please advise whether Five Nations Energy intends to maintain its existing
5 Insurance Reserve Fund under its proposal. If yes, please explain the
6 response in the context of Five Nations Energy’s argument that the ROE and
7 the availability of a Z-factor allow for a utility to maintain sufficient funds in
8 order to address unforeseen circumstances.
9

10 e) Five Nations Energy stated that if it were not allowed to earn revenue in excess of its
11 costs to operate the transmission system, it would be off-side of its debt coverage
12 ratios and subject to repayment obligations that are greater than its interest costs
13 (Exhibit 7 / Tab 2 / Schedule 1 / p. 22).
14

15 i. Please provide Five Nations Energy’s: (a) current actual debt to
16 capitalization ratio; and (b) 2010 actual debt to capitalization ratio (Exhibit 7
17 / Tab 2 / Schedule 1 / pp. 21-22).
18

19 ii. Please provide Five Nations Energy’s: (a) current ratio of EBITDA to debt
20 service; (b) ratio of EBITDA to debt service if Five Nation’s Energy’s
21 application is approved as filed; and (c) ratio of EBITDA to debt service if no
22 ROE is approved as part of the current application. Please show all of the
23 calculations (Exhibit 7 / Tab 2 / Schedule 1 / pp. 21-22).
24

25 iii. Please provide the minimum amount of total annual revenue (with the return
26 component shown separately and also shown as an ROE %) that would be
27 required to stay on-side of Five Nations Energy’s financing requirements
28 (Exhibit 7 / Tab 2 / Schedule 1 / pp. 21-21).
29

30 iv. Please provide Five Nations Energy’s position on the establishment of a
31 reserve fund that would hold sufficient funds to make loan repayments for
32 two-years (and would be strictly used to make loan payments in
33 circumstances where Five Nations Energy does not have sufficient funds to
34 make those payments in the normal course). Please advise whether a reserve
35 fund designed in this manner may be sufficient to satisfy Five Nations
36 Energy’s lenders (even in the absence of meeting the EBITDA to debt service
37 requirement).
38

- 1 f) Please provide the following information related to potential reserve funds that
2 could be made applicable to Five Nations Energy:
3
- 4 i. Any additional reserve funds that Five Nations Energy may want the OEB to
5 consider beyond what was approved in the EB-2009-0387 proceeding.
6
- 7 ii. A definition for each reserve fund that was previously approved by the OEB
8 in the EB-2009-0387 proceeding and any new reserve fund that Five Nations
9 Energy may want the OEB to consider.
10
- 11 iii. The purpose, goals and intended use of each reserve fund that was previously
12 approved by the OEB in the EB-2009-0387 proceeding and any new reserve
13 fund that Five Nations Energy may want the OEB to consider.
14
- 15 iv. Updated cap amounts for the reserve funds calculated based on the
16 methodologies set out in the OEB's Decision and Order in EB-2009-0387;
17 and updated cap amounts calculated based on alternative methodologies that
18 Five Nations Energy believe are appropriate. Please provide the calculations
19 and describe the methodologies used.
20
- 21 v. The mechanism and the process to build (a timeframe for funding the
22 reserves should be provided if the reserve funds are not already fully
23 funded), use and maintain the reserve funds that were previously approved
24 by the OEB in the EB-2009-0387 proceeding and any new reserve funds that
25 Five Nations Energy may want the OEB to consider.
26
- 27 vi. The roles and responsibilities of Five Nations Energy's Board of Directors
28 and management with regard to establishing and preserving the amounts for
29 each type of reserve fund.
30
- 31 vii. The authorization and approval process for access and use of each reserve
32 fund.
33
- 34 viii. Investment objectives and policies for the reserve funds.
35
- 36 ix. Reporting requirements related to the reserve funds.
37

- 1 **x. An updated “draft reserves policy” in a similar format to what was filed with**
2 **OEB staff in response to the OEB’s Decision and Order in the EB-2009-0387**
3 **proceeding. The updated “draft reserves policy” should reflect any changes**
4 **that would be applicable for the test year.**
5
6 **g) Please file a detailed calculation of an alternative test year revenue requirement,**
7 **which is calculated based on a sum of all proposed test year costs plus the annual**
8 **amount required to build up the reserve funds (if they are not already fully funded).**
9 **The annual amount required to build up the reserve funds should be based on a**
10 **proposal from Five Nations Energy as to a reasonable amount of time over which**
11 **the reserves should be funded.**

