

September 24, 2018

RESS & COURIER

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

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

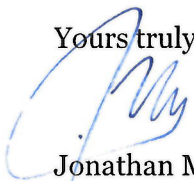
Re: Dubreuil Lumber Inc. and Algoma Power Inc. - Application for Leave to Sell Distribution System and Related Matters (EB-2018-0271)

We are legal counsel to Algoma Power Inc. (API), a licensed electricity distributor (ED-2009-0072) that owns and operates an electricity distribution system in the Algoma District of Ontario. Dubreuil Lumber Inc. (DLI) is a licensed electricity distributor (ED-2012-0074) that owns the electricity distribution system in the Township of Dubreuilville. API currently operates the DLI system pursuant to an interim distribution licence (ED-2017-0153) issued under section 59 of the *Ontario Energy Board Act, 1998* (the "Act").

API and DLI have entered into an agreement, conditional on approval of the Ontario Energy Board (the "Board"), under which DLI will sell its distribution system to API. DLI has therefore authorized API to apply to the Board on its behalf, pursuant to section 86(1)(a) of the Act, for leave to sell DLI's electricity distribution system to API. In addition, API seeks, on its own behalf and on behalf of DLI, related relief with respect to cost recovery and rate matters under section 78(2), and with respect to licensing matters under sections 74(1)(b) and 77(5) of the Act.

Enclosed are two copies of the application, which has also been filed electronically on the Board's Regulatory Electronic Submission System (RESS). If you have any questions, please do not hesitate to contact me at the number shown above.

Yours truly,



Jonathan Myers

cc: Mr. Ken Buchanan, DLI
Mr. Greg Beharriell, API
Mr. Craig David, API
Mr. Charles Keizer, Torys LLP

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Dubreuil Lumber Inc. (“DLI”) for an Order, pursuant to subsection 86(1)(a) of the Act, granting leave to sell its electricity distribution system in the Township of Dubreuilville, substantially in its entirety, to Algoma Power Inc. (“API”);

AND IN THE MATTER OF an application by API for Orders, pursuant to subsection 78(2) of the Act, approving the disposition of the balance in its Interim Distribution Licence Deferral Account established in EB-2017-0153, authorizing the establishment of a new deferral account to record transaction and integration costs incurred in connection with the transaction, determining that the acquired DLI customers shall be classified under its existing rate classes and billed its existing approved rates, and endorsing API’s proposed approach to the future allocation of costs attributable to the DLI service area;

AND IN THE MATTER OF applications by DLI and API for Orders, pursuant to subsections 77(5) and 74(1)(b) of the Act, cancelling DLI’s distribution licence (ED-2012-0074) and API’s interim distribution licence (ED-2017-0153), and amending API’s distribution licence (ED-2009-0072) to include the Township of Dubreuilville in its service territory.

APPLICATION

DUBREUIL LUMBER INC. and ALGOMA POWER INC.

September 24, 2018

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ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by Dubreuil Lumber Inc. (“DLI”) for an Order, pursuant to subsection 86(1)(a) of the Act, granting leave to sell its electricity distribution system in the Township of Dubreuilville, substantially in its entirety, to Algoma Power Inc. (“API”);

AND IN THE MATTER OF an application by API for Orders, pursuant to subsection 78(2) of the Act, approving the disposition of the balance in its Interim Distribution Licence Deferral Account established in EB-2017-0153, authorizing the establishment of a new deferral account to record transaction and integration costs incurred in connection with the transaction, determining that the acquired DLI customers shall be classified under its existing rate classes and billed its existing approved rates, and endorsing API’s proposed approach to the future allocation of costs attributable to the DLI service area;

AND IN THE MATTER OF applications by DLI and API for Orders, pursuant to subsections 77(5) and 74(1)(b) of the Act, cancelling DLI’s distribution licence (ED-2012-0074) and API’s interim distribution licence (ED-2017-0153), and amending API’s distribution licence (ED-2009-0072) to include the Township of Dubreuilville in its service territory.

APPLICATION

1. Dubreuil Lumber Inc. (“DLI”) and Algoma Power Inc. (“API”) (together the “Applicants”) are hereby applying to the Ontario Energy Board (the “OEB”) for approvals in connection with API’s planned purchase of DLI’s electricity distribution system in the Township of Dubreuilville (the “Township”) and the incorporation of that system into API’s existing regulated distribution business. The DLI distribution system is currently operated by API pursuant to an interim distribution licence issued by the OEB pursuant to section 59 of the

Ontario Energy Board Act (the “OEB Act”). In addition to seeking approval for the transaction, the Applicants seek specific relief in relation to related aspects, such as cost recovery, rate treatment and licensing.

The Applicants

2. DLI is an Ontario corporation that is primarily focused on the lumber industry and has its head office in the Township. In the early 1960s, Dubreuil Brothers Limited (“DBL”) established the Township as a company town. In connection with its lumber operations and to supply the Township with electricity, DBL developed, owned and operated the Township’s electricity distribution system. The shares of DBL were amalgamated into Dubreuil Forest Products Ltd. (“DFPL”) in 1989. After DFPL filed for bankruptcy in 2011, assets associated with the business, including all of the distribution system assets, were transferred to DLI, which was issued a distribution licence by the OEB in 2012 (ED-2012-0074). DLI continues to own, and until April 4, 2017 operated, the electricity distribution system in the Township, which serves approximately 350 customers. Since April 4, 2017, the DLI distribution system has been operated by API pursuant to an interim distribution licence (ED-2017-0153) that was issued under sections 59(1) and (2) of the OEB Act. This Application concerns only DLI’s electricity distribution system and not any other aspects of DLI’s business.
3. API is a licensed distributor (ED-2009-0072) that owns and operates an electricity distribution system serving approximately 11,500 customers in the Algoma District of Ontario, north and east of the City of Sault Ste. Marie. API is an Ontario corporation with its head office in Sault Ste. Marie, and is a wholly owned subsidiary of FortisOntario Inc. FortisOntario Inc., a wholly owned subsidiary of Fortis Inc., owns and operates Canadian Niagara Power Inc., Cornwall Street Railway Light & Power Company Ltd. and Algoma Power Inc. Together, these entities serve a combined 66,000 customers and operate approximately 3,430 km of transmission and distribution lines in Ontario. FortisOntario also owns a 10 per cent strategic interest in each of Westario Power, Rideau St. Lawrence, and Grimsby Power, which collectively serve approximately 41,000 customers.

Relief Sought

4. DLI hereby applies to the Board, pursuant to subsection 86(1)(a) of the OEB Act, for an order granting leave to sell its electricity distribution system in the Township, substantially in its entirety¹, to API (the “Proposed Transaction”).
5. In addition, in connection with the Proposed Transaction and having regard to the unique context underpinning the Proposed Transaction (described below),
 - a. API requests a determination by the OEB that, upon closing of the Proposed Transaction, the customers to be acquired by API in the DLI service area (the “Acquired Customers”) shall be classified in accordance with API’s existing rate classes and may thereafter be billed in accordance with API’s approved tariff of rates and charges;
 - b. API requests an order, pursuant to s. 78(2) of the OEB Act, approving the disposition of the balance recorded in API’s Interim Distribution Licence Deferral Account, established in EB-2017-0153, by means of the specific disposition proposal set out in Exhibit F, Tab 3, Schedule 1;
 - c. API requests an order, pursuant to s. 78(2) of the OEB Act, authorizing API to establish a new deferral account to record transaction and integration costs incurred by API in connection with the Proposed Transaction, which due to the unique context underlying the Proposed Transaction API will not be in a position to recover through efficiency gains over a deferred rebasing period, and approving API’s proposed approach to the future disposition of the amounts to be recorded therein, as described in Exhibit F, Tab 3, Schedule 2;

¹ Substation #1 will be decommissioned and remediated prior to closing of the Proposed Transaction, and will therefore not be transferred to API. Furthermore, DLI, as an ongoing end-use customer in respect of accounts for the lumber mill and other facilities following the closing of the proposed transaction, will retain ownership of certain service assets, consistent with API’s standard ownership demarcation practices. Ownership of these assets would remain with DLI.

- d. API requests that the OEB endorse its proposed approach of allocating costs attributable to the DLI service area, at the time of API's next rebasing, primarily to API's R1 and R2 rate classes, which are eligible for Rural or Remote Rate Protection;
- e. DLI requests that the Board, pursuant to ss. 77(5) of the OEB Act, cancel DLI's electricity distribution licence (ED-2012-0074) effective upon the closing of the Proposed Transaction;
- f. API requests that the Board, pursuant to ss. 77(5) of the OEB Act, cancel API's interim electricity distribution licence (ED-2017-0153) effective upon the closing of the Proposed Transaction;
- g. API requests that the Board, pursuant to ss. 74(1)(b) of the OEB Act, amend API's electricity distribution licence (ED-2009-0072) effective upon the closing of the Proposed Transaction by:
 - i. adding the Township of Dubreuilville to the description of the service area in which API is authorized to distribute and sell electricity; and
 - ii. adding a condition to provide API with limited relief from regulatory liability for circumstances arising from its acquisition of the DLI system.

Context for the Application

- 6. The Application and supporting evidence have been prepared generally in accordance with the OEB's *Filing Requirements for Consolidation Applications* (the "Filing Requirements"), which are set out in Schedule 2 of the OEB's January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the "Handbook"). However, due to the unique context underpinning the Proposed Transaction, as summarized below, many of the assumptions that are made in the Handbook in relation to the circumstances and drivers of a consolidation transaction will not be relevant to this Application. As such, for the OEB to effectively consider through the 'no harm' test whether the Proposed Transaction will have an

adverse effect on the attainment of its statutory objectives, the Applicants request that the OEB focus on different elements of its statutory objectives than it would in the circumstances of a more typical, efficiency-driven, consolidation transaction.

7. The Township is located approximately 40 km north of Wawa, in the Algoma District of Ontario. It has an area of approximately 90 km² with a population of 635 (2011) and approximately 300 dwellings. The Township's electricity distribution system was formerly owned and operated by DFPL. After DFPL filed for bankruptcy in 2011, the assets associated with the system were transferred to DLI. On March 5, 2012, the OEB issued DLI a distribution licence (ED-2012-0074) for a term of one year, authorizing it to own and operate the system. The licence was renewed annually until 2017.
8. The OEB received letters from DLI on December 29, 2016 and February 17, 2017, stating that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. The correspondence also confirmed that DLI did not intend to apply for an extension of, and was agreeable to surrendering, its distribution licence.
9. On April 4, 2017, the OEB issued an order in EB-2017-0153, pursuant to subsections 59 (1) and (2) of the OEB Act, appointing API as interim licensee for the DLI service area, and requiring DLI to surrender possession and control of the electricity distribution system in the Township to API (the "Interim Licence Order"). An interim electricity distribution licence (the "Interim Licence"), valid until October 3, 2017, accompanied the Order. In designating API as the interim licensee, the OEB noted that the DLI system is embedded within API's electricity distribution system, that API serves customers in the area near the Township, and that API had previously provided services to assist DLI and DFPL in emergencies.
10. The OEB has since extended the term of API's Interim Licence for additional 6-month periods (currently to October 3, 2018). In its October 3, 2017 Decision and Order in EB-2017-0303, extending the term of the Interim Licence, the OEB noted its view that it is in the public interest to have a viable and committed owner and operator for the distribution system in the Township and, on that basis, required DLI to either renew its licence or dispose of its ownership interest

in the distribution system to another licensed electricity distributor. The OEB has also extended the term of DLI's distribution licence, which continues to authorize DLI's ownership of the system, for additional 6-month periods (currently to October 26, 2018).

11. In accordance with the Interim Licence Order, API provided the OEB with a Notice of Transition report on April 26, 2017, as well as a 60-day Status Report on June 7, 2017. These reports informed the OEB of the steps taken by API to assume operational control of the distribution system in the Township, and provided detailed information with respect to distribution system assets, capabilities and risks. The reports also highlighted a number of concerns in relation to metering and billing, health, safety and the environment, regulatory compliance, asset management, and reliability. In addition, the reports advised the OEB of the commercial discussions then taking place regarding API's potential acquisition of the DLI system.
12. Also notable is that the Interim Licence Order established a deferral account in which API is required to record revenues collected from customers served by the DLI system and the costs of operating and maintaining that system. The October 3, 2017 Decision and Order in EB-2017-0303 required API to provide the OEB with an update on the amounts recorded in the Interim Distribution Licence Deferral Account. That update was provided to the OEB on January 30, 2018 (in respect of amounts to December 31, 2017).
13. It is within the foregoing context, and based on the recognition (1) that no licensed electricity distributor other than API has been identified as having a potential interest in acquiring the DLI system, (2) that as the host distributor and interim operator of the DLI system, and as the most geographically proximate licensed distributor, API is well positioned to provide a long-term solution and effective, ongoing distribution service within the DLI service area, and (3) that the OEB sees it as being in the public interest to have a viable and committed owner and operator for the DLI system, that the Applicants are seeking approval for the Proposed Transaction and the related grounds for relief.

Applicant Contacts

14. The Applicants request that copies of all materials filed with or issued by the Board or any party be served on the Applicants and their counsel as follows:

Dubreuil Lumber Inc.²

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jmyers@torys.com

² Under the Asset Purchase Agreement entered into by DLI and API, DLI agreed that API would be responsible for preparing and bringing all aspects of the Application, including those elements involving relief requested on behalf of DLI. As such, this contact is provided for information purposes only.


15. Additional written evidence, as required, may be filed in support of this Application, which may be amended from time to time prior to the Board's final decision.
16. The Applicants request that the Board proceed by way of a written hearing, pursuant to Section 32.01 of the Board's *Rules of Practice and Procedure*.

Dated at Toronto, Ontario, this 24th day of September, 2018.

**ALGOMA POWER INC. on its own behalf
and on behalf of DUBREUIL LUMBER INC.**

By its counsel, Torys LLP



Charles Keizer

Jonathan Myers

CERTIFICATION OF EVIDENCE

I, Tim Lavoie, being the Vice President Corporate Services and Indigenous Relations of Algoma Power Inc.¹, in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in the Application is accurate, consistent and complete.



Tim Lavoie

Vice President Corporate Services & Indigenous Relations

¹ Under the Asset Purchase Agreement entered into by DLI and API, DLI agreed that API would be responsible for preparing and bringing all aspects of the Application, including those elements involving relief requested on behalf of DLI.

BUSINESS OF THE PARTIES TO THE PROPOSED TRANSACTION

A. Dubreuil Lumber Inc.

1. Historical Context

The Township of Dubreuilville (the “Township”) is located approximately 40 km north of Wawa. It was established as a company town by Dubreuil Brothers Limited (“DBL”) in the early 1960s. In connection with its lumber operations and to supply the Township, DBL developed, owned and operated the Township’s electricity distribution system. The shares of DBL were amalgamated into Dubreuil Forest Products Ltd. (“DFPL”) in 1989. After that entity filed for bankruptcy in 2011, the assets associated with the system, along with other assets relating to its lumber business, were transferred to DLI. On March 5, 2012, the OEB issued DLI a distribution licence (ED-2012-0074) for a term of one year, authorizing it to own and operate the distribution system. The licence was renewed annually until 2017, and has been renewed semi-annually since then to authorize DLI’s continued ownership of the system. The DLI system serves approximately 350 customers and is embedded within the distribution system owned and operated by Algoma Power Inc.

2. Ownership Structure

Dubreuil Lumber Inc., being a wholly owned subsidiary of Lucky Star Holdings Inc., is a licensed distributor (ED-2012-0074) incorporated under the laws of Ontario.

3. Distribution System

i. Service Area

The Township covers an area of approximately 90 km² with a population of 635 (2011) and approximately 300 dwellings. All 300 dwellings and the DLI distribution system are located within the much smaller (approximately 3 km²) boundary of the “Urban Settlement Area”, as identified in the Township’s Official Plan, commonly referred to as the Town of Dubreuilville. Maps illustrating the Township boundaries and Urban Settlement Area are provided in **Appendix ‘A’**.

ii. Customer Numbers and Rate Classes

As of June 30, 2018, the DLI distribution system supplied 309 residential customers and 44 commercial/industrial customers.

4. Regulatory Framework

i. Licence and Rates

From 2012 to 2017, DLI owned and operated its distribution system under licence number ED-2012-0074. The DLI system had formerly been owned and operated by DFPL under licence number ED-2003-0092.

DLI has historically purchased electricity from API (as an R2 customer), via a 44 kV distribution line owned and operated by API. A 44 kV metering installation and load-break switch near the boundary of the Town of Dubreuilville served as the ownership and operational demarcation point.

DLI has historically distributed electricity for a price that is no greater than that required to recover all reasonable costs, and has never had its distribution rates approved by the OEB. Distribution rates for DLI customers have been determined on a monthly basis, in consideration of the total delivery charges and metered kWh indicated on DLI's invoice from API. An additional fixed charge of \$23.76 and a variable rate of \$0.015/kWh have historically been added to the calculated distribution rate to cover DLI's own costs related to operation and maintenance of its distribution system.

In addition to the delivery costs described above, DLI has historically charged its customers in accordance with OEB-approved regulatory charges and tiered-RPP commodity rates. DLI applied the loss factor indicated on its invoice from API (i.e. the OEB-approved loss factor for API's primary-metered accounts) as a proxy for its own system loss factors.¹

¹ Based on API's experience billing DLI customers on behalf of DLI since May 2017, actual system losses are, and have historically been, well in excess of this assumed loss factor.

ii. Net Metering Threshold

The DLI distribution system is entirely embedded within API's distribution system. As such, API's annual maximum peak load inherently includes load associated with DLI's distribution system. There are no existing net metered facilities connected to the DLI distribution system, and DLI has not previously calculated a net metering threshold distinct from API's threshold.

B. Algoma Power Inc.

1. Ownership Structure

API is a licensed distributor (ED-2009-0072) that owns and operates an electricity distribution system serving approximately 11,700 customers in the Algoma District of Ontario, north and east of the City of Sault Ste. Marie. API is an Ontario corporation with its head office in Sault Ste. Marie, and is a wholly owned subsidiary of FortisOntario Inc.

FortisOntario Inc., a wholly owned subsidiary of Fortis Inc., owns and operates Canadian Niagara Power Inc., Cornwall Street Railway Light & Power Company Ltd. and Algoma Power Inc. Together, these entities serve a combined 66,000 customers and operate approximately 3,430 km of transmission and distribution lines in Ontario. FortisOntario also owns a 10 per cent strategic interest in each of Westario Power, Rideau St. Lawrence, and Grimsby Power, which collectively serve approximately 41,000 customers.

The ownership structure of FortisOntario Inc. is provided in **Appendix 'B'**.

2. Distribution System

i. Service Area

API owns and operates an electricity distribution system serving numerous townships in the Algoma District of Ontario, north and east of the City of Sault Ste. Marie. API's distribution system covers an area of more than 14,200 square kilometres, or 3.5 million acres, in a remote area

of Northern Ontario, north and east of the City of Sault Ste. Marie. A map of API's licensed service area is provided in **Appendix 'C'**.

ii. *Customer Numbers and Rate Classes*

The following table provides a breakdown of API's customer count by rate class, as of June 30, 2018:

Rate Class	# of Customers
Residential – R1	8,443
Residential – R2	34 ²
Seasonal	3,062
Street Lighting	15
Total	11,554 ³

3. *Regulatory Framework*

i. *Licence*

Since 2009, API has owned and operated its distribution system under licence number ED-2009-0072. API's distribution licence sets out exemptions from certain sections of the Affiliate Relationships Code for Electricity Distributors and Transmitters (the "ARC"). These ARC exemptions allow API and its affiliates to leverage common corporate services in areas such as executive, finance, information technology, human resources, health, safety and environment, regulatory, and engineering.

Since April 4, 2017, API has also operated the distribution system in the Town of Dubreuilville, on behalf of DLI, pursuant to an interim distribution licence (ED-2017-0153) as described in Exhibit C, Tab 2, Schedule 1.

² The R2 customer count includes the account historically associated with DLI as an embedded distributor.

³ These customer counts do not include the individual customers of DLI that are mentioned in Section A.3.ii above.

ii. Rural and Remote Rate Protection

API serves approximately 11,500 customers on a distribution system consisting of 1,850 kilometres of distribution line, thereby having approximately 6.2 customers per kilometer of distribution line. The distribution system extends 93 km east and approximately 255 km north from the City of Sault Ste. Marie, serving a number of small communities, First Nation reserves and unorganized townships. No other LDC in Ontario has a customer density as low as API's, and with the exception of Hydro One Networks Inc., no other LDC in Ontario has a service territory as large as API's. The combination of an expansive rural service area and very low population density present unique cost challenges with respect to the operation and maintenance of API's distribution system.

iii. RRRP Eligibility

Due to the combination of its expansive service area and low customer density, residential customers of API are eligible for Rural or Remote Rate Protection ("RRRP").⁴ Further, Ontario Regulation 445/07 under the OEB Act (the "Reclassification Regulation") effectively re-classifies all of API's general service class customers as residential for the purpose of determining RRRP eligibility.

As a result of the Reclassification Regulation, most of API's customers are classified as either Residential - R1 (energy billed) or Residential - R2 (demand billed). For these classes, rates are annually adjusted in line with the average of rate adjustments of select rate classes of other distributors in the most recent rate orders, as calculated by the Board (the "RRRP Adjustment Factor"). The RRRP Adjustment Factor applies irrespective of the rate-setting mechanism by which API applies for rates. The amount of RRRP funding allocated to API is determined annually, calculated as the shortfall between the portion of API's OEB-approved revenue requirement allocated to the R1 and R2 classes, and the forecast distribution revenue from those

⁴ API is a licensed distributor, serving an area greater than 10,000 square kilometres in size, and has an average customer density of less than seven customers per kilometre of distribution line, thereby satisfying the eligibility requirements listed in Section 2.5 of O. Reg. 442/01.

classes (which is calculated using the adjusted rates for the current rate year and API's last OEB-approved load forecast).