12
13 **Response:**

14 (a) FNEI has not considered what types of investments it would make – pending the outcome of
15 this proceeding. For FNEI, there are two possible outcomes:

- 16
17 • *The Board modifies its last decision and allows FNEI (as it exists today) to earn an ROE.*
18 In that case, FNEI will likely (gradually) consider whether any there are any funds that
19 could be available for use to meet its other corporate objectives (i.e., monies that are not
20 needed for the ownership and operation of the transmission system). Any such proposal
21 would go before the FNEI Board of Directors for their approval. However, any use of
22 such funds by FNEI must adhere to the corporate purposes in its Letters Patent (i.e., to
23 promote the social, economic and civic welfare and development of Attawapiskat, Fort
24 Albany and Kashechewan) as specifically set out in Exhibit 7/Tab 2/Schedule 1, page 1
25 commencing at line 14.
26
27 • *The Board does not modify its last decision.* In that case, there is no need for an FNEI to
28 contemplate the question about what investments to make. FNEI would become a for-
29 profit entity, and it would pay dividends to its shareholders.

30 (b) Beyond the few examples of US decisions filed in FNEI’s initial rate case, FNEI has done no
31 further research on the TIER method. FNEI operates in the same market, subject to the same
32 regulatory requirements, and on the same commercial basis as any other transmitter in the
33 province. This is different than the private, non-profit cooperatives in the Unites States – of
34 which there are several hundred in the United States.

35 (c) The obligation on FNEI to maintain its non-profit status is not an obligation that originates
36 from the OEB. If FNEI operates outside its Letters Patent in a manner that caused it to lose its

1 non-profit status, the impact of that would be that FNEI would have to pay taxes. The irony of
2 this question is that if the Board's last decision is not modified, FNEI believes it will have to
3 become a for-profit corporation – which of course will have to pay taxes. All other transmitters
4 in Ontario are for-profit entities that pay taxes, and have those costs recovered in their respective
5 revenue requirements. FNEI wants very much to continue as a non-profit corporation, but
6 cannot operate as a non-profit corporation if the OEB removes FNEI's ability to earn an ROE.
7 There is today nothing to prevent FNEI from becoming a for-profit corporation at any time.

8 (d) i. and ii. FNEI has spent the first 15+ years of its existence re-investing any excess funds into
9 its system. This build-out was needed, given that the initial system was in some ways a bare-
10 bones system. Perhaps in these early years, a for-profit would have been just as diligent in re-
11 investing back into its system. However, as noted in the answer to (d) iii. below, FNEI has been
12 able to operate in a non-profit environment where there has been no pressure or expectation of
13 having to return any dividend to a shareholder.

14 iii. FNEI does not understand why the Board would be concerned about this for FNEI, but not
15 for the other for-profit utilities it regulates. Any utility, whether for-profit or non-profit, is
16 licensed by the OEB and an IESO market participant, and is bound to the same regulatory regime
17 (OEB Act, Electricity Act, OEB Codes, IESO Market Rules, etc.). Transmitters (for-profit or
18 non-profit) comply with this regulatory regime because they are in the business of electricity
19 transmission. For-profit utilities are motivated to return dividends to their shareholders – so this
20 question could be asked of for-profit utilities (i.e., what would prevent a for-profit utility from
21 paying such large dividends pay such large dividends to its shareholder that they become highly
22 leveraged, or fail to adequately maintain its transmission system). FNEI, as a non-profit entity,
23 is free of any pressure to pay dividends to shareholders.

24 iv. FNEI will maintain its Insurance Reserve regardless of whether it is a non-profit or for-profit
25 entity. An interrogatory from Energy Probe (10.0-Energy Probe-14) caused FNEI to more fully
26 discuss the Z-factor component of its plan, and as noted in the response to that interrogatory,
27 FNEI thinks there is merit to the suggestion that a higher threshold is warranted (i.e., \$400,000).
28 If a Z-factor event occurred (based on FNEI's criteria) and the event were funded out of the
29 Insurance Reserve, that Reserve would need to be replenished, and the Z-factor application
30 would be the basis for this.

31 (e) i. (a) 25.65% (b) 26.84%

32 (e) ii. (a) 1.68 (b) 2.42 (c) 1.54

33 (e) iii. and iv. As noted above in (a) and (c), FNEI is not interested in operating under the capital
34 and operating reserve fund requirements outlined in EB-2009-0387. FNEI wants to continue to
35 be a non-profit utility (and ultimately provincial transmission ratepayers are better off since

1 FNEI has no interest expense incorporated into its revenue requirement), but not if restrictions
2 are placed on FNEI that make it difficult to do so. FNEI's evidence was meant to make clear
3 that there is no legal basis for imposing such restrictions on FNEI, merely due to its non-profit
4 status.