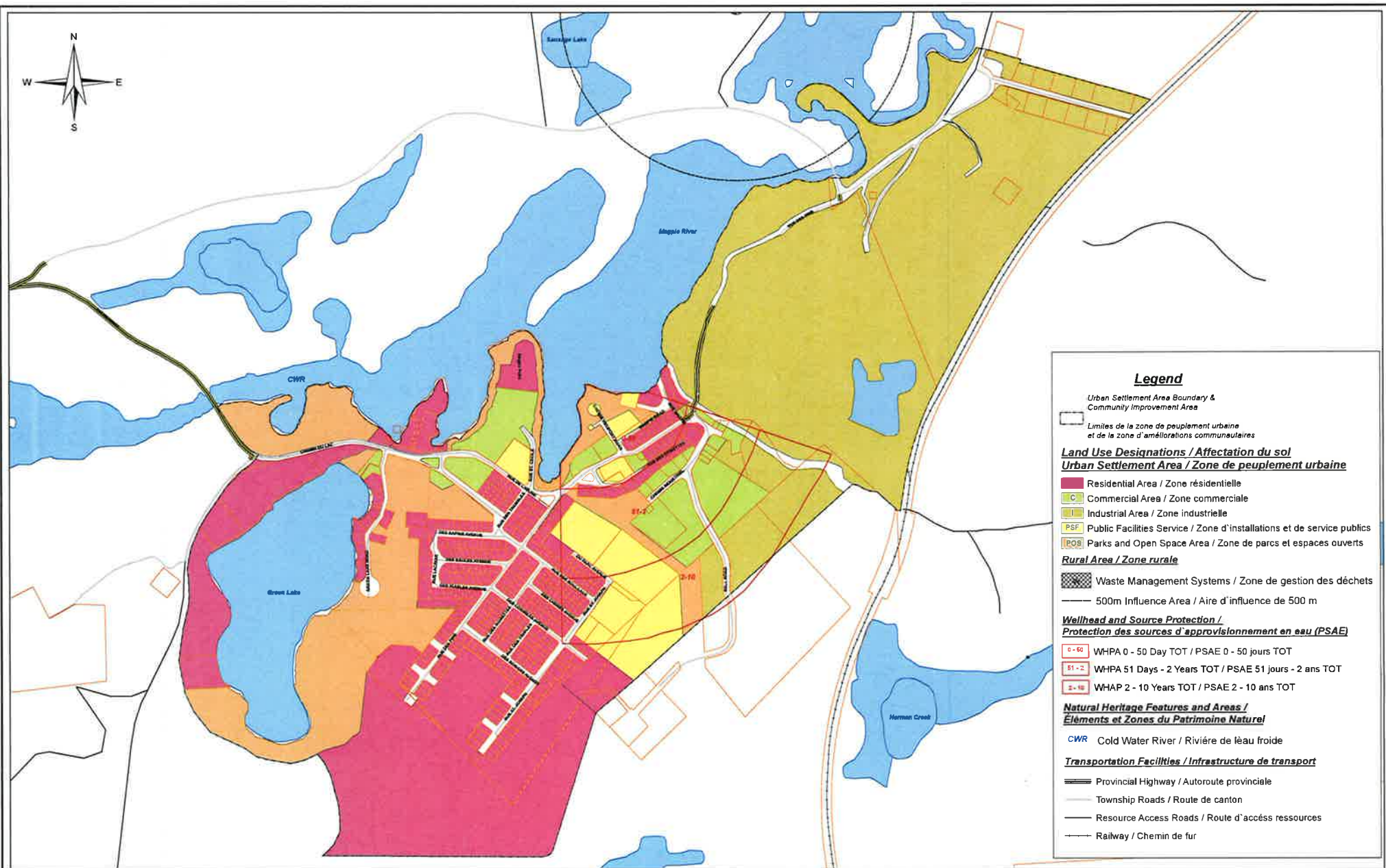
API's traditional residential customers (i.e. customers in the R1(i) class) are also eligible for Distribution Rate Protection ("DRP") pursuant to O. Reg. 198/17 under the OEB Act.

iv. Net Metering Threshold

API's current net metering threshold is 424 kW (i.e. 1% of its 3-year average annual peak demand of 42.4 MW). The peak demand on which the existing threshold was calculated inherently includes the load embedded within the DLI distribution system. This calculation will not change as a result of the Proposed Transaction. API therefore proposes that upon closing of the Proposed Transaction, its net metering threshold should remain at 1% of its annual maximum peak load.

Appendix 'A'

Maps of the Township and Urban Settlement Area



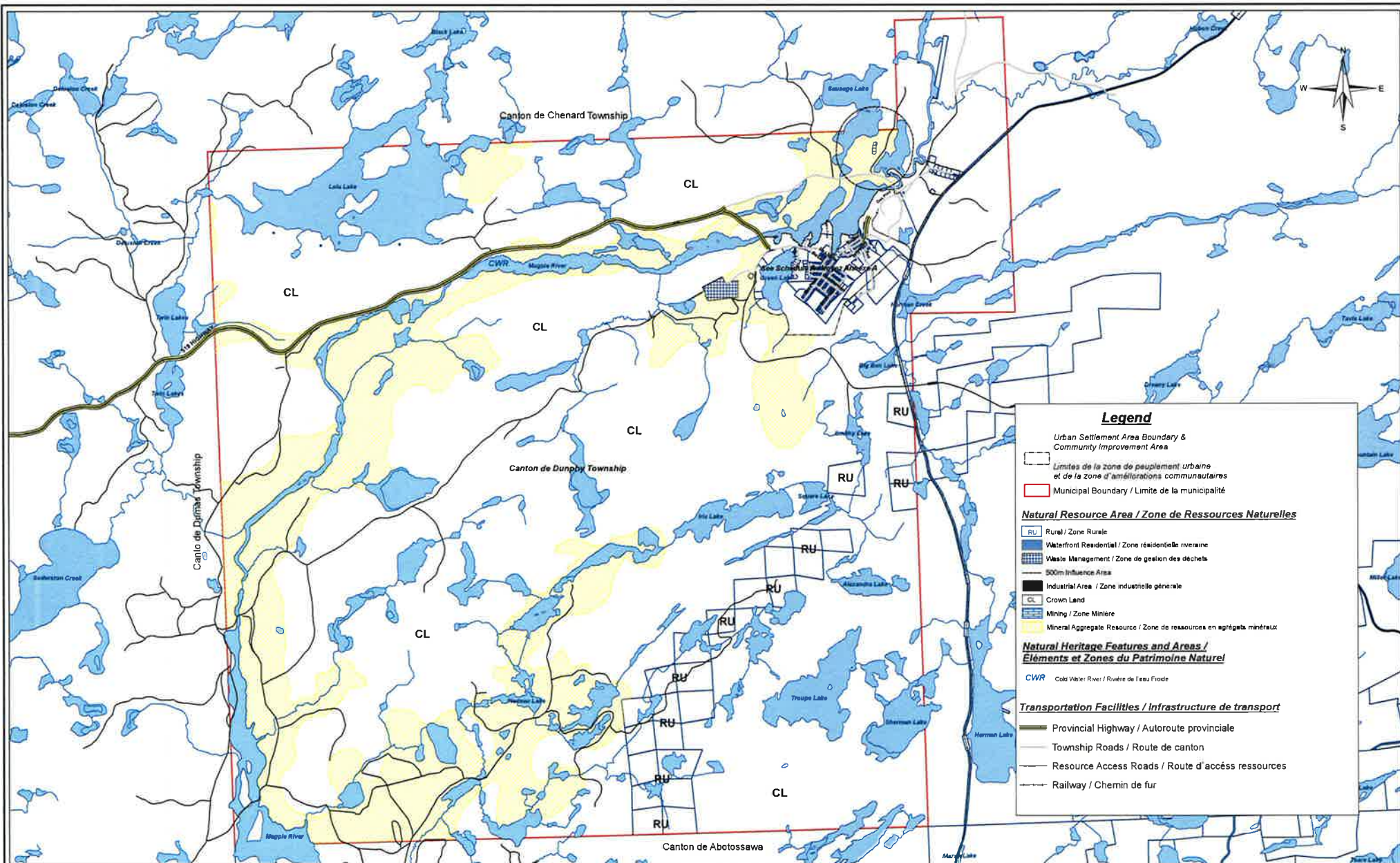
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Scale / Echelle 1:5,128 March 30, 2015 / Le 30 mars 2015

OFFICIAL PLAN / PLAN OFFICIEL

Schedule A/Annexe A **Urban Settlement Area/Zone de Peuplement Urbaine**

Projection
 Transverse Mercator
 WGS 1984 UTM Zone 16N
 Created: March 16, 2015
 Created By: Municipality of Wawa



0 0.5 1 2 3 Kilometers

Scale / Echelle 1:24,000

OFFICIAL PLAN / PLAN OFFICIEL

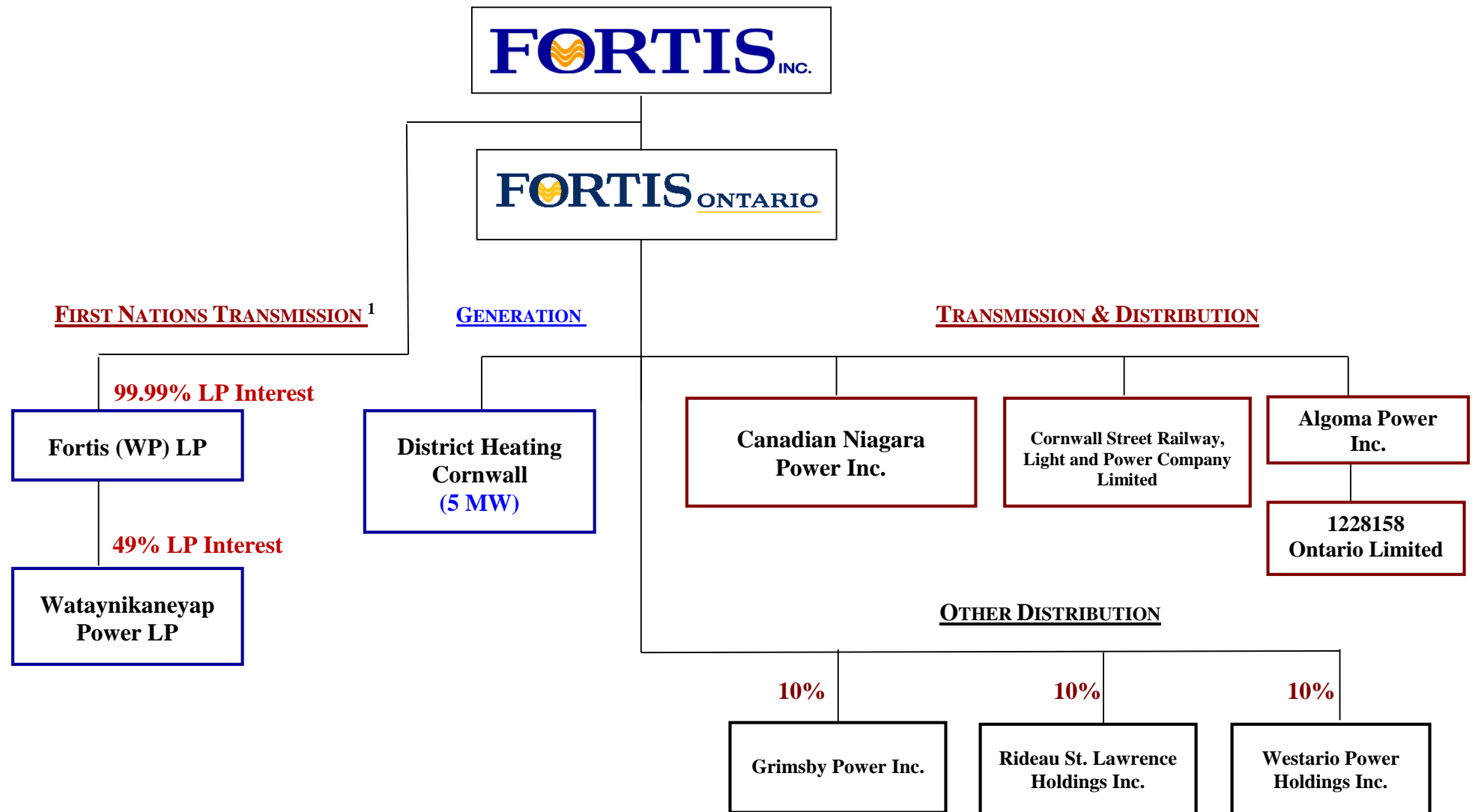
Schedule B / Annexe B

Natural Resource Area / Espace ressources naturelles

Projection
 Transverse Mercator
 WGS 1984 UTM Zone 16N
 Created: March 30, 2015 / le 30 Mars 2015
 Created By: Municipality of Wawa

Appendix 'B'

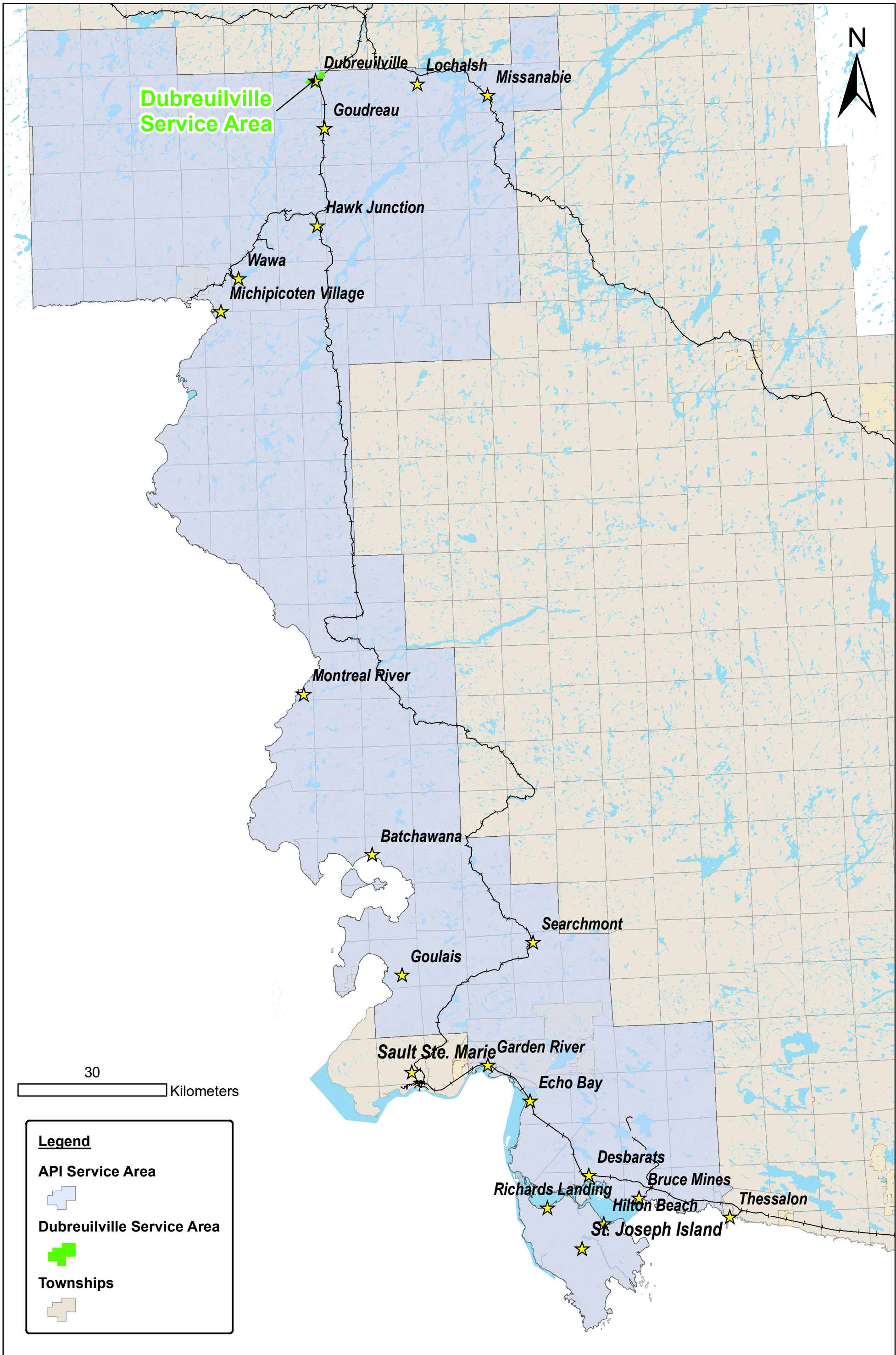
Ownership Structure of API and FortisOntario Inc.



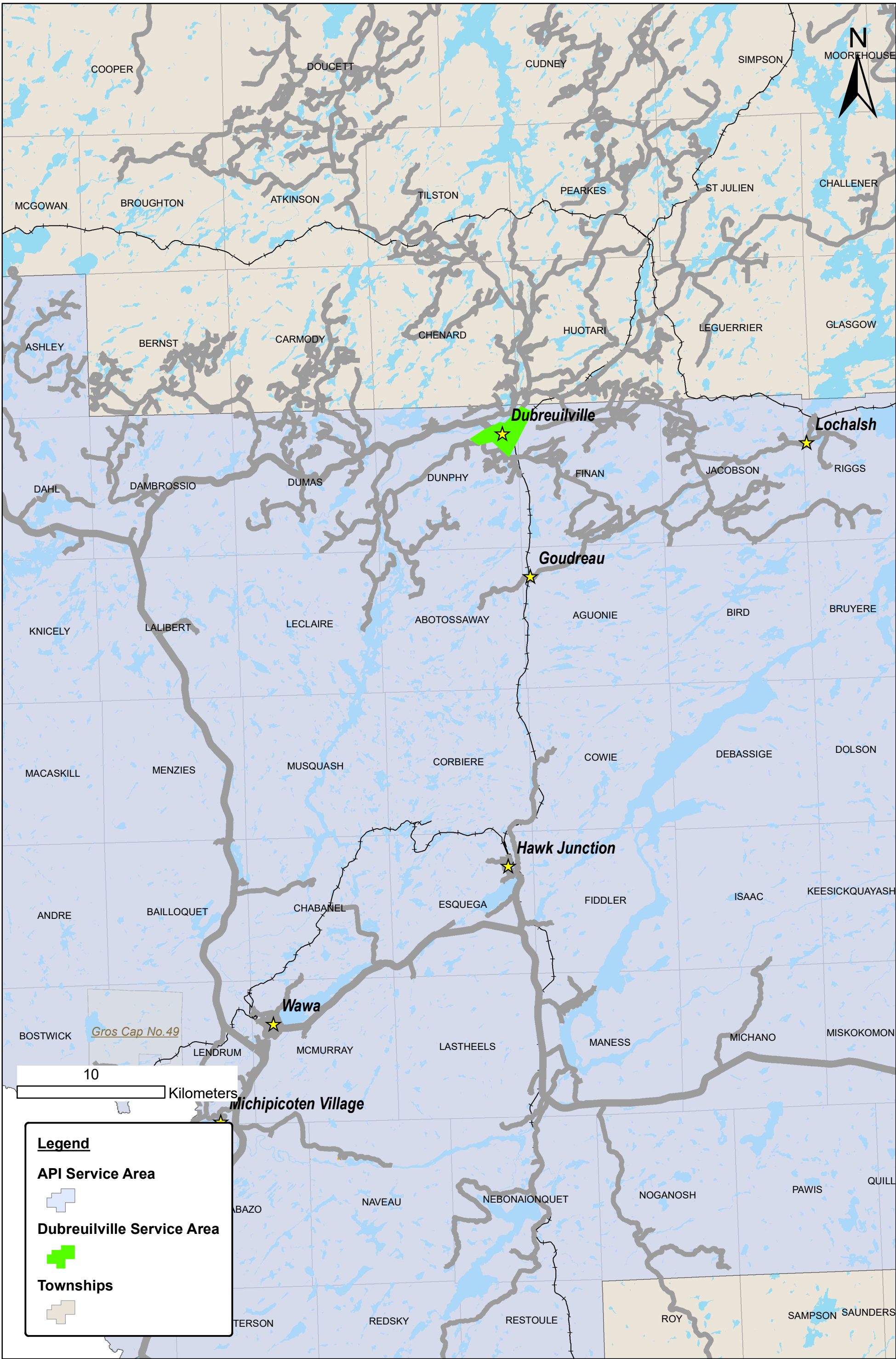
¹FortisOntario also has a 100% interest in the Project Manager, Wataynikaneyap PM Inc., and a 0.01% GP Interest in Fortis (WP) LP

Appendix 'C'

API Service Territory Map



**Algoma Power Inc. Service Area
With Dubreuilville**



**Algoma Power Inc. Service Area
With Dubreuilville - Detail View**

APPOINTMENT OF API AS INTERIM LICENSEE

This section assists the OEB in understanding the unique context for the Application by describing the historical context leading up to the OEB's decision to appoint API as the interim operator of the DLI distribution system, as well as the key procedural steps that were involved in making that appointment and key developments since API took over the operation of the DLI system.

A. Historical Context

The Township of Dubreuilville is located approximately 40 km north of Wawa, in the Algoma District of Ontario. It has an area of approximately 90 km² with a population of 635 (2011) and approximately 300 dwellings. It was established as a company town by Dubreuil Brothers Limited ("DBL") in the early 1960s. In connection with its lumber operations and to supply the Township, DBL developed, owned and operated the Township's electricity distribution system. The shares of DBL were amalgamated into Dubreuil Forest Products Ltd. ("DFPL") in 1989. After that entity filed for bankruptcy in 2011, the assets associated with the system were transferred to DLI. On March 5, 2012, the OEB issued DLI a distribution licence (ED-2012-0074) for a term of one year, authorizing it to own and operate the system. It was renewed annually until 2017.

The OEB received letters from DLI on December 29, 2016 and February 17, 2017, stating that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. The correspondence also confirmed that DLI did not intend to apply for an extension of its existing licence and that it was agreeable to surrendering its existing licence.

On April 4, 2017, the OEB issued an order in EB-2017-0153, pursuant to subsections 59 (1) and (2) of the OEB Act, appointing API as interim licensee for the DLI service area, and requiring DLI to surrender possession and control of the electricity distribution system in the Township to API (the "Interim Licence Order"). An interim electricity distribution licence (the "Interim Licence"), valid until October 3, 2017, accompanied the Order. In designating API as the interim licensee, the OEB noted that the DLI system is embedded within API's electricity distribution system, that API serves customers in the area near the Township, and that API had previously provided services

to assist DLI and DFPL in emergencies. A copy of the Interim Licence Order, which includes the Interim Licence, is provided in **Appendix ‘A’**.

The OEB has since extended the term of the Interim Licence for additional 6-month periods, initially from October 3, 2017 until April 3, 2018 (EB-2017-0303), and then from April 3, 2018 to October 3, 2018 (EB-2017-0153). In its Decision and Order in each of these licence extension proceedings, the OEB noted its view that it is in the public interest to have a viable and committed owner and operator for the distribution system in the Township and, on that basis, required DLI to either renew its licence or dispose of its ownership interest in the distribution to another licensed electricity distributor, and encouraged the parties to achieve a long-term solution.

The OEB has also extended the term of DLI’s distribution licence (ED-2012-00074), which continues to authorize DLI’s ownership of the system, for additional 6-month periods. Most recently, the OEB extended the term of DLI’s licence to cover the period from April 26, 2018 to October 26, 2018 (EB-2018-0149).

B. Interim Operation by API

The Interim Licence Order required API to do the following:

1. Comply with the interim distribution licence, which authorizes API to take possession and control of the electricity distribution system owned and operated by DLI as soon as possible and, in any event, no later than April 27, 2017.
2. Collect revenue from customers within the service area of DLI based on the charges that are currently applied by DLI.
3. Record revenues collected from customers within the service area of DLI and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.

4. In the period leading up to the transfer provide, on a best efforts basis and in accordance with good utility practice, any resources necessary to deal with required maintenance as requested by DLI.
5. Inform the OEB immediately upon taking possession and control of the business of DLI.
6. Within 60 days from the date of this Order, file a written report with the OEB advising on the status of the electricity distribution system in the Township of Dubreuilville including a detailed analysis of the assets and capabilities.

On April 26, 2017, API provided the OEB with a Notice of Transition report on April 26, 2017 (the “Notice”) and, on June 7, 2017, API provided the OEB with a 60-day Status Report (the “60-Day Report”). Together, these reports informed the OEB of the steps taken by API to assume operational control of the distribution system in the Township of Dubreuilville. The Notice and the 60-Day Report provided detailed information with respect to distribution system assets, capabilities and risks. The reports also highlighted a number of concerns in relation to metering and billing, health, safety and the environment, regulatory compliance, asset management, and reliability. A copy of the Notice is provided in **Appendix ‘B’** and a copy of the 60-Day Report is provided in **Appendix ‘C’**.¹ These are summarized below.

1. Notice of Transition

The Notice provided the OEB with information about steps taken by API to assume operational control of the DLI system, key areas of immediate concern, matters relating to API’s role as interim operator and the process followed to achieve an orderly transition. One issue brought to the OEB’s attention was that DLI’s business was found to include various non-distribution assets and that the distribution business was not well defined or separated within DLI. API clarified that it was only assuming operational control over the regulated electricity distribution aspects of the business.

¹ Appendices ‘A’ to ‘G’ of the 60-Day Report have not been reproduced in this Application but are available on the OEB’s website at <http://www.rds.oeb.ca/HPECMWebDrawer/Record/573574/File/document>.

API also advised of a number of compliance and related issues identified during the transition process. These included (i) issues arising from the inadequate separation between the regulated distribution and other aspects of DLI's business, (ii) the planned retirement or departure of DLI employees who have carried out operational and administrative functions to date, (iii) issues relating to insurance and liability, and (iv) areas of non-compliance with OEB codes and other requirements, which will require time and investment to mitigate.

Immediate concerns were identified with respect to safety, environmental and reliability issues, as well as unmetered loads, the mitigation of which will require time and significant costs to be incurred during the period of the Interim Licence. Longer term needs for increased capital, as well as operational and maintenance expenditures, were also identified in a preliminary manner. API identified complications relating to disposition of any costs recorded in the deferral account, and that need to be recovered from customers, given DLI's small customer base and differences in the existing rate treatment between DLI customers and API's customers.

Finally, the Notice advised of the various customer outreach efforts undertaken by API during the transition period, the manner in which API plans to carry out operations from its work centre in Wawa with assistance from contractors where necessary, and plans with respect to activities such as meter reading, billings and collections.

2. 60-Day Report

The 60-Day Report provided the OEB with a detailed analysis of the DLI system assets, capabilities and risks, while also summarizing API's activities over the first two months as interim operator. Of particular significance was the manner in which API worked with DLI employees to ensure a smooth transition, and that it engaged third-party contractors to undertake environmental site assessments for the substations (Golder Associates) and to complete a technical review of the distribution system, including stations, overhead and underground infrastructure (Costello Utility Consultants). API's other key activities included assessing metering infrastructure, assessing vegetation/right-of-ways, understanding customer service/billing procedures, obtaining oil sampling and dissolved gas analysis for station transformers and reviewing key documentation

relating to the system. Key findings and recommendations included in the 60-Day Report are as follows:

i. Status of Electrical Distribution System

Despite the relatively small service area and limited number of customers, the DLI distribution system was found to be supplied by three separate 44 kV substations, using two different voltages for primary distribution. A number of safety, environmental, operational and reliability risks were identified, many of which needed to be addressed in short order. The 60-Day Report presented recommendations to decommission Substation #1 and to complete a Phase 2 Environmental Site Assessment to establish baseline conditions at that site. A number of interim repairs and upgrades, additional maintenance activities, and Phase 2 Environmental Site Assessments were recommended for Substation #2 and Substation #3.

Inspection of the overhead and underground primary and secondary distribution systems revealed that most assets were in adequate to good condition. Recommendations focused on the need for additional testing and inspections to confirm initial visual observations. Additional recommendations included the replacement of a specific pad-mounted transformer, completion of a protection and coordination study, and mapping of underground cables.

A review of vegetation management along rights of way revealed no immediate concerns and recommended that standard vegetation management work be completed to achieve standard clearances.

ii. Metering

Inspection of metering infrastructure revealed a number of unmetered and potentially inaccurately metered loads. The vast majority of meters in use were electromechanical, and were operating beyond their Measurement Canada seal expiry dates. Further, some metering installations had either inadequate access for utility staff, or inadequate security to prevent tampering. The 60-Day Report included recommendations to address safety and access issues as well as unmetered and

inaccurately metered loads as a priority. Additional recommendations included replacing meters with expired seals for compliance reasons, as well as considering options to allow eventual integration with API's AMI network as part of this replacement effort.

iii. Operational Management and Customer Service

During the period leading up to submission of the 60-Day Report, API assessed DLI's operational management and customer service processes to identify gaps between past DLI practices and industry-standard practices that are informed by regulatory compliance, customer expectations and good utility practice. In general, past practices were generally manual and reactionary in nature. As a result, API developed a number of recommendations to be implemented on a priority basis to achieve compliance and meet customer expectations. Significant recommendations included: (i) transitioning all DLI accounts to API's CIS system, including data cleansing of DLI records; (ii) transitioning to API systems for all customer service requests and outage reporting; (iii) conducting public safety and customer information sessions; (iv) using API systems and processes to meet requirements for legal and regulatory compliance; and (v) integrating asset and operational data into API's systems and processes at an appropriate point in time.

3. *Transitional Activities*

In the 60-Day Report, API outlined plans to address the various deficiencies and recommendations identified in that report. API provided updates on spending and progress in subsequent OEB correspondence.² Significant activities completed during the interim period are as follows:

i. Substations

In late 2017, a new section of primary overhead distribution line was constructed to allow the load formerly supplied by Substation #1 to be converted to 4.16 kV and supplied by Substation #2. Completion of this work allowed for the decommissioning of Substation #1.

² API, *Deferral Account Report*, EB-2017-0303, January 30, 2018; API, *Status Report re Dubreuil Lumber Inc.*, EB-2017-0303, March 28, 2018.

A protection and coordination study was completed in 2017 and fuse ratings were confirmed, or fuses replaced, as required. Padlocks were also installed on the tap changer controls for all substation transformers. Substation #2 and Substation #3 have been incorporated into API's regular substation inspection program, which includes detailed semi-annual inspections, and annual dissolved gas analysis.

API plans to complete additional substation repairs and upgrades in 2018, including replacement of damaged insulators as well as fence and yard upgrades to improve security and public safety. API will also begin further investigations into substation grounding systems and will explore contingency options for Substation #2.

ii. Distribution Lines

Distribution line fuses were reviewed during the 2017 protection and coordination study and were confirmed or replaced as required.

All distribution poles were tested in 2017. Based on the test results, 10 poles in poor condition will be replaced before the end of 2018.

API has also started preliminary planning for pole-top transformer testing to determine PCB content, planning for alignment of vegetation management work with API's existing program, and investigating options for underground cable testing.

iii. Metering and Losses

API identified a number of unmetered or incorrectly metered loads in 2017, and has installed metering and corrected billing multipliers as required. As a result of these efforts, losses on the DLI system have declined in 2018. A number of additional installations have been flagged for replacement in 2018 to address general issues of non-compliance with Measurement Canada requirements, or issues related to prevention of tampering.

API plans to replace all electromechanical meters that have expired seals in 2018. In conjunction with this effort, API is also investigating options for cost effectively extending the reach of its AMI network to cover the DLI service area. The meters installed in 2018 will be fully compatible with the AMI network if and when AMI coverage is deployed. API has manually read DLI meters on a monthly basis and will continue to do so until an AMI system is in place.

iv. Billing

Since assuming possession and control of DLI's distribution system, API has been managing DLI customer accounts in its CIS system. API has issued monthly invoices, beginning with May 2017 consumption, and has recorded all revenue received from DLI customers in the Interim Distribution Licence Deferral Account that was established in EB-2017-0153.

API also continues to generate invoices in respect of the account historically associated with the 44 kV supply point to DLI. The amount of each monthly invoice is recorded as a cost in the Interim Distribution Licence Deferral Account.

API proposes to continue the above approach with respect to recording costs and revenues associated with the supply to Dubreuilville for the balance of 2018 and all of 2019. As a result, the amount by which the total revenue from individual customers in Dubreuilville exceeds the costs billed to the historically bulk metered account, will effectively reduce the balance of the Interim Distribution Licence Deferral Account. A forecast of this amount has been included as a credit in API's forecast of the 2019 year-end account balance provided in Exhibit F, Tab 3, Schedule 1.

Appendix 'A'

Interim Licence Order and Interim Licence



Ontario Energy Board Commission de l'énergie de l'Ontario

ORDER

EB-2017-0153

ALGOMA POWER INC.

An order granting Algoma Power Inc. an interim distribution licence to operate the electricity distribution system in the Township of Dubreuilville.

DUBREUIL LUMBER INC.

An order requiring Dubreuil Lumber Inc. to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc.

**Before: Rosemarie Leclair
Chair and Chief Executive Officer**

April 4, 2017

ORDER

Dubreuil Lumber Inc. (DLI) owns and operates the electricity distribution system in the Township of Dubreuilville, Ontario.

DLI operates pursuant to Ontario Energy Board licence ED-2012-0074, serving approximately 300 customers. The electricity distribution system was formerly owned and operated by Dubreuil Forest Products Ltd. After Dubreuil Forest Products Ltd. filed for bankruptcy in 2011, all of the assets associated with the electricity distribution system were transferred to DLI and DLI was issued a distributor licence, on March 5, 2012, on an interim basis for a term of one year. DLI's licence has since been renewed several times, with the term of each renewal being no longer than one year. DLI's current licence is set to expire on April 27, 2017. DLI is embedded within the electricity distribution system of Algoma Power Inc. (Algoma Power).

The OEB received letters from DLI on December 29, 2016 and February 17, 2017, stating that it would not be able to continue providing distribution service beyond April 27, 2017 due to financial and staffing issues. The correspondence also confirms that DLI does not intend to apply for an extension of the existing licence and that it is agreeable to surrendering the existing licence.

Under sections 59.(1) and 59.(2) of the *Ontario Energy Board Act, 1998* (OEB Act), if the OEB determines that a licensed distributor is likely to fail to supply electricity in accordance with its obligations under section 29 of the *Electricity Act, 1998*, the OEB has the authority to appoint an interim licensee to take over the distribution and supply of electricity. Based on the letters from DLI, the OEB has determined that DLI is likely to fail to meet its obligations relating to the supply of electricity to consumers in the Township of Dubreuilville.

The OEB has determined that it will appoint Algoma Power as interim licensee for the service area of DLI. Algoma Power is the host distributor for DLI and therefore has experience in dealing with DLI. Further, Algoma Power serves customers in the area near the Town of Dubreuilville and, in the past, has provided services to assist DLI and its predecessors in emergencies. The OEB is appointing Algoma Power as interim licensee for a period of six months, as permitted under the OEB Act.

During the term of the interim licence, Algoma Power will be responsible for providing all distribution services within the Township of Dubreuilville, including connection of new customers, reliable supply and distribution to the customers of DLI in accordance with good utility practice; and, customers of DLI will continue to be billed based on the same charges as have been applicable with DLI. Algoma Power will also be required to report to the OEB on the state of DLI's distribution system and finances.

The OEB notes that, while DLI has consented to a surrender of its licence, it has not indicated how it plans to dispose of its distribution system assets. Pursuant to section 57 (a) of the OEB Act, no person may either operate or own a distribution system unless licensed to do so by the OEB. As such, in order for DLI to avoid falling into non-compliance with this section of the OEB Act, the OEB requires that DLI shall, by April 27, 2017, either have renewed its licence or disposed of its ownership interest in the distribution system (whether through a sale or other transfer of its assets) to another licensed electricity distributor.

IT IS ORDERED THAT:

1. Algoma Power Inc. shall:
 - a. Comply with the interim distribution licence shown in Appendix A, which authorizes Algoma Power Inc. to take possession and control of the electricity distribution system owned and operated by Dubreuil Lumber Inc. as soon as possible and, in any event, no later than April 27, 2017.
 - b. Collect revenue from customers within the service area of Dubreuil Lumber Inc. based on the charges that are currently applied by Dubreuil Lumber Inc.
 - c. Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts.
 - d. In the period leading up to the transfer provide, on a best efforts basis and in accordance with good utility practice, any resources necessary to deal with required maintenance as requested by Dubreuil Lumber Inc.

- e. Inform the OEB immediately upon taking possession and control of the business of Dubreuil Lumber Inc.
 - f. Within 60 days from the date of this Order, file a written report with the OEB advising on the status of the electricity distribution system in the Township of Dubreuilville including a detailed analysis of the assets and capabilities.
2. Dubreuil Lumber Inc. shall:
- a. Surrender possession and control of its business including its distribution assets to Algoma Power Inc.
 - b. Not be entitled to any compensation from the Crown, the OEB or any person for being required to surrender possession and control of its distribution assets and business.
 - c. Provide full cooperation and assistance to Algoma Power Inc. to effect the transfer.
 - d. Continue to be responsible for meeting all requirements under its current licence until the transfer is complete.
3. In terms of the transfer of distribution assets to Algoma Power Inc., both Algoma Power Inc. and Dubreuil Lumber Inc. will ensure public, system and employee safety of all parties.
4. The term of the interim electricity distribution licence is for period of six months to October 3, 2017.

DATED at Toronto April 4, 2017

ONTARIO ENERGY BOARD

Original signed by

Rosemarie Leclair
Chair and Chief Executive Officer

Appendix A
Interim Distribution Licence
ED-2017-0153
Effective April 4, 2017



Interim Electricity Distribution Licence

ED-2017-0153

Algoma Power Inc.

Under sections 59 (1) and (2) of the *Ontario Energy Board Act, 1998* for possession and control of the electricity distribution business serving the Town of Dubreuilville

Valid Until
October 3, 2017

Original signed by

Rosemarie Leclair
Chair & CEO
Ontario Energy Board
Date of Issuance: April 4, 2017

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

Commission de l'énergie de
l'Ontario
C.P. 2319
2300, rue Yonge
27e étage
Toronto ON M4P 1E4

Interim Electricity Distribution Licence

1. Definitions

In this Licence:

“Accounting Procedures Handbook” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“Act” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“Affiliate Relationships Code for Electricity Distributors and Transmitters” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“distribution services” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

“Distribution System Code” means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

“Electricity Act” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“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 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;

“Licensee” means Algoma Power Inc.;

“Market Rules” means the rules made under section 32 of the Electricity Act;

“Performance Standards” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“regulation” means a regulation made under the Act or the Electricity Act;

“Retail Settlement Code” means the code approved by the Board which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

“service area” with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“Standard Supply Service Code” means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

“wholesaler” means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2. Interpretation

- 2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3. Authorization

The Board, in the exercise of its powers conferred by Part V and particularly sections 59 (1) and (2) of the Act, licenses the Licensee, subject to the terms and conditions set out in this Licence, to possess and control the business of Dubreuil Lumber Inc. including its distribution assets which are listed in Schedule 1 of electricity distribution licence No. ED-2012-0074, first issued to Dubreuil Lumber Inc. on March 5, 2012.

4. Term of Licence

- 4.1 This Licence will expire on October 3, 2017 unless the term of this Licence is extended by the Board.

5. Obligations under this Licence

- 5.1 The Licensee shall operate the electricity distribution assets referred to in section 3 in accordance with good utility practice.
- 5.2 The Licensee shall comply with all applicable Market Rules.
- 5.3 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act, regulations made under these statutes and all applicable orders or directives of the Board.
- 5.4 The Licensee shall provide, in the manner and form determined by the Board such information as the Board may require from time to time to monitor the Licensee's compliance with the conditions of this Licence.
- 5.5 Subject to the conditions of this Licence, the Licensee shall carry on, manage and conduct the operations of the distribution business in the name of the owner of the distribution assets, Dubreuil Lumber Inc. including:
- (a) preserving, maintaining and adding to the property of the business;
 - (b) receiving the income and revenue of the business;
 - (c) issuing cheques from, withdrawing money from and otherwise dealing with the accounts of the business;
 - (d) retaining or dismissing employees, consultants, counsel and other assistance for the business;
 - (e) directing the employees of the business; and
 - (f) conducting, settling and commencing litigation relating to the business.
- 5.6 The Licensee may dispose of the distribution assets owned by Dubreuil Lumber Inc. as are ordinarily disposed of in the normal course of carrying on the business of a distributor.

6. Obligation to Comply with Codes

- 6.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been

specifically exempted from such compliance by the Board. Any exemptions granted to the Licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:

- (a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;
- (b) the Distribution System Code;
- (c) the Retail Settlement Code; and
- (d) the Standard Supply Service Code.

6.2 The Licensee shall:

- (a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and
- (b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

7. Obligation to Sell Electricity

- 7.1** The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and as otherwise ordered by the Board.

8. Obligation to Maintain System Integrity

- 8.1** The Licensee shall maintain the electricity distribution assets referred to in section 3 in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

9. Liability of the Licensee

The Licensee is not liable for anything that results from taking possession and control of the distribution assets owned by Dubreuil Lumber Inc. or otherwise exercising or performing the Licensee's powers and duties under the Act in relation to those businesses, this Licence or any order of the Board, unless liability arises from the Licensee's negligence or wilful misconduct.

10. Provision of Information to the Board

- 10.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 10.2 Without limiting the generality of paragraph 10.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets referred to in section 3, as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

11. Customer Complaint and Dispute Resolution

- 11.1 The Licensee shall:
- (a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;
 - (b) publish information which will make its customers aware of and help them to use its dispute resolution process;
 - (c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;
 - (d) give or send free of charge a copy of the process to any person who reasonably requests it; and
 - (e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

12. Market Power Mitigation Rebates

- 12.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

13. Communication

- 13.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.
- 13.2 All communication relating to this Licence shall be in writing.

- 13.3 All communication is to be regarded as having been given by the sender and received by the addressee
- (a) when delivered in person to the addressee by hand or by courier;
 - (b) ten (10) business days after the date of posting if the communication is sent by registered mail; and,
 - (c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

14. Copies of the Licence

- 14.1 The Licensee shall:

- (a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours, as well as at the offices of the Township of Dubreuilville; and
- (b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

APPENDIX A

MARKET POWER MITIGATION REBATES

1. Definitions and Interpretations

In this Licence

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

- a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:
 - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to

embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented;

- b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

ONTARIO POWER GENERATION INC. REBATES

For the payments that relate to the period from May 1, 2006 to April 30, 2009, the rules set out below shall apply.

1. Definitions and Interpretations

In this Licence

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

- a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:
 - i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable

to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.
- c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices

established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*;

- b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

Appendix 'B'

Notice of Transition



April 26, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Dubreuil Lumber Inc.
Notice of Transition; EB-2017-0153**

Please find accompanying this letter, a Notice of Transition to further inform the OEB on a number of items with respect to the above Order and Licence.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (705) 941-5697.

Yours truly,

Original Signed by

Tim Lavoie
Vice President, Corporate Services & Indigenous Relations

Introduction

On April 4, 2017, the OEB issued an order granting Algoma Power Inc. (“API”) an interim distribution licence to operate the electricity distribution system in the Township of Dubreuilville, and requiring Dubreuil Lumber Inc. (“DLI”) to surrender possession and control of the electricity distribution system in the Township of Dubreuilville to Algoma Power Inc. (the “Order”). An interim electricity distribution licence (the “Licence”) accompanied this Order.

The purpose of this notice of transition is to further inform the OEB on a number of items with respect to the Order and Licence, namely:

1. The efforts undertaken to date by API and DLI to comply with the Order and the Licence;
2. That API has, as of the filing of this notice, effectively taken possession and control of the electrical distribution assets in the Township of Dubreuilville, but cannot take possession and control of the business of Dubreuil Lumber Inc., as required by Section 1(e) of the Order, for the reasons detailed herein;
3. Areas of immediate concern to API with respect to compliance with certain aspects of the Order and the Licence;
4. Areas of concern related to the DLI distribution system, including associated regulatory and cost implications, that API believes should be brought to the OEB’s attention in advance of submitting the 60-day status report referred to in Section 1(f) of the Order; and
5. API’s plans to effect an orderly and cost-effective transition, in line with the perceived intent of the Order and the Licence, and in compliance with relevant legislation and codes to the extent possible.