5 (f) and (g) See response to question (a), (c) and (e) iii. and iv. above.

6

Exhibit 8 – Deferral and Variance Accounts

8-Staff-34

Ref: Exhibit 8 / Tab 1 / Schedule 1

Question(s):

- a) Five Nations Energy requested a new deferral account to record revenue requirement deficiencies incurred from January 1, 2016 (the date when rates were declared interim) to when the final approved rates are implemented. Please provide a Draft Accounting Order with sample entries that would be posted to this account.

Response:

- (a) FNEI will file this at a later date.

Exhibit 9 – Cost Allocation to Rate Pools

9-Staff-35

Ref: Exhibit 9 / Tab 1 / Schedule 1

Question(s):

- a) Please provide the Hydro One cost allocation that Five Nations Energy used as the basis for its cost allocation calculation. Please provide a reference to the case number and exhibit. Please confirm that this is the most recent approved allocation for Hydro One.
- b) Please advise whether Five Nations Energy will update its proposed cost allocation to the UTR asset pools if an updated cost allocation is approved for Hydro One prior to the OEB's decision in this proceeding.

Response:

- (a) FNEI used the HONI allocation factors in the Uniform Transmission Rates in existence at the time the evidence was filed.
- (b) FNEI would be prepared to do so.

Exhibit 10 – Incentive Regulation Plan

10-Staff-36

Ref: Exhibit 10 / Tab 1 / Schedule 1

Question(s):

- a) Please advise whether Five Nations Energy intends to file an annual rates application each year of its proposed IRM term. If so, please provide the proposed timing of that annual filing (Exhibit 10 / Tab 1 / Schedule 1 / p. 1).
- b) Please provide detailed rationale supporting Five Nations Energy's proposal for a 0.3% stretch factor as part of its revenue requirement adjustment formula. Specifically, please explain why the mid-range stretch factor for electricity distributors is appropriate for Five Nations Energy (Exhibit 10 / Tab 1 / Schedule 1 / p. 2).
- c) Please advise whether Five Nations Energy is seeking approval of a Z-factor deferral account as part of the current proceeding (Exhibit 10 / Tab 1 / Schedule 1 / p. 3).

Response:

(a) FNEI had anticipated having to file an annual rate application for each year in the IR term. Timing of such filing is really driven by the Board's processes for considering and disposing of the application, so FNEI will obviously accommodate the Board's needs in this regard. As an initial suggestion, FNEI suggests October 15th as a filing deadline for the application.

(b) As Board Staff knows, the key component of the OEB's IRM mechanism is the application of an annual price cap adjustment that is based on inflation, less a prescribed productivity factor, less a utility unique stretch factor. The Board applies a cohort benchmarking process to electricity distributors to establish stretch factors. It is FNEI's understanding that most distributors are evaluated and assigned the mid-range stretch factor (i.e., far fewer are determined to be more (or less) efficient, warranting a lower (or higher) stretch factor. Without a cohort comparator, FNEI has proposed application of the average stretch factor as a reasonable measure for FNEI.

(c) FNEI had not applied to the Board in this proceeding for a Z-factor DVA (see List of Specific Approvals – Exhibit 1, Tab 5, Schedule 8). Energy Probe had also inquired along these lines in

1 8.0-Energy Probe-13 (asking for a draft accounting order). FNEI had considered this, but had
2 understood that utilities had not typically set up an accounting order for a Z-factor until the Z-
3 factor event happens. At that point, FNEI would expect it to be like any normal DVA (i.e.,
4 recording the costs in it and then having such costs reviewed by the OEB at a future date to make
5 sure it meets all the criteria for it to be recovered). FNEI has set out the criteria in its proposed
6 IRM Plan. FNEI did a relatively quick check on the Board's webdrawer for utilities that were
7 impacted by the December 2013 ice storm, and found little guidance. FNEI is in the Board's
8 hands on this issue.

9

Exhibit 11 – Uniform Transmission Rates

11-Staff-37

Ref: Exhibit 11 / Tab 1 / Schedule 1

Question(s):

- a) If necessary, upon responding to all interrogatories from OEB staff and intervenors, please provide an updated UTR calculation in the same format as shown in Exhibit 11 / Tab 1 / Schedule 1. If necessary, please also update the bill impact analysis.

Response:

- (a) Not applicable.