Transition Efforts to Date

After becoming aware of the Order on April 4, API immediately assembled a transition team to begin providing operational support to DLI, and to communicate with DLI’s customers and the township of Dubreuilville. On April 5, API staff met with the Township of Dubreuilville’s CAO-Clerk to begin discussing transition plans, and to provide reassurance that API would provide emergency operational support as required. API also developed an informational letter to the residents and businesses of Dubreuilville, describing how customers could immediately contact API to report power outages, or inquire on customer service related matters. This letter was delivered to all residents and business on April 10.

During the week of April 10, API customer service representatives met with DLI employees to review metering, billing and collection process. API engineering and operations staff met with DLI employees for a high-level tour of DLI’s distribution system, and also accompanied the auditor conducting DLI’s annual Regulation 22/04 audit. On April 13, a number of API representatives attended a regularly scheduled council meeting in Dubreuilville to answer questions, address concerns, provide reassurance that API was developing plans for a smooth transition, and to discuss the possibility and timing of further public town hall sessions.

Going into the next month and the associated billing process, scheduled meetings have been set for API staff to join DLI billing staff to learn the billing processes and associated reporting that DLI has historically done in order to prepare to take over this role going forward. API will also endeavor to schedule public information sessions as soon as is feasible to ensure that all information to customers is communicated in a timely manner.

API's Effective Control of the Distribution Assets

API notes that the business of DLI includes significant non-distribution assets, including a gas station and a lumber mill in Dubreuilville. Where some sections of the Order and Licence refer broadly to the "business" of DLI, API assumes the intended reference is to the "distribution" business and assets of DLI (i.e. the portions of DLI's business that are regulated by the OEB). Both the transition activities completed to date, and the transition plan proposed herein, rely on this assumption.

API confirms that it has taken full possession and control of DLI's distribution assets as of April 27, 2017.

Compliance Issues

Given that the business of DLI is comprised of both distribution assets regulated by the OEB, and significant non-distribution assets and businesses, API is unable to strictly comply with portions of Section 5.5 of the Licence, which requires API to "carry on, manage and conduct the operations of the distribution business in the name of the owner of the distribution assets, Dubreuil Lumber Inc."

Section 5.5, subsections (a) to (c), of the Licence relate generally to the assets and financial matters of the business. Through initial discussions with the owner and employees of DLI, it appears to API that there is currently inadequate separation between the regulated and non-regulated portions of its business. As such, API does not believe that it would be appropriate to manage the financial accounts of DLI, and instead would establish new account related on to the distribution business. The transition plan proposed herein provides detail on how API would manage DLI's distribution system assets, and related financial transactions, including operations and maintenance costs, asset replacement costs, and customer billing.

Section 5.5, subsections (d) and (e), of the Licence relate generally to the management of employees, consultants and counsel. API notes that the employees of DLI who have previously fulfilled operational and administrative roles in relation to its distribution system, are either set to retire or do not otherwise wish to continue with long-term employment arrangements. This appears to be consistent with DLI's inability to provide distribution service, as referenced by the OEB on p.2 of the Order. As such, API intends to fulfill its responsibilities with respect to conducting the operations of the distribution using API employees, and third-party contractors or consultants, as required. The employees of DLI have agreed to answer questions and provide advice or other information as required to effect an efficient transition. In order to fulfill all of its day-to-day obligations under the Order and Licence, and to provide the OEB with sufficient information on status of the distribution system and condition of assets in its 60-day report, API anticipates the need to retain the assistance of several third-party contractors and consultants. Activities for which third-party support is

required include, but are not limited to, asset condition assessments, pole testing, underground locates, and substation equipment repairs (see Immediate System Concerns section below). API anticipates that it will enter into appropriate agreements with the required third parties in the name of DLI, with a clear understanding that the distribution system and asset ownership remains with DLI, and that in entering into the agreement, API is acting merely as an agent of DLI in accordance with the OEB's Order, the Licence, and section 59 (3) of the Act.

API notes the OEB's requirement for DLI to either renew its licence, or dispose of its ownership interest in the distribution system to another licensed electricity distributor. While API has had some preliminary discussion with DLI in relation to this requirement, no formal agreement has been reached as of the filing date of this notice. At the same time, API is not aware of any intention by DLI to apply for a licence renewal or interim extension. Of particular concern to API are issues related to insurance and liability. While Section 9 of the Licence states that API is not liable for anything that results from taking possession and control of the distribution assets of DLI, API is concerned with where any liability may land in the event that DLI fails to renew its licence or otherwise dispose of its ownership interest in the assets. API notes its continued willingness to work cooperatively with both DLI and the OEB to identify an efficient solution with respect to the long-term ownership of the assets, while at the same time protecting API from assuming undue liability.

Finally, through its initial meetings and discussions with DLI, and the development of the transition plan proposed herein, API has noted a number of areas in which DLI is not currently compliant with the various Codes referred to in Section 6 of the Licence. While API will undertake all reasonable efforts to ensure compliance, it notes that additional costs and/or transition time may be required in order to achieve full compliance in some cases. API submits that the transition plan proposed herein addresses the most critical compliance issues with due consideration to associated costs and timing.

Immediate System Concerns

Throughout the initial transition period, through its efforts to become familiarized with the DLI distribution system, API's operations and engineering staff have noted significant safety, environmental, and reliability concerns that it believes should be brought to the OEB's attention in advance of the 60-day report referred to in Section 1(f) of the Order. These issues may require API to incur significant costs during the period covered by the Licence.

From an environmental perspective, API has noted oil stains surrounding the tap changer on a substation transformer, as well as staining on the foundation and surrounding gravel. While API has been informed by DLI that the oil is non-PCB, it has not yet been able to verify this information. This transformer forms part of a three-phase bank, which is already operating in a less than optimal open-delta configuration using this and one other transformer. The third transformer is currently out of service due to a broken bushing. As a result, the possibly leaking transformer with oil stains cannot be taken out of service until the bushing is repaired on the transformer currently out of service. API is in the process of investigating short term options and associated costs for immediate repair, replacement, or an alternate method of supplying load in this area. API will also further investigate the extent of contamination and the requirements for containment or remediation.

From a safety perspective, API has noted that much of the pole-line infrastructure is located rear-lot, and has noted public safety concerns related to electrical clearances. API intends to inspect all rear-lot pole lines to identify and document all such clearance concerns. Wherever possible, API will work cooperatively with property owners to relocate items in proximity to the line where possible. Other short-term options include installation of barriers or improving clearances by temporarily reframing wires and equipment on the poles if possible. API will also discuss electrical safety awareness issues at an upcoming public meeting.

API has also reviewed the availability of spare equipment that may be required in the event of an outage. While API's own material stock can be used for the vast majority of repairs, the voltage level of a small section of the distribution system is 2400 Volts Delta, which is relatively rare. DLI does not have suitable spare transformers to replace certain distribution transformers operating at this voltage in the event of failure. API is consulting with other LDC's and surplus equipment vendors to assess the possibility of quickly accessing replacement transformers if required.

From an unmetered load perspective. API noted above that it has observed from its preliminary information that the DLI system metered load appears to show unexpectedly high system losses. This suggests that there are unmetered loads. Further, the system configuration is such that many of the mill assets are not metered. DLI operated under the assumption that mill assets consumed the balance of the kwhs that were not sold to its metered customers. There are a number of 44kV services that provide electrical service to the DLI mill that will have to be reconfigured and or metered in order to fully separate the utility and mill. The immediate issue of accounting for kwh will be part of the transition plan as well as ensuring all unmetered load are identified.

In assessing the urgency of any repairs from a safety perspective, API will be guided by the requirements of Section 4 of the Electrical Distribution Safety Regulation (i.e. O. Reg. 22/04, s. 4). With respect to overhead lines, the regulation generally requires equipment to operate properly; requires adequate space and/or barriers to prevent contact by equipment, vegetation, or unauthorized person; requires accessible metal parts to be effectively grounded; and requires supporting structures to have sufficient strength to withstand equipment and weather loading.

API will provide the OEB with regular updates on maintenance or repairs completed, and in non-emergency situations, will notify the OEB in advance of incurring any material costs in relation to such work.

Medium to Long Term Concerns

API has also begun identifying concerns that will arise in the medium to longer term (i.e. likely following the 60-day report and/or any formal transfer of asset ownership). While API expects that these concerns will be discussed in more detail in its 60-day report to the OEB, it believes that a brief overview is warranted at this time.

From a cost recovery perspective, API anticipates that as it undertakes additional inspections and condition assessments in support of its 60-day report to the OEB, the need for increased capital, operational, and maintenance expenditures (as compared to historical levels) will become apparent. While the order requires API to track all costs and revenues in a deferral account, it does not contemplate a process for future

disposition. In the event that the costs in this account significantly exceed the revenues, API does not believe that recovering the difference from its existing customer base would be fair or appropriate. At the same time, allocating these costs to the small number of customers in Dubreuilville at a later date may result in unreasonable bill impacts.

In order to preserve continuity in its business processes, settlement processes, and performance reporting measures, API proposes to continue treating the Township of Dubreuilville as an embedded distributor. API would create a monthly bill for the embedded LDC account, to be charged to the deferral account. Likewise, any revenue collected from customers in Dubreuilville would act as an offset to the costs in the deferral account. At the present time, API has noted a discrepancy between the total metered kWh at the supply point meter, and the total loss-adjusted kWh billed to all customers in Dubreuilville. API's plan to monitor and address this issue is described in the Meter Reading, Billing and Collecting section of the Proposed Transition Plan described herein.

Finally, a future consideration that may arise if API is requested to directly acquire the assets and customers of DLI is an impact on its RRRP eligibility. Specifically, as a condition of being able to reclassify its general service customers as residential for the purpose of RRRP eligibility, O. Reg. 445/07, s. 1 (2) (b) requires that the average customer density is less than seven customers per kilometre of distribution line. If it were to directly acquire DLI's assets and customers, API's customer density would increase, but would remain below the eligibility threshold of seven customers per kilometre. While this change would not immediately impact API's general service customers, API is concerned that in the long run, its existing general service customers would be disadvantaged as compared to the status-quo scenario of not directly acquiring DLI's assets and customers. From API's perspective this results in its desire to find an efficient solution to the long-term ownership of DLI's assets being in direct conflict with its obligation to act in the best interests of its existing customers. API is open to finding constructive solutions to this conflict, including discussions with the Ministry of Energy to consider changes to O. Reg. 445/07, or in the alternative, a possible review of how its total line kilometres are considered for the purpose of determining RRRP eligibility under O. Reg. 445/07.

Proposed Transition Plan

As noted previously, after becoming aware of the Order, API immediately assembled a transition team on April 4. In addition to providing immediate support and services in a number of areas, this team has developed a transition plan to transition the day-to-day activities associated with DLI's distribution business. This plan is outlined below, and focuses on the first 60 days of transition (i.e. the period prior to filing a report with the OEB on the status and condition of the distribution system).

Customer Service

As discussed above, API previously developed and delivered an informational letter to the residents and businesses of Dubreuilville, describing how customers could immediately contact API to report power outages, or inquire on customer service related matters. API intends to issue additional letters and notices to residents and businesses in Dubreuilville to re-confirm contact information, to provide updates to billing and collection

processes, and to outline options for bill payment. API also intends to hold public town hall meetings in the community to provide updates to customers and to answer any questions or concerns. API will also use these opportunities to provide additional information related to electrical safety awareness.

Initial meetings with representatives of the Township of Dubreuilville have been quite positive, with the Township welcoming the transfer of control to API, and offering its support and assistance. API anticipates that it will leverage this relationship to provide and/or communicate changes in payment options to customers.

API's emergency call centre will handle all calls related to outages and other emergencies, while its customer service department will handle billing inquiries, service and moving requests, and all other inquiries. Any requests for new services or service disconnections will be received and managed by the customer service department, who will coordinate engineering and operations resources as required.

Operations

API operates a satellite work centre in Wawa, Ontario, located approximately 75 km from Dubreuilville. API intends to have its Wawa line crew support all day-to-day operational activities in Dubreuilville, 24/7 response to outages and other emergencies. Due to the relatively infrequent nature of underground locate requests, and a lack of detailed mapping of DLI's underground infrastructure, API anticipates retaining a third-party contractor to respond to the majority of underground locate requests in Dubreuilville.

System inspections and detailed condition assessments will be led by API's engineering group, based in Sault Ste. Marie. API anticipates retaining the services of third-party contractors and consultants as necessary to complete certain specialized inspections such as pole testing, transformer oil analysis and other specialized testing. Urgent preventative or corrective maintenance activities will be assigned to either API operational staff or third-party contractors, based on availability and qualifications. API's engineering group will also begin proactively formalizing emergency response plans to address situations such as failure of critical equipment.

As previously outlined, for any third-party contracts entered into for the purpose of completing the operational activities identified above, API would enter into the required agreements as an agent of DLI, with the expectation that all associated costs are tracked in a deferral account.

Meter Reading, Billing and Collecting

DLI does not have any Smart Meter infrastructure. Instead, it has continued to manually read and bill using the electrical mechanical style meters. API will implement measures to allow it to continue to read and bill in this fashion. Final meter reads for April consumption will occur as close as possible to the end of the month. These reads will be performed by existing DLI staff, shadowed by API representatives in order to ensure a smooth transition. Final billing for April consumption will be completed as normal between DLI and its customers, using existing DLI systems. April billing and collecting on the supply meter between API's and DLI's distribution systems will also proceed as normal.

Beginning with May consumption, API will manually perform all month-end meter reads. API will continue to calculate a bill for its supply point meter to the DLI distribution system, as these charges have historically

served as the basis for re-calculating the delivery rates that DLI charged to its customers on a monthly basis. These costs will be tracked in the deferral account, with revenue received from billing of customers in Dubreuilville serving to offset those costs. API will use a bank account separate from DLI's existing business for this purpose.

New customer accounts for residents and businesses in Dubreuilville will be created in API's CIS system, and new rate classes will be established for these accounts. API believes that this will simplify future billing and account management and will provide additional customer benefits in relation to security and privacy of customer data as well as improved compliance with the DSC and RSC. It will also streamline the tracking of revenues and costs in a deferral account and mitigate the risks of customer account data being linked to systems in DLI's non-regulated business. The use of distinct rate classes will allow API to comply with the requirement of the Order that "customers of DLI will continue to be billed based on the same charges as have been applicable with DLI".

API confirms that customers in Dubreuilville will be billed on the rates calculated using the same methodology as previously employed by DLI. This includes a monthly re-calculation of delivery and regulatory rates, a loss factor of 8.07%, and commodity charges at RPP-tiered rates. All relevant OESP credits and OREC reductions will also be applied. API will proactively communicate with all customers with respect to any changes to payment processes and options.

As it begins reading DLI's meters, API will note any instances of unmetered load, improper metering configurations, and expired meter seals. Where correction of related deficiencies will involve material cost, API will note this in its 60-day report. It will also allow API to exclude these accounts for the purpose of RRR filings and other reporting requirements.

Appendix A – Summary of Code Compliance Concerns

Distribution System Code (DSC)

API notes that DLI does not have a comprehensive Conditions of Service, nor does it have a formal Customer Complaint and Dispute Resolution Process. In the interest of efficiency, API proposes to extend its existing Conditions of Service and its Customer Complaint and Dispute Resolution Process to the customers of DLI. API will endeavour to interpret any requirements in a manner that is fair and reasonable to DLI's customers, with consideration of historical practices, as well as the requirements and intent of any related sections of the DSC.

The DSC requires that all services are metered, and that meter installation comply with Measurement Canada metering standards. API is aware of the presence of a small number of unmetered/unbilled services in Dubreuilville. API is also aware that Measurement Canada seals on many (perhaps all) metering devices have expired, and does not believe that any records of overall compliance to Measurement Canada standards exist for any complex metering installations. API will note all deficiencies with respect to metering and billing and include an update on these items in its 60-day report to the OEB.

API assumes that Service Quality Requirements ("SQR's") specified in the DSC, will apply to DLI on a go-forward basis. API notes that taking calls from DLI customers through API's customer service department and emergency call centre will temporarily distort some its SQR metrics in relation to phone accessibility and other similar metrics since the systems tracking performance would be unable to distinguish between API and DLI customer calls. API expects that any impact will be minimal, given that the number of DLI customers would represent only approximately 2.5% of the combined API/DLI customer count. API invites further discussion with OEB staff to clarify future expectations and requirements with respect to SQR metrics as well as RRR reporting generally.

Retail Settlement Code (RSC)

API notes that all DLI customers are currently charged commodity rates by DLI according to the RPP-tiered pricing structure, and that no customers are currently enrolled with a retailer. API's plan to establish accounts in its CIS system for DLI customers would eventually allow retailer billing should any DLI customer elect to sign a contract with a licensed electricity retailer.

API also notes that the Order requires that "customers of DLI will continue to be billed based on the same charges as have been applicable with DLI". API assumes that it can continue to apply the methodology previously applied by DLI, whereby the volumetric delivery charge is re-calculated on a monthly basis according to the charges and delivery volumes at the supply point. API also assumes that it will continue to adjust the RPP-tiered prices according to regularly scheduled changes, and that it can apply retailer rates to any customer choosing to enroll with a retailer.

Appendix 'C'

60-Day Status Report



June 6, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Dubreuil Lumber Inc.
Status of Electricity Distribution System in the Town of Dubreuilville, 60-day
Report; EB-2017-0153**

As per the Board order dated April 4, 2017, please find accompanying this letter, a report outlining the status of the electricity distribution system in the Township of Dubreuilville.

Following submission of this report, API intends to arrange a follow up meeting with Board Staff to discuss cost recovery and potential next steps in relation to commercial discussions with DLI.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (705) 941-5697.

Yours truly,

Original Signed by

Tim Lavoie
Vice President, Corporate Services & Indigenous Relations

Introduction

On April 4, 2017, the OEB issued an order under case number EB-2017-0153 (the “Order”) granting Algoma Power Inc. (“API”) an interim electricity distribution licence (the “Licence”) to operate the electricity distribution system in the Town of Dubreuilville. The Order also required Dubreuil Lumber Inc. (“DLI”) to surrender possession and control of the electricity distribution system to Algoma Power Inc.

The purpose of this report is to comply with Section 1(f) of the Order, which requires that API inform the OEB on the status of the electricity distribution in the Town of Dubreuilville including a detailed analysis of the assets and capabilities. As part of this report, API worked with third-party contractors to assess the various aspect of the electrical distribution system. The various assessments have been included in the appendices listed below.

After becoming aware of the Order on April 4, API immediately assembled a transition team to begin providing operational support to DLI, and to communicate with DLI’s customers and the township of Dubreuilville. On April 5, API staff met with the CAO for the Town of Dubreuilville to begin discussing transition plans, and to provide reassurance that API would provide emergency operational support as required. API also developed an informational letter to the residents and businesses of Dubreuilville, describing how customers could immediately contact API to report power outages, or inquire about customer service related matters. This letter was delivered to all residents and businesses on April 10.

During the week of April 10, API customer service representatives met with DLI employees to review metering, billing and collection processes. API engineering and operations staff met with DLI employees for a high-level tour of DLI’s distribution system, and also accompanied the auditor conducting DLI’s annual Regulation 22/04 audit. On April 13, a number of API representatives attended a regularly scheduled council meeting in Dubreuilville to answer questions, address concerns, provide reassurance that API was developing plans for a smooth transition, and discuss the possibility and timing of further public town hall sessions.

On May 1, 2017, API engaged two third-party contractors to complete parts of the overall distribution system review. Golder Associates Ltd. was contracted to conduct a Phase One Environmental Site Assessment for the three electrical distribution substations within the Town of Dubreuilville and report on potential environmental concerns (“Golder report”). Costello Utility Consultants was contracted to complete a technical review of the electrical distribution system, including an inspection and assessment on the electrical distribution substations and both the overhead and underground distribution infrastructure (“Costello report”).

Metering infrastructure was assessed by API (“API Status of Metering Infrastructure report”) to identify the condition of the infrastructure and to highlight any deficiencies and provide recommendations. This report also contains detail on system losses and rate structures.

API also completed a Vegetation assessment (“API Vegetation report”), identifying the state of the right-of-ways on the distribution and sub transmission network. The report also examines vegetation within the substations. Recommendations were provided based on API’s vegetation management practices.

API discussed existing customer service and billing procedures with the appropriate staff at DLI to complete a report on the status of these procedures (“API Customer Service report”). The report describes the current customer service and billing practices conducted by DLI staff and identifies areas where these practices fall short of OEB and other regulatory requirements. The report also outlines key steps performed by API staff to date which will ensure a smooth transition with respect to the billing of customers. Additionally, the report outlines considerations which have been made to incorporate DLI customers into the customer service functions performed by API.

DLI provided a copy of the most recent oil sampling and dissolved gas analysis (“DGA report”) for the station transformers at Substation #1 and Substation #2. The DGA report was compiled by Power System Solutions and the recommendation and results are included in this report.

API has also been provided the final copy of the 2016 regulation 22/04 audit report (“Audit report”) that was completed by a third party independent auditor in April 2017.

List of Appendices

- Appendix A – Golder Phase One Environmental Site Assessment
- Appendix B – Costello Technical Review
- Appendix C – API Metering Infrastructure Report
- Appendix D – API Vegetation Assessment
- Appendix E – API Customer Service Report
- Appendix F – Power Systems Solutions, Dissolved Gas Analysis Report
- Appendix G – 2016 Ontario Regulation 22/04 Audit Report

Status of Electrical Distribution System

Substations

The electrical load in Dubreuilville is supplied by a 44kV circuit fed from the main supply point which ties into API’s Number 4 Circuit. This main supply point has historically been primary metered. This 44kV circuit splits in three directions to feed the three DLI distribution substations. Substation #1 feeds a relatively small supply via a 2.4kV delta-connected distribution system. The town’s main supply is a 4.16kV grounded wye-connected distribution system supplied by Substation #2. Substation #3 supplies a relatively small industrial load on the

northeastern part of town. The towns overall peak demand in 2016 was 2.3 MW. Single-line diagrams for each station has been included in the Costello report.

Substation #1

Substation #1 is an outdoor substation located adjacent to Herman creek and a gas bar retail station. There are three single-phase station transformers (T1 – Ser#262644, T2 – Ser#262646, T3 – Ser#262645) that supply a relatively small 2.4kV delta-connected load. Due to a failure of the high voltage bushing on transformer T2 that occurred in 2012, the station was connected in a 2.4kV open delta configuration.

The Costello report identified the following:

Issues:

- Station fence is below current industry practices in terms of height and barbed wire configuration.
- Transformer T2 is out of service due to a damage bushing. The current configuration is an unconventional open delta.
- The tap changers on all transformers are unlocked which poses a risk to workers as well as the transformers.
- The operating handle for the 2.4kV load break device is situated directly beneath the oil switch, which is suboptimal for general staff safety.
- Station transformers are beyond expected asset life.

Recommendations:

- Control padlocks should be installed on all transformer tap changers.
- Substation load should be converted to grounded wye system and re-fed from Substation #2. The substation should then be decommissioned.

The Golder report identified the following:

Issues:

- The fill tap on the side of transformer T3 shows evidence of leaking and has staining on the side of the transformer, on the concrete pad below and on the gravel adjacent to the concrete pad.
- There is potential subsurface contamination due to the Gas bar retail station adjacent the substation.

Recommendations:

- A Phase Two Environmental Site Assessment should be completed to establish baseline conditions at this location.

The API Vegetation report identified the following:

Issues:

- There is presence of vegetation growth within the substation and in immediate proximity to the fenced area.

Recommendations:

- It is recommended that spring and fall herbicide treatments be applied to establish a vegetation-free area.

The DGA report indicates that the transformers in the station have 0% PCB content and that analysis found no concerns.

Substation #2

Substation #2 is an outdoor substation located along Industrial Road adjacent to a commercial trucking business. There are three single-phase transformers (T2 – Ser#2165, T3 – Ser#2166, T4 – Ser#0018-1) that supply the majority of the town load through a 4.16kV grounded wye distribution system. A fourth single-phase transformer (T1 – Ser#2164) was previously removed from service due to high levels of metal gases (hydrogen and acetylene) as determined through oil testing.

The Costello report identified the following:

Issues:

- Station fence is below current industry practices in terms of height and barbed wire configuration.
- The tap changers on all transformers are unlocked which poses a risk to workers as well as the transformers.
- Working clearance issue with the low 4.16kV bus conductors and the extremely low 4.16kV neutral conductor.
- There are broken and cracked porcelain insulators.
- All three underground feeders coming out of this substation are directed onto the same wood riser pole. Should this pole fail, the majority of the town's distribution system would be impacted.
- Station transformers are beyond their expected asset life.

Recommendations:

- The fence should be upgraded to meet current industry best practices and crushed stone should be installed around the outside of the station fence.
- There should be a review of operation constraints and potential safety control measures related to the limits of approach and switching procedures.

- Control padlocks should be installed on all transformer tap changers.
- The broken and cracked insulators should be replaced.
- A spare single-phase transformer unit should be acquired for contingency.
- Soil resistivity and ground grid tests should be performed to assess the state of the buried grounding system.

The Golder report identified the following:

Issues:

- Adjacent properties with fuel storage may be cause for environmental concern.

Recommendations:

- A Phase Two Environmental Site Assessment should be completed to establish baseline conditions at this location.

The API Vegetation report identified the following:

Issues:

- There is presence of vegetation growth within the substation and in immediate proximity to the fenced area.

Recommendations:

- Spring and fall herbicide treatments should be applied to establish a vegetation-free area.

The DGA report identified the following:

Issues:

- The transformers in the station have 0% PCB content and that analysis found extremely high levels of hot metal gases in T1.

Recommendations:

- T1 should be taken out of service to be repaired and T4 should be put into service. DLI has completed the work associated with this recommendation.

Substation #3

Substation #3 is an outdoor substation located in the industrial section of Dubreuilville, approximately 1.5 km northeast of the town center. There is a single three-phase transformer (1991 vintage) that supplies a small industrial load through a 4.16kV grounded wye distribution system.

The Costello report identified the following:

Issues:

- Station fence is below current industry practices in terms of height.
- There are broken and cracked porcelain insulators.
- The incoming 44kV load break switch is equipped with a key interlock, but is not interlocked with any device in the station.

Recommendations:

- It is recommended that the fence be upgraded to meet current industry best practices and that crushed stone be installed around the outside of the station fence.
- The broken and cracked insulators should be replaced.
- Soil resistivity and ground grid tests should be performed to assess the state of the buried grounding system.

The Golder report identified the following:

Issues:

- Based on the manufactured date of the transformer, there is no reason to believe there is PCB content, however there is no evidence of previous oil testing and sampling.
- Adjacent properties with fuel storage may be cause for environmental concern.

Recommendations:

- A Phase Two Environmental Site Assessment be completed to establish baseline conditions at this location.

The API Vegetation report identified the following:

Issues:

- There is presence of vegetation growth within the substation and in immediate proximity to the fenced area.

Recommendations:

- Spring and fall herbicide treatments should be applied to establish a vegetation-free area.

The scope of the DGA report did not include this transformer.

Primary and Secondary Overhead and Underground Distribution System

The overhead distribution system consists of a 44kV delta-connected sub-transmission system, a 4.16kV grounded-wye connected distribution system and 2.4kV delta-connected distribution system. During the technical review, Costello completed a visual inspection on the majority of the poles, conductor, pole top transformers and switches within the distribution system and provided a distribution operating map that indicates the general location of these assets. The majority of the poles in the distribution system were inspected as part of the review and appear to be in good condition. 63 pole-mounted transformers were visually inspected and appear to be in adequate condition. Additionally, mainline switch fuses and transformer fuses were visually identified and located on the distribution system operating map.

The underground distribution system consists of several runs of underground cables at various locations connected to 14 pad mount distribution transformers. Costello inspected each pad mount transformer and riser pole and noted that all the cable teck armoured and appeared to be direct buried, but could not be confirmed.

The secondary network within the distribution system is comprised of a combination of overhead and underground, 3-wire and 4-wire services as well as interconnection bus wire between primary distribution poles. No issues with the secondary conductors were observed during Costello's inspection.

The Costello report identified the following issues as a result of their review of the primary and secondary overhead and underground distribution system:

Issues:

- Many of the cross arms have moss covering the top side of the arm.
- The pad mount transformer labelled TXP#3 shows evidence of oil leakage.
- Transformer PCB records could not be provided by DLI.
- A significant portion of the overhead system are backlot construction. This poses challenges in terms of operating and maintaining the system.
- Proximity of overhead electrical plant to a propane filling station.

Recommendations:

- Pole testing should be completed to further assess the condition of poles based on the loads they are required to support.
- Cross arms with moss should be further inspected and replaced as required.
- The pad mount transformer labelled TXP#3 should be replaced immediately and the surrounding area should be remediated.
- A protection and coordination study should be completed to ensure adequate protection is in place.
- The proximity of the propane filling station to the overhead 4.16kV feeder should be addressed.
- All primary and secondary underground cables should be located and mapped.
- All primary underground cable should be tested to determine its general condition.

API assessed the condition of vegetation management for the right-of-ways along the distribution system in order to identify potential safety concerns and to provide an overall requirement for managing the vegetation along the distribution system. The API Vegetation report identified that no immediate concerns were identified that require vegetation management work. The vegetation report also identified the following:

Recommendation:

- Vegetation management should be completed in order to greatly reduce the potential for emergency or demand work.
- Brush clearing, tree trimming and removal work activates should be completed to achieve standard clearances on the right-of-ways.

Metering

API assessed the condition of metering within the distribution system in order to identify potential safety concerns, load capture issues and to provide an overall structure for managing ongoing metering requirements. The API Status of Metering Infrastructure report identified the following:

Issues:

- While the lumber mill was in operation, a large portion of the consumption recorded at the 44kV supply point was used by DLI for the mill and other related facilities, most of which were unmetered. Unmetered loads currently consist of historic DLI related businesses, streetlights and other unknown scattered load.
- With the lumber mill having ceased operations in recent years, the primary disconnect switches associated with the supply to substations supplying the mill have all been opened.
- All meters in Dubreuilville are read manually on a monthly basis. There is no remote communication system, nor are there any provisions for remote drive-by or walk-by reading.

- Dubreuilville is located beyond the reach of API's existing Sensus FlexNet infrastructure.
- All electromechanical meters appear to be past their Measurement Canada seal expiry dates.
- Some meters are inaccessible.

Recommendations:

- Address any remaining unmetered loads by working with DLI, or a subsequent owner of the gas station, to install metering equipment on that facility.
- Work with the Town of Dubreuilville, DLI businesses and other stakeholders to identify and account for any small scattered loads related to lighting or other pole-mounted equipment.
- Until such time as adequate metering is installed on DLI mill assets, API will ensure that these switches remain secured in the open position with locks under API's control.
- API has contacted Sensus with regards to infrastructure options and costs to extend coverage to Dubreuilville. Once these options and costs are developed in more detail, API expects to consult further with OEB staff on this issue.
- Within the next year replace existing electromechanical meters with Sensus smart meters to bring the metering assets into Measurement Canada compliance, while at the same time readying the system for eventual AMI integration.
- Ensure access keys are requested for non-accessible meters.

Operational Management and Customer Service

As part of the asset and capabilities review, API assessed DLI's operational management and customer service processes to understand how DLI was managing the operations of its business. API noticed fairly early on that DLI followed little in terms of process and much of its work was reactive in nature. It should be noted that DLI does not have a dedicated management or operational staff. Instead, it has operated with employees who have served both the lumber mill operation as well as the utility. There are two staff who have or will retire in the very near future. Accordingly, API has assumed that most (if not all) of the plans identified in this report will be implemented using API or 3rd party resources. The following identifies some of the gaps within DLI's operational management structure.

Customer Service

Upon receiving the Order API worked with DLI to understand the customer service and overall billing infrastructure that had previously been employed. API immediately had concerns with the operational process that DLI had to manage customer accounts for billing and settlement purposes.

Issues:

- Some DLI customers only speak French and there is no bilingual customer service staff at API.
- DLI uses a manual billing system.
- DLI uses a manual work order system for new customers, disconnects, etc.
- DLI's billing is erratic, dependent on consumption (not always monthly).
- DLI's billing system was managed through a Thunder Bay office and is not a stand-alone system.
- DLI has no conditions of service.
- DLI has no process in place for meeting OEB monthly reporting requirements.
- DLI has no process for engaging customers on a Distribution System Plan ("DSP"), specific work projects, and public awareness of electrical safety.
- Annual customer satisfaction survey, biannual public safety surveys and Conservation and Demand Management programs have not been established by DLI.

Recommendations:

- API has worked with another FortisOntario utility to translate any communication and messages into french. API has also implemented bilingual messages on the outage information line.
- API has created new records for DLI Customers within API's CIS including major cleansing of DLI records.
- Work requests for move in/out, new connections, disconnections, etc. are now handled within API's work order system.
- API will conduct information sessions on billing and customer service changes for DLI customers.
- API will work with the OEB on DLI's Scorecard reporting requirements.
- API will conduct public safety and customer information sessions.

Health, Safety & Environment ("HS&E")

An integral component of a Local Distribution Company's operations is its HS&E Managed System and its systematic approach to proactively managing safety and the environment. Companies may utilizes an integrated management system for HS&E, consistent with the standards of OHSAS 18001 (Health & Safety) and ISO 14001 (Environment). The HS&E management system is based upon the premise of "Plan, Do, Check and Act". Policies, standards and operational control procedures developed, utilized and updated are a foundation of a strong "Internal Responsibility System", compliance and continual improvement. This is key to the *Occupational Health and Safety Act* and other regulation associated with HS&E.

The DLI territory inherently possesses unique HS&E challenges associated with its geographical location and operations, and would benefit from a having standardized approach to managing HS&E.

Recommendations:

- Establish a HS&E Managed System consisting of the following:
 - Hazard and Barrier Effectiveness Assessment
 - Legal Compliance
 - Performance Indicators

- Policies, Programs and Procedures
- Training
- Public Safety
- Auditing

Regulation 22/04 Compliance

Annually, DLI engaged a third-party independent auditor for the purpose of auditing DLI's compliance with sections 4, 5, 6, 7 and 8 of Regulation 22/04 and to have an audit report written based on the findings of the audit. On April 10-11, 2017, DLI completed its 2016 audit review for which API was in attendance. The key audit finding are that DLI is non-compliance with regards to section 4, 5, 6, 7, and 8.

The third-party independent auditor provided the following recommendations:

- Section 4 and 5: To finalize/approve and implement its inspection and maintenance program for the overhead, underground and substation facilities. To meet the OEB's Distribution System Code Appendix C – Minimum Inspection Requirements.
- Section 6: To finalize/approve and implement its Equipment Approval Process. Maintain a Material List (both major equipment and non-major and retain Certified Test Results approved by a P.Eng.
- Section 7: To finalize/approve and implement its process for approval of plans, drawings and specifications. Ensure that all installation work is based on Standard Designs (that have the associated certificates of approval) and in accordance with Dubreuil Lumber Inc.'s job planning process.
- Section 8: To implement its approved Construction Verification Program (CVP). To train staff on the CVP and have all completed Record of Inspection and Certificate on file for the Auditor to verify.

API intends to tailor audit processes based on the recommendations listed above and also on the audit process API currently employs on its own distribution system.

Asset Management

DLI does not have a Distribution System Plan (DSP) or a Distribution Asset Management Plan (DAMP), which has resulted in reactive management of the distribution system. Asset were typically run to failure and did not follow any sustainment plan. Any asset records that might exist were unable to be provided as there is no asset management system being employed. The fundamental objective of a DAMP is to prudently and efficiently manage the planning and engineering, design, addition, inspection and maintenance, replacement, and retirement of all distribution assets in a sustainable manner that maximizes safety and customer reliability, while minimizing costs, in the short and long terms.

API intends to follow the Refurbishment plan listed in the next section so that it is proactively managing the distribution system and its assets.

Reliability

Historically, when outages occurred on the distribution system, customers would call the electrical superintendent who, being familiar with the distribution system, was able to troubleshoot and respond to the call. Nothing API has seen would indicate that any type of outage management system is in place and as such tracking and analysis of reliability performance has never been achieved.

API takes system reliability seriously and does not rely solely on regulatory requirements as the impetus to maintain performance levels. API subscribes to the philosophy that meeting customer expectations for system performance is part of its asset management objectives.

API intends to investigate options for integrating DLI's distribution system into its own GIS and OMS so that it can better track outage and overall reliability.

Refurbishment/Compliance Plan

API intends to address the deficiencies and recommendations identified by implementing an operating and maintenance plan, as well as a refurbishment plan that will address short term concerns and also ensure that any required material spending is consistent through a medium and long term plan. The plans outlined below are predicated on an ability for API to track the costs and revenues associated with operating DLI's system in a deferral account, as contemplated in the "Order". API intends to inform the OEB of the estimated costs and timing associated with any material projects in advance of incurring such costs. During emergency situations, some costs may be incurred immediately, in which case API will notify the OEB of the emergency situation as soon as practical.

Short-Term Plan

The short-term refurbishment plan will address some of the more immediate concerns that have been identified within the next two years, including overall system losses, contingency, reliability, and public and worker safety. This will include the following:

Substations

- All DLI system protection will be verified and adjusted (if needed), to ensure proper operation.
- Implement a voltage conversion for the Substation #1 and re-route the supply to Substation #2, with the subsequent retirement of Substation #1.
- Perform Phase Two Environmental Site Assessments at each substation location.
- Upgrade the fences at Substation #2 and #3 to meet current industry best practices.

- Install crushed stone around the outside fences at Substation #2 and #3.
- Install control padlocks on the transformer tap changers within Substation #2 and #3 (currently being addressed).
- Implement a semi-annual herbicide treatment plan to address the vegetation growth inside and immediately adjacent to Substation #2 and #3.
- Investigate contingency options for Substation #2.
- Perform a dissolved gas analysis for each station transformer.
- Perform soil resistivity and ground grid tests to determine the state of the grounding systems.
- Replace the broken porcelain insulators identified at Substation #2 and #3.

Overhead/Underground Distribution

- Perform pole testing to determine the residual strength left in all poles in the system.
- Implement a fuse replacement program that will ensure adequate protection and coordination is in place.
- Replace the pad mount transformer (TXP#3) and exercise appropriate soil remediation.
- Acquire oil samples for all the pole top and pad mount transformers to determine the level of PCB content.
- Implement a vegetation management program.
- Locate and map all the secondary network and incorporate that information into the system operating diagram.
- Investigate options for the testing of primary underground cables.

Metering

- Meter the identified unmetered loads.
- Replace all the electromechanical meters with Sensus electronic meters.
- Address any remaining unmetered loads.

Medium- and Long-Term Plan

The medium- and long-term plan will address some of the concerns that have been identified that do not require immediate action. API intends to complete an Area Planning Study for the entire distribution system that would supplement the development of a distribution system plan. The specific action items include:

Substations

- Rebuild/Replace Substation #2.
- Implement any recommendations resulting from Phase Two Environmental Site Assessments as required at each substation location.
- Continue applying the semi-annual herbicide treatment to manage vegetation within the substations.
- Perform annual dissolved gas analysis on each of the station transformers.

Overhead/Underground Distribution

- Install a 44kV load break switch at the boundary between the town and the Lumber Mill Property.
- Implement a crossarm replacement program, informed by more detailed aerial inspections, and with consideration of aligning with pole replacements if necessary.
- Implement a sustainable pole replacement program.
- Develop a Distribution System Plan and consider asset replacement programs based on asset condition assessment.

Metering

- Implement an adequate AMI network that will cover the Town of Dubreuilville.
- Monitor system losses month-to-month and year-to-year to determine if further investigation is required.

PROPOSED SALE OF DLI DISTRIBUTION SYSTEM TO API

The Applicants entered into an Asset Purchase Agreement (“APA”) dated August 27, 2018. The APA contemplates the sale, to API, of DLI’s distribution system substantially in its entirety. Closing of the transaction contemplated under the APA is conditional upon, among other things, the parties obtaining from all applicable governmental authorities such authorizations as are required to be obtained to permit the change of ownership of the distribution system assets that are to be sold under the agreement, including approval of the Proposed Transaction by the OEB, amendment of API’s distribution licence by the OEB to include the DLI system and service area, and all other related relief sought, in a form and substance satisfactory to API, acting reasonably.

A. Detailed Description of the Proposed Transaction

With respect to the Proposed Transaction, API will purchase substantially all of the assets used in the operation of DLI’s electricity distribution business in the Township. At the time of closing, DLI shall sell, assign, and transfer to API, among other things, the property and distribution system assets as described in Schedule 2.1(a) "Owned Real Property" and Schedule 2.1(b) "Machinery, Equipment, and Furniture". For greater certainty, the APA has specifically excluded the Rue des Pins Substation, assets used or related to the Lumber Business of DLI, and any DLI customer-owned secondary assets. No employees, fleet, office facilities, or IT systems are included in the Proposed Transaction.

Under the terms of the APA, closing of the Proposed Transaction will be contingent on, among other things, the parties obtaining such authorizations as are required to permit the sale of the distribution system assets, which shall include a “Successful OEB Decision”. A “Successful OEB Decision” under the APA refers to one or more decisions or orders of the OEB authorizing the acquisition by API of the DLI distribution system and amending API’s licence to include operation of the DLI system, as well as addressing all other relief requested in a manner acceptable to API in its sole discretion, such as the allowance of the inclusion of all Remediation Costs relating to the Rue des Pins Substation. A "Successful OEB Decision" is a condition for closing the Proposed Transaction and, if not fulfilled to the satisfaction of API, allows API to terminate the APA.

The purchase price to be paid to DLI on the closing date will be \$45,000 and the assumption of the Assumed Liabilities. The purchase price is a nominal amount for which API is not seeking cost recovery.

Based on the foregoing description of the Proposed Transaction, DLI seeks leave to sell its distribution system to API pursuant to Section 86(1)(a) of the *OEB Act*.

A copy of the APA is provided in **Appendix ‘A’**.

Copies of the resolutions authorizing the Proposed Transaction for API and DLI are provided in **Appendix ‘B’** and **Appendix ‘C’**, respectively. In particular, these include a resolution authorizing the Proposed Transaction for API dated May 8, 2018, and a resolution authorizing the Proposed Transaction for DLI dated August 22, 2018.

Appendix 'A'

Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

DUBREUIL LUMBER INC.

- and -

ALGOMA POWER INC.

August 27, 2018

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THIS AGREEMENT made as of the 27th day of August, 2018,

B E T W E E N:

DUBREUIL LUMBER INC.,
a corporation existing under the laws of
the Province of Ontario,

(hereinafter referred to as "**Seller**"),

- and -

ALGOMA POWER INC.,
a corporation existing under the laws of
the Province of Ontario,

(hereinafter referred to as "**Purchaser**").

WHEREAS pursuant to the OEB Order, an interim electricity distribution license was issued to Purchaser to operate the Purchased Business of Seller beginning April 26, 2017 (the "**Operating Date**");

AND WHEREAS Seller wishes to sell to Purchaser and Purchaser wishes to purchase from Seller substantially all of the assets used by Seller in its conduct of the Purchased Business, on the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party), the parties agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Defined Terms

For the purposes of this Agreement, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Act**" means the *Business Corporations Act* (Ontario), as in effect on the date hereof;

"**Affiliate**" has the following meaning: an entity (the "**first entity**") is the Affiliate of another entity (the "**second entity**") where the second entity controls the first entity, or the first entity controls the second entity or both entities are controlled by the same Person or entity. For purposes of this definition, "control" is the power whether by contract or ownership of equity interests to select a majority of the board of directors or

other supervisory management authority of an entity, whether directly or indirectly through a chain of entities that are "controlled" within the foregoing meaning;

"**Associate**" has the meaning given to that term in the Act;

"**Assumed Liabilities**" has the meaning set out in Section 2.4(a);

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence, certificate, registration or similar authorization of any Governmental Body having jurisdiction over such Person;

"**Business Day**" means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

"**Claim**" has the meaning set out in Section 7.6;

"**Closing**" means the closing of the transactions contemplated hereby;

"**Closing Date**" means the later of (a) the first Business Day that is at least sixty (60) days following the date that the Successful OEB Decision has been obtained, or (b) the date that is five Business Days after the satisfaction of the conditions in Sections 3.5 and 3.6 (other than those conditions that by their nature are to be satisfied by actions taken at the Closing or which have been waived by the Purchaser and/or the Seller, as applicable), or such other date as Seller and Purchaser may mutually determine;

"**Commercially Reasonable Efforts**" means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible, provided, however, that such Person will not be required to (i) take actions that would result in a material adverse change in the benefits to such Person of this Agreement, (ii) dispose of or make any change to its business, (iii) expend any material funds except funds that are due and payable in any event or are for incidental expenses or payments required by Law, or (iv) incur any other material burden;

"**Confidential Information**" has the meaning set out in Section 6.4;

"**Contract**" means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral;

"**Encumbrance**" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, encroachment, servitude, restriction on use, right of occupation, any matter capable of registration against title, option, right of first offer or refusal or similar right, restriction on voting (in the case of any voting or equity interest), right of pre-emption or privilege or any Contract to create any of the foregoing;

"**Environmental Laws**" has the meaning set out in Section 4.17(a);

"Environmental Permits" has the meaning set out in Section 4.17(b);

"ETA" means Part IX of the *Excise Tax Act* (Canada), as amended from time to time;

"Excluded Assets" has the meaning set out in Section 2.2;

"Governmental Body" means any domestic or foreign (a) federal, provincial, state, municipal, local or other government, (b) any governmental or quasi-governmental authority of any nature, including any governmental ministry, agency, branch, department, court, commission, board, tribunal, bureau or instrumentality, or (c) any body exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature, including the OEB;

"GST" means all Taxes payable under the ETA (including, for greater certainty, the harmonized sales Tax) or under any provincial legislation similar to the ETA, and any reference to a specific provision of the ETA or any such provincial legislation shall refer to any successor provision thereto of like or similar effect;

"Hazardous Substances" means any substance, material or waste defined, regulated, listed or prohibited by Environmental Laws, including pollutants, contaminants, chemicals, deleterious substances, dangerous goods, hazardous or industrial toxic wastes or substances, radioactive materials, flammable substances, explosives, petroleum and petroleum products, polychlorinated biphenyls ("PCBs"), chlorinated solvents and asbestos;

"Indemnified Party" has the meaning set out in Section 7.6;

"Indemnifying Party" has the meaning set out in Section 7.6;

"Laws" means, in respect of any Person, property, transaction or event, any and all applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations, by-laws, and (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Body;

"Licences" has the meaning set out in Section 4.12;

"Losses" means, in respect of any matter, all claims, demands, proceedings, losses, damages, liabilities, deficiencies, fines, costs and expenses (including all legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) and judgments arising directly or indirectly as a consequence of such matter;

"Lucky Star" means Lucky Star Holdings Inc.;

"Lucky Star Debenture" means the demand debenture dated September 15, 2011 granted by Seller in favour of Lucky Star;

"Lucky Star Security" means the security interest granted by Seller in favour of Lucky Star pursuant to the Lucky Star Debenture;

"Lumber Business" means the lumber mill business in the Township previously carried on by Seller;

"OEB" means the Ontario Energy Board and its successors and assigns;

"OEB Act" means the *Ontario Energy Board Act, 1998*, as amended from time to time;

"OEB Application" means, collectively, an application under section 86(1)(a) of the OEB Act, and any other related applications that may be required in support of the acquisition by the Purchaser of the Purchased Assets and Purchased Business;

"OEB Order" means the order issued by the OEB on April 4, 2017 granting Purchaser an interim distribution licence to operate the Purchased Business, as set out in matter EB-2017-0153;

"Operating Date" has the meaning set out in the recitals;

"Outside Date" means March 31, 2019;

"Owned Real Property" has the meaning set out in Section 2.1(a);

"Permitted Encumbrances" means:

- (a) liens for Taxes, assessments and governmental charges that are due but are being contested in good faith and diligently by appropriate proceedings;
- (b) in respect of real property, servitudes, easements, restrictions, rights-of-way and other similar rights or any interest therein, provided the same are not of such nature as to materially adversely affect the use or value of the property subject thereto;
- (c) in respect of real property, the reservations in any original grants from the Crown of any real property or interest therein which do not materially affect the use or value of the real property subject thereto;
- (d) inchoate liens claimed or held by any Governmental Body or a public utility in respect of the payment of Taxes or utilities not yet due and payable; and
- (e) the Encumbrances described in Schedule 1.1(a);

"Person" means any individual, corporation, legal person, partnership, firm, joint venture, syndicate, association, trust, trustee, limited liability company, unincorporated organization, trust company, Governmental Body or any other form of entity or organization;

"Purchase Price" has the meaning set out in Section 2.3;

"Purchased Assets" has the meaning set out in Section 2.1;

"Purchased Business" means the electricity distribution business in the Township carried on by Seller and operated by Purchaser as of the Operating Date (excluding, for greater certainty, the Lumber Business and any other business carried on by Seller);

"RBC" means Royal Bank of Canada;

"RBC Collateral Agreement" means the cash collateral agreement dated September 22, 2015 granted by Seller in favour of RBC;

"Release", when used as a verb, includes release, spill, leak, emit, deposit, discharge, migrate, pump, pour, inject, escape or dispose of into the environment or any other similar act, however defined in applicable Environmental Laws, and the term **"Release"** when used as a noun has a correlative meaning;

"Relief Requested" means the items for which specific decisions, orders or other relief is requested as part of the OEB Application, including, without limitation, the relief requested in the "specific relief requested" section of the OEB Application which relief shall include, among other things, the allowance of the inclusion of all Remediation Costs in the rate base that the Purchaser will charge its customers for the distribution of electricity after Closing;

"Remediation Costs" means all costs, fees and expenses associated with the remediation of the Rue des Pins Substation;

"Required Easements" means all easements, access rights, rights-of-way and other similar rights in favour of the Purchaser with respect to the real property that will be retained by either the Seller or the Township after Closing that the Purchaser determines, in its sole discretion, are necessary or desirable for the continued operation of the Purchased Business after Closing, as listed in Schedule 1.1(b) and Schedule 2.1(a);

"Retained Liabilities" has the meaning set out in Section 2.4(b);

"Rue des Pins Substation" means the Rue des Pins substation located at PIN 31128-0138;

"Rue des Pins Substation Removal" means the disconnecting and removal of the Rue des Pins Substation;

"Successful OEB Decision" means one or more decisions and/or orders issued by the OEB in respect of the OEB Application, (i) approving the acquisition by the Purchaser of the Purchased Assets and Purchased Business, (ii) expanding the Purchaser's electricity distribution license to include the operation of the Purchased Business and (iii) addressing all Relief Requested, in a manner acceptable to the Purchaser, in its sole discretion;

"Successor Taxes" means any liability for Taxes of the Seller which, as a result of the transfer of the Purchased Assets to Purchaser becomes (or also becomes) a liability of the purchaser;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

"**Taxes**" means any federal, provincial, territorial, state or local income, goods and services, harmonized sales, value added, corporation, land transfer, licence, payroll, excise, sales, use, capital, withholding or other tax, levy, duty, assessment, reassessment or other charge of any kind whatsoever, whether direct or indirect, including any interest and penalty or other addition to or on any of the foregoing, whether disputed or not, imposed by a Governmental Body;

"**Time of Closing**" means 10:00 a.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as Seller and Purchaser may agree; and

"**Township**" means the Township of Dubreuilville, Ontario.

1.2 Rules of Construction

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires, in this Agreement:

- (a) the terms "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;
- (b) references to an "Article", "Section", "Schedule" or "Exhibit" followed by a number or letter refer to the specified Article or Section of or Schedule or Exhibit to this Agreement;
- (c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders;
- (e) the word "including" is deemed to mean including without limitation;
- (f) the terms "party" and "the parties" refer to a party or the parties to this Agreement;
- (g) any reference to this Agreement means this Agreement as amended, modified, replaced or supplemented from time to time;
- (h) all dollar amounts refer to Canadian dollars;
- (i) any time period within which a payment is to be made or other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and

- (j) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, such payment shall be made, action shall be taken or period shall expire on the next following Business Day.

1.3 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided herein.

1.4 Time of Essence

Time shall be of the essence of this Agreement.

1.5 Governing Law and Submission to Jurisdiction

(a) This Agreement 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.

(b) Each of the parties irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario over any action or proceeding arising out of or relating to this Agreement, (ii) waives any objection that it might otherwise be entitled to assert to the jurisdiction of such courts, and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

1.6 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner materially adverse to a party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

1.7 Knowledge

References in this Agreement to the knowledge of Seller mean the actual knowledge of Ken Buchanan, after making diligent inquiry of other responsible current officers and employees of Seller and Luke Belanger, as reasonably necessary to inform himself as to the relevant matters but without the requirement to perform any search of any public registry office or system.

1.8 Schedules

The following Schedules are attached to and form part of this Agreement:

- Schedule 1.1(a) - Permitted Encumbrances
- Schedule 1.1(b) - Required Easements
- Schedule 2.1(a) - Owned Real Property
- Schedule 2.1(b) - Machinery and Equipment
- Schedule 2.1(c) - Material Contracts
- Schedule 2.5 - Allocation of Purchase Price
- Schedule 4.5 - Location of Assets
- Schedule 4.12 - Licences
- Schedule 4.13(a) - Regulatory Consents
- Schedule 4.13(b) - Third Party Consents
- Schedule 4.14 - Legal and Regulatory Proceedings
- Schedule 4.17 - Environmental Matters

ARTICLE 2 **PURCHASE AND SALE**

2.1 Purchased Assets

Subject to the terms and conditions of this Agreement, at the Time of Closing, Seller shall sell, assign and transfer to Purchaser and Purchaser shall purchase from Seller all of the property and assets used or held for use in connection with or relating to the Purchased Business as a going concern (other than the Excluded Assets), whether real or personal, tangible or intangible, of every kind and description and wheresoever situate (collectively, the "**Purchased Assets**"), including:

- (a) Owned Real Property. The real property described in Schedule 2.1(a) (the "**Owned Real Property**");
- (b) Machinery, Equipment and Furniture. All machinery, equipment, fixtures, furniture, furnishings or parts and other fixed assets including the machinery, equipment and furniture described in Schedule 2.1(b);
- (c) Agreements. All rights under leases of personal property, orders or contracts for the provision of goods or services (whether as buyer or seller), distribution and agency agreements and other Contracts not otherwise referred to in this Section 2.1, including the Contracts described in Schedule 2.1(c);
- (d) Licences and Permits. All transferable licences, permits, approvals, consents, registrations, certificates and other authorizations, including those described in Schedule 4.12 and the Environmental Permits; and
- (e) Books and Records. All books and records (other than those required by Law to be retained by Seller, copies of which have been made available to Purchaser) that have been provided to Purchaser on or after the Operating Date, including

customer lists, sales records, price lists and catalogues, sales literature, advertising material, manufacturing data, production records, employee manuals, personnel records, supply records and correspondence files (together with, in the case of any such information which is stored electronically, the media on which the same is stored).

2.2 Excluded Assets

The Purchased Assets shall not include any of the following property and assets (collectively, the "**Excluded Assets**"):

- (a) cash on hand, cash equivalents and bank deposits;
- (b) minute books, stock ledgers and Tax records of Seller;
- (c) indebtedness to Seller of any Affiliate of Seller;
- (d) insurance policies and rights thereunder;
- (e) personnel records that Seller is required by Law to retain in its possession;
- (f) income Tax instalments paid by Seller and the right to receive any refund of income Taxes paid by Seller; and
- (g) the Rue des Pins Substation.

For greater certainty, all assets used or held for use in connection with or relating to the Lumber Business shall not be included in the Purchased Assets.

2.3 Purchase Price

(a) The consideration for the Purchased Assets (the "**Purchase Price**") will be: (i) \$45,000, and (ii) the assumption of the Assumed Liabilities.

(b) At the Time of Closing, Purchaser shall pay Seller the cash portion of the Purchase Price by wire transfer of immediately available funds to such account as Seller shall have indicated by direction in writing to Purchaser at least two Business Days prior to the Closing Date.

2.4 Assumption of Certain Liabilities by Purchaser

(a) Subject to the provisions of this Agreement, Purchaser agrees to assume, pay, satisfy, discharge, perform and fulfil, from and after the Time of Closing, all obligations and liabilities of Seller existing as at and after the Time of Closing under:

- (i) the Contracts described in Schedule 2.1(c);
- (ii) the Authorizations described in Schedule 4.12;

- (iii) the Contracts entered into by Seller in the ordinary course of the Purchased Business for the provision of services or goods to Seller; and
- (iv) the Contracts entered into by Seller in the ordinary course of the Purchased Business for the sale of electricity by Seller or the provision of services by Seller.

collectively the "**Assumed Liabilities**".

(b) All liabilities of Seller, whether or not incurred in connection with the Purchased Business, that are not specifically listed as Assumed Liabilities in clauses (i) through (iv) of Section 2.4(a) are to be retained by Seller and are hereinafter referred to as "**Retained Liabilities**".

2.5 Allocation of Purchase Price

Seller and Purchaser agree to allocate the Purchase Price among the Purchased Assets in accordance with Schedule 2.5 and to report the sale and purchase of the Purchased Assets for all federal, provincial and local Tax purposes in a manner consistent with such allocation.

2.6 Transfer Taxes

Purchaser shall be liable for and shall pay directly to the appropriate Governmental Body or Seller, as the case may be, all federal and provincial sales Taxes (including any GST and land transfer Taxes) and all other Taxes, duties, fees or other like charges of any jurisdiction properly payable by Purchaser in connection with the transfer of the Purchased Assets by Seller to Purchaser. Any amounts paid by Purchaser to Seller under this Section 2.6 shall be remitted by Seller to the appropriate Governmental Body as soon as possible after the receipt of such amount by Seller.

ARTICLE 3 **CLOSING**

3.1 Transfer

Subject to compliance with the terms and conditions hereof, the transfer of ownership of the Purchased Assets shall be deemed to take effect as at the Time of Closing. The Closing shall take place at the Time of Closing at the offices of Davies Ward Phillips & Vineberg LLP, 155 Wellington Street West, Toronto, Ontario, or such other place as the parties may agree. Unless otherwise agreed, all closing transactions shall be deemed to have occurred simultaneously.

3.2 Risk of Loss

From the date hereof up to the Time of Closing, the Purchased Assets shall be and remain at the risk of Seller. If, prior to the Time of Closing, all or any part of the Purchased Assets which are necessary to carry on the Purchased Business as currently conducted are

destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by governmental or other lawful authority, unless Purchaser terminates its obligations under this Agreement as contemplated by Section 3.5, Purchaser shall complete the purchase without reduction of the Purchase Price, in which event all proceeds, if any, of insurance or compensation for expropriation or seizure shall be paid to Purchaser at the Time of Closing and all right and claim of Seller to any such amounts not paid by the Closing Date shall be assigned at the Time of Closing to Purchaser. For greater certainty, the foregoing provisions shall apply notwithstanding the fact that Purchaser has been operating the Purchased Business on behalf Seller since the Operating Date.

3.3 Closing Deliveries by Seller

At the Closing, Seller shall deliver or cause to be delivered to Purchaser:

- (a) the bring-down certificates referred to in Sections 3.5(a) and (b);
- (b) customary deeds, assignments, bills of sale and other conveyancing documents, to be settled between counsel for Seller and counsel for Purchaser, sufficient to transfer the various categories of Purchased Assets described in Section 2.1;
- (c) a purchase certificate issued by the Workplace Safety and Insurance Board stating that Seller does not owe any amounts and is not in default under the *Workplace Safety and Insurance Act, 1997* (Ontario);
- (d) a copy certified by a senior officer of Seller of the resolution of Seller's directors and shareholders approving the subject matter of this Agreement;
- (e) a receipt for the Purchase Price;
- (f) an executed consent, discharge and acknowledgement from Lucky Star, in form and substance satisfactory to Purchaser, pursuant to which Lucky Star consents to the transactions contemplated by this Agreement, discharges the Lucky Star Security with respect to the Purchased Assets and acknowledges that upon Closing the Purchased Assets shall be free and clear of all Encumbrances that previously attached thereto in favour of the Lucky Star, including those pursuant to the Lucky Star Debenture;
- (g) an acknowledgement and confirmation from RBC, in form and substance satisfactory to Purchaser, pursuant to which RBC acknowledges and confirms that the Purchased Assets are free and clear of all Encumbrances in favour of the RBC, including those pursuant to the RBC Collateral Agreement;
- (h) the consents to the sale of the Purchased Business to Purchaser from each of the Contract parties listed in Schedule 4.13(b) under the caption "Closing Consents"; and

- (i) all other documents required to be delivered by Seller to Purchaser pursuant to this Agreement or reasonably necessary to give effect to the transactions contemplated hereby.

3.4 Closing Deliveries by Purchaser

At the Closing, Purchaser shall deliver or cause to be delivered to Seller:

- (a) the bring-down certificates referred to in Sections 3.6(a) and (b);
- (b) such of the documents referred to in Section 3.3(b) as a purchaser would customarily execute;
- (c) the Purchase Price in accordance with Section 2.3(b);
- (d) a receipt for the Purchased Assets acknowledging the purchase of the Purchased Assets pursuant to this Agreement;
- (e) an instrument of assumption of the Assumed Liabilities; and
- (f) all other documents required to be delivered by Purchaser to Seller pursuant to this Agreement or reasonably necessary to give effect to the transactions contemplated hereby.

3.5 Conditions of Closing in Favour of Purchaser

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of Purchaser, to be performed or fulfilled at or prior to the Time of Closing:

- (a) Representations and Warranties. The representations and warranties of Seller contained in this Agreement shall be true and correct (i) at the Time of Closing as if made at such time (unless they are expressed to be made only as of a specific date in the past, in which case they need be true and correct only as of such specified earlier date) and (ii) also at the date hereof in the cases of the representations and warranties in Sections 4.1 through 4.4, in all material respects if the particular representation and warranty is not by its terms so qualified and in all respects if by its terms it is so qualified, and a certificate of an officer of Seller, dated the Closing Date, to that effect shall have been delivered to Purchaser, such certificate to be in form and substance satisfactory to Purchaser, acting reasonably;
- (b) Covenants. All of the terms, covenants and conditions of this Agreement to be complied with or performed by Seller at or before the Time of Closing shall have been complied with or performed, and a certificate of an officer of Seller, dated the Closing Date, to that effect shall have been delivered to Purchaser, such certificate to be in form and substance satisfactory to Purchaser, acting reasonably;

- (c) Regulatory Consents. There shall have been obtained from all appropriate Governmental Bodies such Authorizations as are required to be obtained by Seller to permit the change of ownership of the Purchased Assets contemplated hereby, including a Successful OEB Decision and those Authorizations described in Schedule 4.13(a), in each case in form and substance satisfactory to Purchaser, acting reasonably;
- (d) Contractual Consents. Seller shall have given or obtained the notices, consents and approvals described in Schedule 4.13(b), in each case in form and substance satisfactory to Purchaser, acting reasonably;
- (e) No Action or Proceeding. No legal or regulatory action or proceeding shall be pending or threatened by any Governmental Body to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets contemplated hereby;
- (f) Injunctions. There shall be in effect no injunction against Closing entered by a court of competent jurisdiction;
- (g) No Material Damage. No material damage by fire or other hazard to the whole or any material part of the Purchased Assets shall have occurred from the date hereof to the Time of Closing, other than any damage caused by the Purchaser;
- (h) Legal Matters. All actions, proceedings, instruments and documents required to implement this Agreement, or instrumental thereto, and all legal matters relating to the purchase of the Purchased Assets, including title of Seller to the Purchased Assets, shall have been approved as to form and legality by counsel for Purchaser, acting reasonably;
- (i) Required Easements. The registration of the Required Easements in favour of the Purchaser with the land registry office shall have been completed;
- (j) Discharge of Lucky Star Security. The Lucky Star Security shall be discharged with respect to the Purchased Assets; and
- (k) Seller shall be ready, willing and able to make the deliveries required by Section 3.3.

If any of the conditions contained in this Section 3.5 shall not be fulfilled at or prior to the Outside Date to the satisfaction of Purchaser, acting reasonably, Purchaser may by notice to Seller terminate this Agreement, and the obligations of Seller and Purchaser under this Agreement, other than the obligations contained in Section 6.4, shall thereby be terminated; provided, however, that Purchaser may also bring an action pursuant to Article 7 against Seller for damages suffered by Purchaser where the non-performance or non-fulfilment of the relevant condition is as a result of a breach of covenant, representation or warranty by Seller. Any such condition may be waived in whole or in part by Purchaser without prejudice to any claims it may have for breach of covenant, representation or warranty.

3.6 Conditions of Closing in Favour of Seller

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of Seller, to be performed or fulfilled at or prior to the Time of Closing:

- (a) Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall be true and correct (i) at the Time of Closing as if made at such time (unless they are expressed to be made only as of an earlier fixed date, in which case they need be true and correct only as of such earlier date) and (ii) also at the date hereof in the cases of the representations and warranties in Sections 5.1 through 5.4, in all material respects if the particular representation and warranty is not by its terms so qualified and in all respects if by its terms it is so qualified, and a certificate of an officer of Purchaser, dated the Closing Date, to that effect shall have been delivered to Seller, such certificate to be in form and substance satisfactory to Seller, acting reasonably;
- (b) Covenants. All of the terms, covenants and conditions of this Agreement to be complied with or performed by Purchaser at or before the Time of Closing shall have been complied with or performed, and a certificate of an officer of Purchaser, dated the Closing Date, to that effect shall have been delivered to Seller, such certificate to be in form and substance satisfactory to Seller, acting reasonably;
- (c) Regulatory Consents. There shall have been obtained from all appropriate Governmental Bodies such Authorizations as are required to be obtained by Purchaser to permit the change of ownership of the Purchased Assets contemplated hereby, including those described in Schedule 4.13(a), in each case in form and substance satisfactory to Seller, acting reasonably;
- (d) No Action or Proceeding. No legal or regulatory action or proceeding shall be pending or threatened by any Governmental Body to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets contemplated hereby;
- (e) Injunctions. There shall be in effect no injunction against Closing entered by a court of competent jurisdiction;
- (f) Legal Matters. All actions, proceedings, instruments and documents required to implement this Agreement, or instrumental thereto, shall have been approved as to form and legality by counsel for Seller, acting reasonably;
- (g) Rue des Pins Substation Removal. The Rue des Pins Substation Removal shall have been completed; and
- (h) Purchaser shall be ready, willing and able to make the deliveries required by Section 3.4.

If any of the conditions contained in this Section 3.6 shall not be performed or fulfilled at or prior to the Outside Date to the satisfaction of Seller, acting reasonably, Seller may by notice to Purchaser terminate this Agreement, and the obligations of Seller and Purchaser under this Agreement, other than the obligations contained in Section 6.4, shall thereby be terminated; provided, however, that Seller may also bring an action pursuant to Article 7 against Purchaser for damages suffered by it where the non-performance or non-fulfilment of the relevant condition is as a result of a breach of covenant, representation or warranty by Purchaser. Any such condition may be waived in whole or in part by Seller without prejudice to any claims it may have for breach of covenant, representation or warranty.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser as follows and acknowledges that Purchaser is relying on such representations and warranties in connection with its purchase of the Purchased Assets and that such reliance by Purchaser shall not be construed to be lessened or mitigated by any due diligence investigation that may be conducted by Purchaser:

4.1 Organization

Seller is validly existing under the Laws of the Province of Ontario and has the corporate power to own or lease its property, including the Purchased Assets, to carry on the Purchased Business as was conducted by it prior to the Operating Date and to enter into this Agreement and to perform its obligations hereunder. Seller is duly qualified as a corporation to do business in each jurisdiction in which the nature of the Purchased Business or the Purchased Assets makes such qualification necessary.

4.2 Authorization

This Agreement has been duly authorized, executed and delivered by Seller and is a legal, valid and binding obligation of Seller, enforceable against Seller by Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other Laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

4.3 No Other Agreements to Purchase

No Person other than Purchaser has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming an agreement or option for the purchase or acquisition from Seller of any of the Purchased Assets, other than pursuant to purchase orders accepted by Seller in the ordinary course of the Purchased Business.

4.4 No Violation

Neither the execution and delivery by Seller of this Agreement to which Seller is a party nor the consummation of the transactions herein provided for will result in: (a) the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the

acceleration of any obligation of Seller under: (i) any provision of the constating documents or by-laws or resolutions of the board of directors (or any committee thereof) or shareholders of Seller; (ii) any judgment, decree, order or award of any Governmental Body or arbitrator having jurisdiction over Seller; (iii) any licence, undertaking, agreement, indenture, permit, approval, consent or Authorization held by Seller or necessary to the operation of the Purchased Business; or (iv) any applicable Laws; or (b) the creation or imposition of any Encumbrance on any of the Purchased Assets.

4.5 Sufficiency of Purchased Assets

The Purchased Assets are sufficient to carry on the Purchased Business in the manner in which Seller has conducted the Purchased Business prior to the Operating Date. All tangible Purchased Assets owned and used by Seller in connection with the Purchased Business are in good operating condition and were in a state of good repair and maintenance prior to the Operating Date. During the two years preceding the Operating Date, there has not been any significant interruption of operations (being an interruption of more than one day) of the Purchased Business due to inadequate maintenance of any of the tangible Purchased Assets. All the tangible assets of the Purchased Business are located at the locations set out in Schedule 4.5.

4.6 Title to Personal Property

The Purchased Assets (other than the Owned Real Property) are owned beneficially by Seller with good and marketable title thereto, free and clear of all Encumbrances other than Permitted Encumbrances and the Lucky Star Security, which shall be discharged with respect to such Purchased Assets in advance of Closing.

4.7 Location of Owned Real Property

Schedule 2.1(a) sets forth the complete and accurate legal descriptions of the Owned Real Property.

4.8 Owned Real Property

Seller is not the beneficial or registered owner of and has not agreed to acquire any real property for use in the Purchased Business or any freehold interest in any such real property other than the Owned Real Property. Seller has the exclusive right to possess, use and occupy and has good and marketable title in fee simple to all the Owned Real Property, free and clear of all Encumbrances or other restrictions of any kind other than Permitted Encumbrances and the Lucky Star Security, which shall be discharged with respect to the Owned Real Property in advance of Closing. All buildings, structures, improvements and appurtenances situated on the Owned Real Property are in good operating condition and in a state of good maintenance and repair and are adequate and suitable for the purposes for which they are now being used, and Seller has adequate rights of ingress and egress for the operation of the Purchased Business in the ordinary course. Neither any of such buildings, structures, improvements or appurtenances (or equipment therein) nor the operation or maintenance thereof violates any restrictive covenant or any provision of any Law or encroaches on any property owned by others. Without limiting the generality of the foregoing:

- (a) the Owned Real Property, the current uses thereof and the conduct of the Purchased Business comply with all Laws, including those dealing with zoning, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety and Environmental Laws;
- (b) no alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Owned Real Property or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works by any municipal, provincial or other competent authority, which alteration, repair, improvement or other work has not been completed, and Seller knows of no written notification having been given to it of any such outstanding work being ordered, directed or requested, other than those that have been complied with;
- (c) all accounts for work and services performed and materials placed or furnished upon or in respect of the Owned Real Property at the request of Seller have been fully paid and satisfied, and no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or similar legislation in other provinces of Canada against the Owned Real Property or any part thereof, other than for current accounts in respect of which the payment due date has not yet passed;
- (d) there is nothing owing in respect of the Owned Real Property by Seller to any municipal corporation or to any other corporation or commission owning or operating a public utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (e) no part of the Owned Real Property has been taken or expropriated by any Governmental Body, nor has any notice thereof been given or proceeding commenced;
- (f) the Permitted Encumbrances constitute all of the Encumbrances, agreements, indentures and other matters which affect the Owned Real Property, other than the Lucky Star Security, which shall be discharged with respect to the Owned Real Property in advance of Closing;
- (g) the Owned Real Property (including all buildings, improvements and fixtures) is fit for its present use, and there are no material or structural repairs or replacements that are necessary. Without limiting the foregoing, there are no repairs to, or replacements of, the roof or the mechanical, electrical, heating, ventilating, air-conditioning, plumbing or drainage equipment or systems which are necessary or advisable; and none of the Owned Real Property is currently undergoing any alteration or renovation nor is any such alteration or renovation contemplated; and
- (h) the Owned Real Property is serviced by public utilities necessary for occupation of such properties and has access to public roads, and there are no outstanding

levies, charges or fees assessed against any of the Owned Real Property by any public authority (including development or improvement levies, charges or fees).

4.9 Leased Real Property

Seller is not a party to any lease or agreement to lease in respect of any real property used or to be used in the Purchased Business, whether as lessor or lessee.

4.10 No Expropriation

No part of the Purchased Assets has been taken or expropriated by any Governmental Body, nor has any notice or proceeding in respect thereof been given or commenced, nor is Seller aware of any intent or proposal to give any such notice or commence any such proceeding.

4.11 Agreements and Commitments

(a) Except as described on Schedule 2.1(c), Seller is not a party to or bound by any Contract relating to the Purchased Business.

(b) Prior to the Operating Date, Seller performed all of the obligations required to be performed by it and is entitled to all benefits under, and was not in default or alleged to be in default in respect of, any Contract relating to the Purchased Business or Purchased Assets to which it was a party or by which it was bound; all such Contracts were in good standing and in full force and effect as of the Operating Date, and no event, condition or occurrence existed as of the Operating Date which, after notice or lapse of time or both, would constitute a default under any of the foregoing. Seller has provided to Purchaser a complete and accurate copy of each Contract listed or described in the Schedules listed in the introductory clause to this Section, including all amendments thereto.

4.12 Compliance with Laws; Authorizations

Prior to the Operating Date, Seller complied with all Laws applicable to the Purchased Business or the Purchased Assets. Schedule 4.12 sets out a complete and accurate list of all Authorizations held by or granted to Seller, and there are no other Authorizations necessary to carry on the Purchased Business as conducted as of the Operating Date or to own or lease any of the Purchased Assets. Each Authorization is valid, subsisting and in good standing and Seller is not in default or breach of any Authorization and, to the knowledge of Seller, no proceeding is pending or threatened to revoke or limit any Authorization. Seller has provided a complete and accurate copy of each Authorization and all amendments thereto to Purchaser.

4.13 Consents and Approvals

(a) There is no requirement to make any filing with or give any notice to any Governmental Body or to obtain any Authorization as a condition to the lawful consummation of the transactions contemplated by this Agreement, except for the filings, notifications and Authorizations described in Schedule 4.13(a), or which relate solely to the identity of Purchaser or the nature of any business carried on by Purchaser.

(b) There is no requirement under any Contract relating to the Purchased Business or Purchased Assets to which Seller is a party or by which it is bound to give any notice to, or to obtain the consent or approval of, any party to such Contract relating to the consummation of the transactions contemplated by this Agreement, except for the notifications and Authorizations described in Schedule 4.13(b).

4.14 Litigation

Except as described in Schedule 4.14, there are no actions, suits, appeals, claims, applications, orders, investigations, proceedings, grievances, arbitrations or alternative dispute resolution processes (collectively, "**Proceedings**") in progress, pending or, to the knowledge of Seller, threatened by, against or affecting the Purchased Assets or the Purchased Business, before any Governmental Body, arbitrator, arbitration board or mediator. Seller has delivered to Purchaser complete and accurate copies of all pleadings, correspondence and other documents relating to the Proceedings described in Schedule 4.14. Seller has no knowledge of any ground on which any such Proceeding might be commenced with any reasonable likelihood of success. Seller is not subject to any judgement, order or decree affecting the Purchased Assets or the Purchased Business.

4.15 Residency

Seller is not a non-resident of Canada for the purposes of the Tax Act.

4.16 GST Registration

Seller is a registrant for the purposes of subdivision d of Division V of Part IX of the ETA whose registration number is 81427 1516 RT 0001.

4.17 Environmental

(a) Except as described in Schedule 4.17, prior to the Operating Date, Seller (in respect of the Purchased Business and the Purchased Assets) and the Owned Real Property and all operations thereon were in compliance with all applicable Laws relating to the protection of human health, natural resources, the environment or Hazardous Substances ("**Environmental Laws**");

(b) Prior to the Operating Date, Seller had all Authorizations required under Environmental Laws (the "**Environmental Permits**") to conduct the Purchased Business and to own, use and operate the Purchased Assets, all of which Environmental Permits are described in Schedule 4.12. As of the Operating Date, each Environmental Permit was valid, subsisting and in good standing, and Seller was not in default or breach of any Environmental Permit, and no proceeding was pending or threatened and no grounds exist to revoke or limit any Environmental Permit. Seller has provided a complete and accurate copy of each Environmental Permit and all amendments thereto to Purchaser;

(c) As of the Operating Date, no building, structure or improvement located on the Owned Real Property was insulated with urea formaldehyde insulation, and none of such buildings or structures contained asbestos, mould or PCBs;

(d) As of the Operating Date, no underground storage tanks were located on the Owned Real Property;

(e) As of the Operating Date, Seller had not used or permitted to be used, except in compliance with all Environmental Laws any of the Owned Real Property to Release, generate, manufacture, process, distribute, use, treat, store, transport or handle any Hazardous Substance;

(f) Except in compliance with Environmental Laws, as of the Operating Date, there were no Hazardous Substances located on, in, under or migrating from the Owned Real Property. All Hazardous Substances used by Seller in connection with the Purchased Business or resulting from the Purchased Business have been disposed of, treated and stored in compliance with all Environmental Laws;

(g) Seller (in respect of the Purchased Business and the Purchased Assets) has never received any notice of, or been prosecuted for, any actual or alleged non-compliance with any Environmental Laws, nor has Seller settled any allegation of non-compliance prior to prosecution. There are no actions, proceedings, notices, orders, demands or directions relating to environmental matters requiring, or notifying Seller that it is or may be responsible for, any investigation, containment, clean-up, remediation or other corrective action or any work, repairs, construction or capital expenditures to be made under Environmental Laws with respect to the Purchased Business or the Purchased Assets;

(h) To the knowledge of Seller after reasonable enquiry, there are no pending or proposed changes to Environmental Laws that would render illegal or restrict the operations of the Purchased Business or the use of the Purchased Assets; and

(i) Seller has delivered to Purchaser complete and accurate copies of all environmental reports, audits, evaluations, assessments, studies or tests relating to the Purchased Business, the Purchased Assets, the Owned Real Property and their use that are under, or with reasonable effort could be brought under, the possession or control of Seller.

4.18 No Liabilities

There are no liabilities of Seller or its Associates or Affiliates, whether or not accrued and whether or not determined or determinable, in respect of which Purchaser may become liable on or after the consummation of the transaction herein provided for, other than the Assumed Liabilities.

4.19 Full Disclosure

Neither this Agreement nor any document to be delivered pursuant hereto by Seller nor any certificate, report, statement or other document furnished by Seller in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction, information or continuation of a trend that has come to the attention of Seller since December 31, 2017 that has not been disclosed to Purchaser in writing (in this Agreement or otherwise) which could

reasonably be expected to have a material adverse effect on the assets, business, earnings, properties, condition (financial or otherwise) or prospects of the Purchased Business.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows and acknowledges and confirms that Seller is relying on such representations and warranties in connection with its sale of the Purchased Assets:

5.1 Organization

Purchaser is a corporation validly existing under the Laws of the Province of Ontario and has the corporate power to enter into this Agreement to which Purchaser is a party and to perform its obligations hereunder.

5.2 Authorization

This Agreement has been duly authorized, executed and delivered by Purchaser and is a legal, valid and binding obligation of Purchaser, enforceable against Purchaser by Seller in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other Laws affecting the enforcement of rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

5.3 No Violation

Neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions herein provided for will result in the violation of, or constitute a default under, or conflict with or cause the acceleration of any obligation of Purchaser under: (a) any Contract to which Purchaser is a party or by which it is bound; (b) any provision of the constating documents or by-laws or resolutions of the board of directors (or any committee thereof) or shareholder of Purchaser; (c) any judgment, decree, order or award of any Governmental Body or arbitrator having jurisdiction over Purchaser; or (d) any applicable Law.

5.4 Consents and Approvals

There is no requirement for Purchaser to make any filing with, give any notice to or obtain any Authorization of, any Governmental Body as a condition to the lawful consummation of the transactions contemplated by this Agreement.

5.5 Financial Resources

Purchaser has the financial means to complete the transactions that form the subject matter hereof without resort to any external sources of financing not committed at the date hereof.

5.6 Litigation

There are no actions, suits, appeals, claims, applications, orders, investigations, proceedings, grievances, arbitrations or alternative dispute resolution processes in progress, pending, or to Purchaser's knowledge, threatened against Purchaser that could prohibit, restrict or seek to enjoin the transactions contemplated by this Agreement.

5.7 Brokers

No broker, agent or other intermediary is entitled to any fee, commission or other remuneration in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

5.8 Investment Canada

Purchaser is a Canadian within the meaning of the *Investment Canada Act*.

5.9 GST Registration

Purchaser is a registrant for purposes of subdivision d of Division V of Part IX of the ETA whose registration number is 822494290 RT0001.

ARTICLE 6 **COVENANTS**

6.1 Access to Purchased Business and Purchased Assets

At Purchaser's request, Seller shall execute such consents, authorizations and directions as may be necessary to enable Purchaser or its authorized representatives to obtain full access to all files and records relating to any of the Purchased Assets maintained by any Governmental Body. At Purchaser's request, Seller shall co-operate with Purchaser in arranging any such meetings as Purchaser may reasonably request with: customers, suppliers or others who have or have had a business relationship with Seller in respect of the Purchased Business; and solicitors or any other Persons engaged or previously engaged to provide services to Seller who have knowledge of matters relating to the Purchased Business or the Purchased Assets. In particular, without limitation, Seller shall permit Purchaser's representatives or consultants to conduct all such interviews, testing, intrusive investigations, inspections, audits and assessments in respect of environmental and occupational health and safety matters with respect to the Purchased Business and the Purchased Assets as Purchaser may require, in its sole discretion, to satisfy itself in respect of such matters, and Seller shall co-operate in all respects therewith. The exercise of any rights of inspection by or on behalf of Purchaser under this Section 6.1 shall not mitigate or otherwise affect the representations and warranties of Seller hereunder which shall continue in full force and effect as provided in Section 7.1.

6.2 Books and Records

At the Time of Closing, Seller shall deliver to Purchaser all the books and records described in Section 2.1(e). Purchaser covenants to use reasonable care to preserve the books

and records so delivered to it for a period of six years from the Closing Date, or for such longer period as is required by any applicable Law, and will permit Seller or its authorized representatives reasonable access thereto in connection with the affairs of Seller relating to its matters, but Purchaser shall not be responsible or liable to Seller for or as a result of any accidental loss or destruction of or damage to any such books or records.

6.3 Conduct Prior to Closing

Without in any way limiting any other obligations of Seller hereunder, during the period from the date hereof to the Time of Closing, Seller shall:

- (a) allow Purchaser to continue to conduct the Purchased Business in the ordinary course consistent with Purchaser's practice since the Operating Date;
- (b) not, without the prior written consent of Purchaser, enter into any transaction or refrain from doing any action which, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation hereunder of Seller, and Seller shall not enter into any material supply arrangements relating to the Purchased Business or make any material decisions or enter into any material Contracts with respect to the Purchased Business without the consent of Purchaser;
- (c) use all Commercially Reasonable Efforts to obtain, at or prior to the Time of Closing, from all appropriate Governmental Body, the Authorizations described in Schedule 4.13(a);
- (d) use all Commercially Reasonable Efforts to give or obtain, at or prior to the Time of Closing, the notices, consents and approvals described in Schedule 4.13(b);
- (e) pay and discharge the liabilities of Seller relating to the Purchased Business in the ordinary course in accordance and consistent with the previous practice of Seller, except those contested in good faith by Seller;
- (f) take or cause to be taken all necessary corporate action, steps and proceedings to approve or authorize the execution and delivery of this Agreement and documents contemplated hereby and the transfer of the Purchased Assets to Purchaser and to cause all necessary meetings of directors and shareholders of Seller to be held for such purpose;
- (g) use all Commercially Reasonable Efforts to satisfy the conditions contained in Section 3.5, including, for greater certainty, cooperating with (i) the Purchaser and the OEB in the completion of the OEB Application and the process for obtaining a Successful OEB Decision and (ii) the Purchaser in the registration of the Required Easements. Without limiting the generality of the foregoing, the Seller hereby authorizes the Purchaser to prepare and submit to the OEB, on behalf of the Seller, all applications and approvals that the Seller will be required to file in connection with the surrender of its electricity distributor licence, including the OEB Application; and

- (h) permit the Purchaser to take or cause to be taken all necessary action to complete the Rue des Pins Substation Removal and cooperate with the Purchaser in connection with such removal.

6.4 Confidential Information

(a) Each of the parties acknowledges having received Confidential Information belonging to the other party in the course of negotiating this Agreement. As used herein, the term "**Confidential Information**" includes any and all of the following information of Seller or Purchaser that has been or may hereafter be disclosed by either party or its representatives (collectively, a "**Disclosing Party**") to the other party or its representatives (collectively, a "**Receiving Party**") by any means, whether written, oral, electronic or visual:

- (i) all information that is a trade secret under applicable trade secret or other Law;
- (ii) all information concerning product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer hardware, software and computer software and database technologies, systems, structures and architectures;
- (iii) all information concerning the business and affairs of the Disclosing Party (which includes historical and current financial statements, financial projections and budgets, Tax returns and accountants' materials, historical, current and projected sales, capital spending budgets and plans, business plans, strategic plans, marketing and advertising plans, publications, client and customer lists and files, contracts, the names and backgrounds of key personnel and personnel training techniques and materials, however documented), and all information obtained from review of the Disclosing Party's documents or property or discussions with the Disclosing Party regardless of the form of the communication; and
- (iv) all notes, analyses, compilations, studies, summaries and other material prepared by the Receiving Party to the extent containing or based, in whole or in part, upon any information included in the foregoing.

Information is not, however, "Confidential Information" if it (x) was known to the Receiving Party, prior to its disclosure to the Receiving Party by the Disclosing Party, from a source not known by the Receiving Party to be under an obligation of confidentiality to the Disclosing Party or (y) becomes known generally otherwise than through breach of this Agreement.

(b) Any trade secrets of a Disclosing Party shall also be entitled to all of the protections and benefits under applicable trade secret Law and other applicable Law. If any information that a Disclosing Party deems to be a trade secret is found by a court of competent

jurisdiction not to be a trade secret for purposes of this Agreement, such information shall still be considered Confidential Information of that Disclosing Party to the extent included within the definition of that term.

(c) Each Receiving Party acknowledges the confidential and proprietary nature of the Confidential Information of the Disclosing Party and agrees that such Confidential Information (i) shall be kept confidential by the Receiving Party; (ii) shall not be used for any reason or purpose other than to evaluate and consummate the transactions contemplated by this Agreement; and (iii) without limiting the foregoing, shall not be disclosed by the Receiving Party to any Person, except in each case as otherwise expressly permitted by the terms of this Agreement or with the prior written consent of an authorized representative of Seller with respect to its Confidential Information or an authorized representative of Purchaser with respect to its Confidential Information. Each of Purchaser and Seller shall disclose the Confidential Information of the other party only to its representatives who require such material for the purpose of evaluating the transactions contemplated by this Agreement and are informed by Purchaser or Seller, as the case may be, of the confidentiality obligations herein. Each of Purchaser and Seller shall (iv) enforce the terms of this Section 6.4 as to its respective representatives; (v) take such action to the extent necessary to cause its representatives to comply with the terms and conditions of this Section 6.4; and (vi) be responsible and liable for any breach herein of by its representatives.

(d) Unless and until this Agreement is terminated, Seller shall maintain as confidential any Confidential Information of Seller relating to any of the Purchased Assets, the Purchased Business and the Assumed Liabilities. Notwithstanding the preceding sentence, Seller may use any Confidential Information of Seller before the Closing in the ordinary course of business in connection with the transactions permitted by Section 6.3.

(e) From and after the Closing, the provisions of Sections 6.4(a) and (b) above shall not apply to or restrict in any manner Purchaser's use of any Confidential Information of Seller relating solely to the Purchased Assets, the Purchased Business or the Assumed Liabilities.

(f) The parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by any applicable Law or regulatory requirement, neither of them shall issue any such press release or make any such public announcement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

(g) Prior to any public announcement of the transaction contemplated hereby pursuant to Section 8.7, neither party shall disclose this Agreement or any aspects of such transaction except to its board of directors, its senior management, its shareholders, its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with such transaction and counsel to such institution, or as may be required by any applicable Law or any regulatory authority or stock exchange having jurisdiction.

ARTICLE 7

SURVIVAL AND INDEMNIFICATION

7.1 Survival of Representations, Warranties and Covenants

All representations, warranties and covenants contained in this Agreement and in all other agreements, documents and certificates delivered pursuant to or contemplated by this Agreement (other than the conditions of closing set out in Article 3) shall survive the Closing and shall not merge.

7.2 Indemnification by Seller

Subject to the limitations set out elsewhere in this Article 7 and notwithstanding (i) any investigations made, or knowledge acquired, by Purchaser prior to Closing, or (ii) the fact that Purchaser has been operating the Purchased Business on behalf Seller since the Operating Date, Seller shall indemnify and save harmless Purchaser from and against all Losses suffered or incurred by Purchaser as a result of or arising directly or indirectly out of or in connection with:

- (a) any inaccuracy or breach by Seller of any representation or warranty of Seller contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto;
- (b) any breach or non-performance by Seller of any covenant contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto;
- (c) the operations of the Purchased Business up to the Operating Date;
- (d) any Successor Taxes of Seller;
- (e) the Retained Liabilities;
- (f) any bankruptcy or, insolvency proceedings or receivership arrangements affecting Dubreuil Forest Products Ltd. and/or Seller's lumber mill business, including with respect to the sale of any Dubreuil Forest Products Ltd. assets pursuant to the *Mortgages Act* (Ontario) or any similar legislation; and
- (g) the operation of the Rue des Pins Substation up to the completion of the Rue des Pins Substation Removal.

7.3 Indemnification by Purchaser

Subject to the limitations set out elsewhere in this Article 7 and notwithstanding any investigations made, or knowledge acquired, by Seller prior to Closing, Purchaser shall indemnify and save harmless Seller from and against all Losses suffered or incurred by Seller as a result of or arising directly or indirectly out of or in connection with:

- (a) any inaccuracy or breach by Purchaser of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto;
- (b) any breach or non-performance by Purchaser of any covenant contained in this Agreement (but excluding the subject matter of Section 7.3(c)) or in any agreement, certificate or other document delivered pursuant hereto; and
- (c) the operations of the Purchased Business after the Time of Closing including any failure by Purchaser to pay, satisfy, discharge, perform or fulfil any of the Assumed Liabilities.

7.4 Environmental Indemnification by Seller

Notwithstanding any investigations made, or knowledge acquired, by Purchaser prior to Closing, Seller shall indemnify and save harmless each of Purchaser, its directors, officers, employees and agents and any successor to Purchaser's interest in the Purchased Business or the Purchased Assets (including Persons to whom this indemnity is assigned) and all directors, officers, employees and agents of such successors, from and against all Losses suffered or incurred by any such Person as a result of or arising directly or indirectly out of or in connection with any one or more of the following:

- (a) any event occurring or any condition existing at or prior to the Time of Closing relating to the Purchased Business, the Purchased Assets, the Owned Real Property which now or hereafter constitutes a violation of, or gives rise to any liability under, Environmental Laws; and
- (b) any generation, manufacture, processing, distribution, use, presence, treatment, storage, disposal, Release, transport or handling of any Hazardous Substance in, on, under or from any Owned Real Property, whether by Seller or any tenant or any other Person at or prior to the Time of Closing and whether or not known at the Time of Closing.

7.5 Assignability of Environmental Indemnification

Purchaser may, at any time and from time to time, assign all or any part of the benefit of the indemnity set out in Section 7.3 in respect of all or any part of the Owned Real Property to any purchaser of, or lender to Purchaser in respect of the Purchased Business or the Purchased Assets, by delivering a notice in writing to Seller setting out Purchaser's intention to assign all or part of the benefit of the indemnity and the identity of the Person or Persons to whom the assignment is to be made. Upon any such assignment, Seller shall be bound to indemnify the Person or Persons named in such notice to the extent of the assignment of the indemnity as if such Person or Persons were a party to this Agreement as Purchaser. No such assignment shall relieve Seller of the continuing obligation to indemnify under the indemnity and such obligation shall continue unaffected by the assignment. Any such assignee may make a further assignment in accordance with the foregoing provisions, as if all references therein to Purchaser were to such assignee.

7.6 Notice of Claim

(a) A party that may be entitled to make a claim for indemnification (a "**Claim**") under this Agreement (the "**Indemnified Party**") shall give written notification to the other party (the "**Indemnifying Party**") of such Claim (a "**Notice of Claim**") promptly upon becoming aware of the Claim, but in no event later than the relevant date, if any, specified in Section 7.7. The Notice of Claim shall specify whether the Claim arises as a result of a claim by a Person against the Indemnified Party (a "**Third Party Claim**") or whether the Claim does not so arise (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available), the factual basis for the Claim and the amount of the Claim.

(b) If an Indemnified Party fails to provide the Indemnifying Party with a Notice of Claim promptly as required by Section 7.6(a), the Indemnifying Party shall be relieved of the obligation to pay damages to the extent it can show that it was prejudiced in its defence of the Claim or in proceeding against a third party who would have been liable to it by the fact of the delay, but the failure to provide such Notice of Claim promptly shall not otherwise release the Indemnifying Party from its obligations under this Article 7.

(c) If the date by which a Notice of Claim must be given as set out in Section 7.7 in respect of a breach of representation and warranty has passed without any Notice of Claim having been given to the Indemnifying Party, then the related Claim shall be forever extinguished, notwithstanding that by the date specified in Section 7.7 the Indemnified Party did not know, and in the exercise of reasonable care could not have known, of the existence of the Claim.

7.7 Time Limits for Notice of Claim for Breach of Representations and Warranties

(a) Seller shall not be required to indemnify or save harmless Purchaser pursuant to Section 7.2(a) unless Purchaser shall have provided to Seller a Notice of Claim within the following time limits:

- (i) with respect to the representations and warranties set out in Sections 4.1 through 4.4 and 4.17, at any time after Closing;
- (ii) with respect to the representation and warranty set out in Section 4.15, not later than 120 days after the expiry of the period within which an applicable taxation authority could make a demand on Purchaser for payment of Taxes arising as a result of a breach of such representation and warranty;
- (iii) with respect to a claim for breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, at any time after Closing; and
- (iv) with respect to all other representations and warranties, not later than the third anniversary of the Closing Date.

(b) Purchaser shall not be required to indemnify or save harmless Seller pursuant to Section 7.3(a) unless Seller shall have provided to Purchaser a Notice of Claim within the following time limits:

- (i) with respect to the representations and warranties in Sections 5.1 through 5.4, at any time after Closing; and
- (ii) with respect to all other representations and warranties, not later than the third anniversary of the Closing Date.

7.8 Limitation Periods for Claims for Breach of Representations and Warranties

Notwithstanding the provisions of the *Limitations Act, 2002* (Ontario) or any other statute, the period within which an Indemnified Party may commence a proceeding in respect of a Claim for which a Notice of Claim is required to be, and has been, given in accordance with Section 7.7, shall be two years from the last date upon which such Notice of Claim is permitted to be delivered thereunder, and any applicable limitation period is hereby so extended to the fullest extent permitted by Law.

7.9 Direct Claims

With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration in such manner as the parties may agree or shall be determined by a court of competent jurisdiction.

7.10 Third Party Claims

(a) The Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of any Third Party Claim for damages and the Indemnifying Party assumes control, it shall reimburse the Indemnified Party for all of the Indemnified Party's out-of-pocket expenses prior to the time the Indemnifying Party assumed control. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to actual or potential differing interests between them (such as the availability of different defences).

(b) If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control, and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

(c) If any Third Party Claim is of a nature such that the Indemnified Party is required by applicable Law or the order of any Governmental Body having jurisdiction, or it is necessary in the reasonable view of the Indemnified Party acting in good faith and in a commercially reasonable manner in respect of: (i) a Third Party Claim by a customer relating to products or services supplied by Seller in respect of the Purchased Business or the Purchased Assets; or (ii) a Third Party Claim relating to any Contract which is necessary to the ongoing operations of Seller in respect of the Purchased Business or the Purchased Assets or any material part thereof by a reasonable and prudent operator in substantially the manner in which it has heretofore operated by Seller, in order to avoid material damage to the relationship between the Indemnified Party and any of its major customers or to preserve the rights of the Indemnified Party under such an essential Contract, to make a payment to any Person (a "**Third Party**") with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under such Third Party Claim, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party. If such payment, by resulting in settlement of the Third Party Claim, precludes a final determination of the merits of the Third Party Claim and the Indemnified Party and the Indemnifying Party are unable to agree whether such payment was reasonable in the circumstances having regard to the amount and merits of the Third Party Claim, such dispute shall be submitted to arbitration pursuant to the *Arbitrations Act, 1991* (Ontario).

(d) If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that the liability of the Indemnifying Party shall be limited to the proposed settlement amount if any such consent is not obtained for any reason.

(e) The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available).

7.11 Exclusivity

No party may make any claim for damages in respect of this Agreement or any agreement, certificate or other document delivered pursuant hereto, or in respect of any breach or

termination thereof, against any other party except by making a Claim pursuant to and in accordance with this Article 7. The provisions of this Section 7.11 shall survive any termination of this Agreement.

7.12 Taxes

All references in this Article 7 to Losses shall exclude GST to the extent that input Tax credits are available therefor. If Seller and Purchaser, acting reasonably, determine that any payment (the "**Payment**") made pursuant to this Article 7 is subject to GST or is deemed by the ETA (or provincial equivalent) to be inclusive of GST, or is subject to any other Tax, the Indemnifying Party agrees to pay to the Indemnified Party, in addition to the Payment, an amount equal to the GST or other Tax payable in connection with such Payment and such additional amount.

ARTICLE 8 **MISCELLANEOUS**

8.1 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by fax or e-mail or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

- (i) if to Seller:

Dubreuil Lumber Inc.

1120 Premier Way Thunder
Bay, ON P7B 0A3

Attention: Ken Buchanan
Fax: (807) 345-7150
E-mail: ken.buchanan@thunderpine.ca

with a copy (which shall not constitute notice) to:

Weiler Maloney Nelson

1001 William Street
Suite 201
Thunder Bay, ON P7B 6M1

Attention: Paul Jasiura
Fax: (807) 623-4947
E-mail: pjasiura@wmnlaw.com

- (ii) if to Purchaser:

Algoma Power Inc.

2 Sackville Road
Sault Ste. Marie, ON P6B 6J6

Attention: Tim Lavoie, Vice-President
Fax No.: (705) 941-5697
E-mail: tim.lavoie@fortisontario.com

with a copy (which shall not constitute notice) to:

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto, ON M5V 3J7

Attention: Peter Martorelli
Fax No.: (416) 863-0871
E-mail: pmartorelli@dwpv.com

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day or if delivery or transmission is made on a Business Day after 5:00 p.m. at the place of receipt, then on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event which might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

(c) Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 8.1.

8.2 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on either party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

8.3 Assignment

(a) No party may assign any of its rights or benefits under this Agreement, or delegate any of its duties or obligations, except with the prior written consent of the other party.

(b) Notwithstanding the foregoing, Purchaser may assign all of its rights, benefits, duties and obligations under this Agreement in their entirety, without the consent of Seller, to any Affiliate of Purchaser, whereupon the assignee shall be liable for all of the obligations of

Purchaser under this Agreement; provided, however, that any such assignment shall not relieve Purchaser from any of its obligations hereunder.

8.4 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by and against the parties and, where the context so permits, their respective successors and permitted assigns.

8.5 Expenses; Commissions

(a) Each party shall pay for its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement and the transactions contemplated herein, including the fees and expenses of legal counsel, financial advisors, brokers, accountants and other professional advisors and fees payable to any Governmental Bodies.

(b) Seller shall indemnify and save harmless Purchaser from and against all Losses suffered or incurred by Purchaser in respect of any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for or on behalf of Seller.

8.6 Consultation

The parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by applicable Law, the parties shall not issue any such press release or make any such public announcement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

8.7 Further Assurances

Each of the parties hereto shall, at all times after the Closing Date and upon any reasonable request of the other, promptly do, execute, deliver or cause to be done, executed and delivered, at the expense of the requesting party, all further acts, documents and things as may be required or necessary for the purposes of giving effect to this Agreement, including such other instruments of sale, transfer, conveyance, assignment, confirmation, certificates and other instruments as may be reasonably requested in order to more effectively transfer, convey and assign the Purchased Assets and to effectuate the transactions contemplated herein.

8.8 Counterparts

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts, with the same effect as if all parties had signed and delivered the same document, and all counterparts shall together constitute one and the same original document.

[Remainder of this page left intentionally blank.]

IN WITNESS WHEREOF this Agreement has been executed by the parties as of the date first above written.

DUBREUIL LUMBER INC.

by



Name:

Title: *President*

ALGOMA POWER INC.

by



Name: Tim Lavoie

Title: VP, Corporate Services and
Indigenous Affairs, Secretary

SCHEDULE 1.1(A)
PERMITTED ENCUMBRANCES

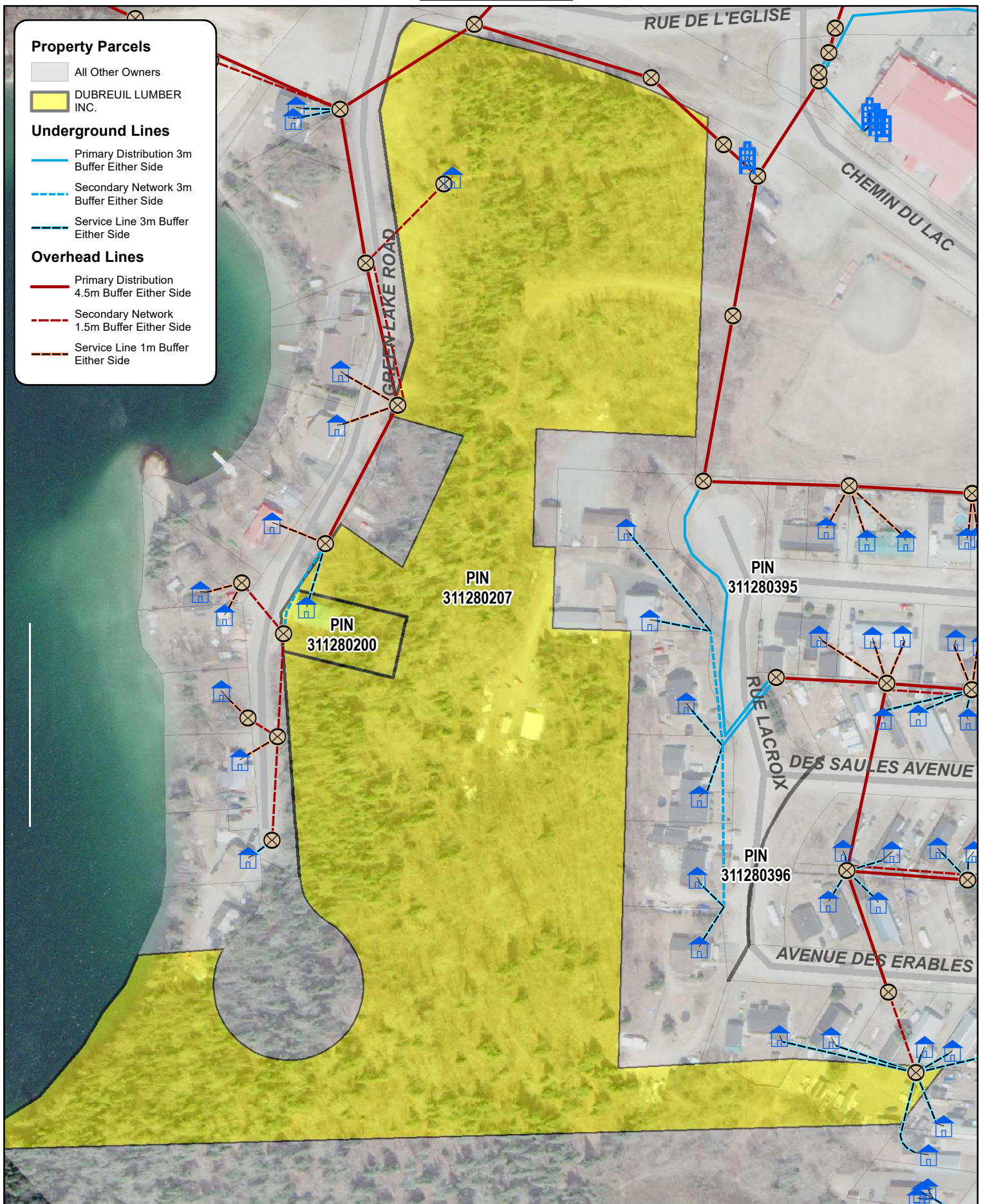
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SCHEDULE 1.1(B)
REQUIRED EASEMENTS

Required Easements from Dubreuil Lumber Inc.

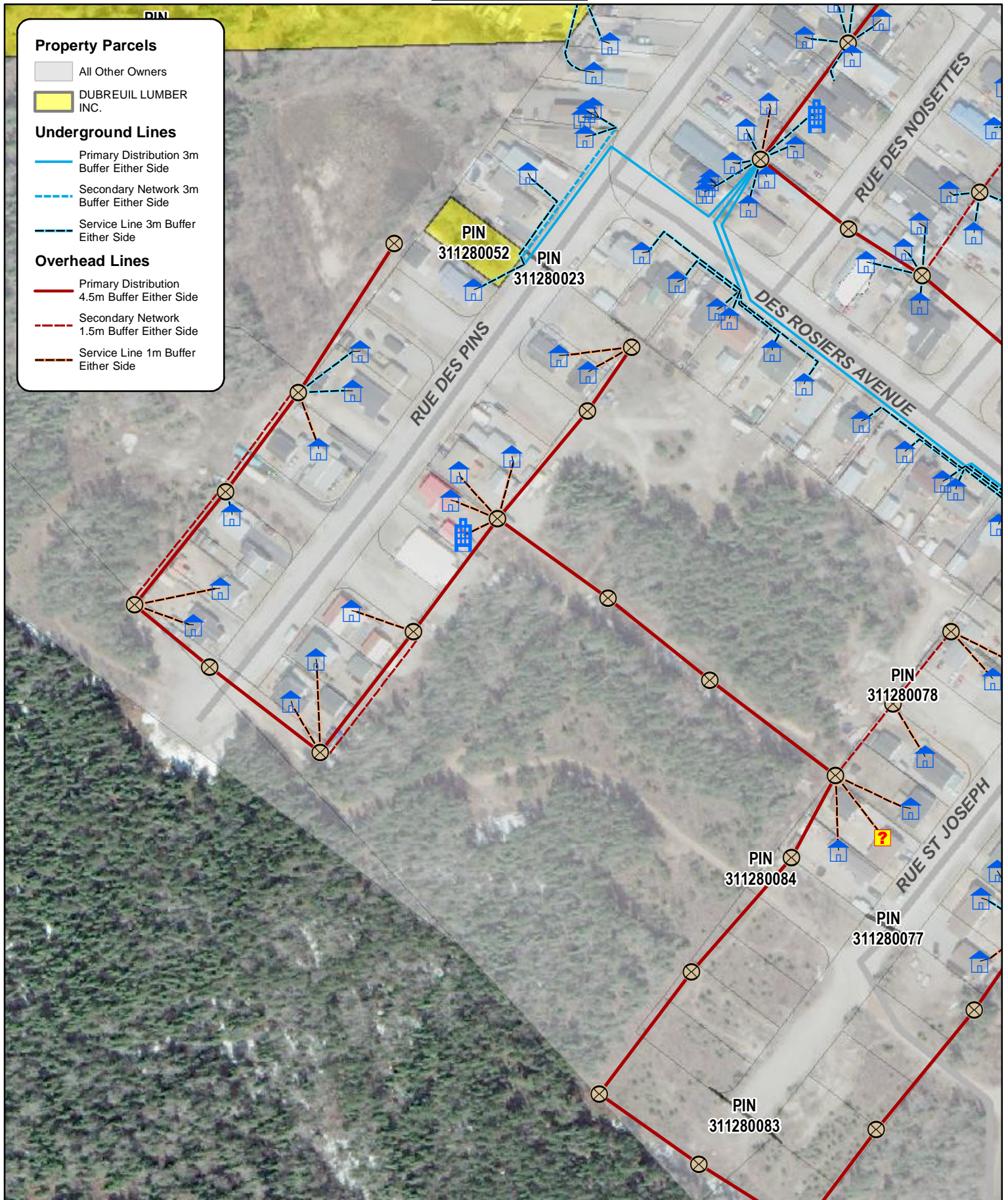
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311280128	6
311280129	6
311280455	6
311280117	6
311280116	6
311280115	6
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Map No.1

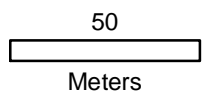


Dubreuil Lumber Inc. Property Easement Locations:
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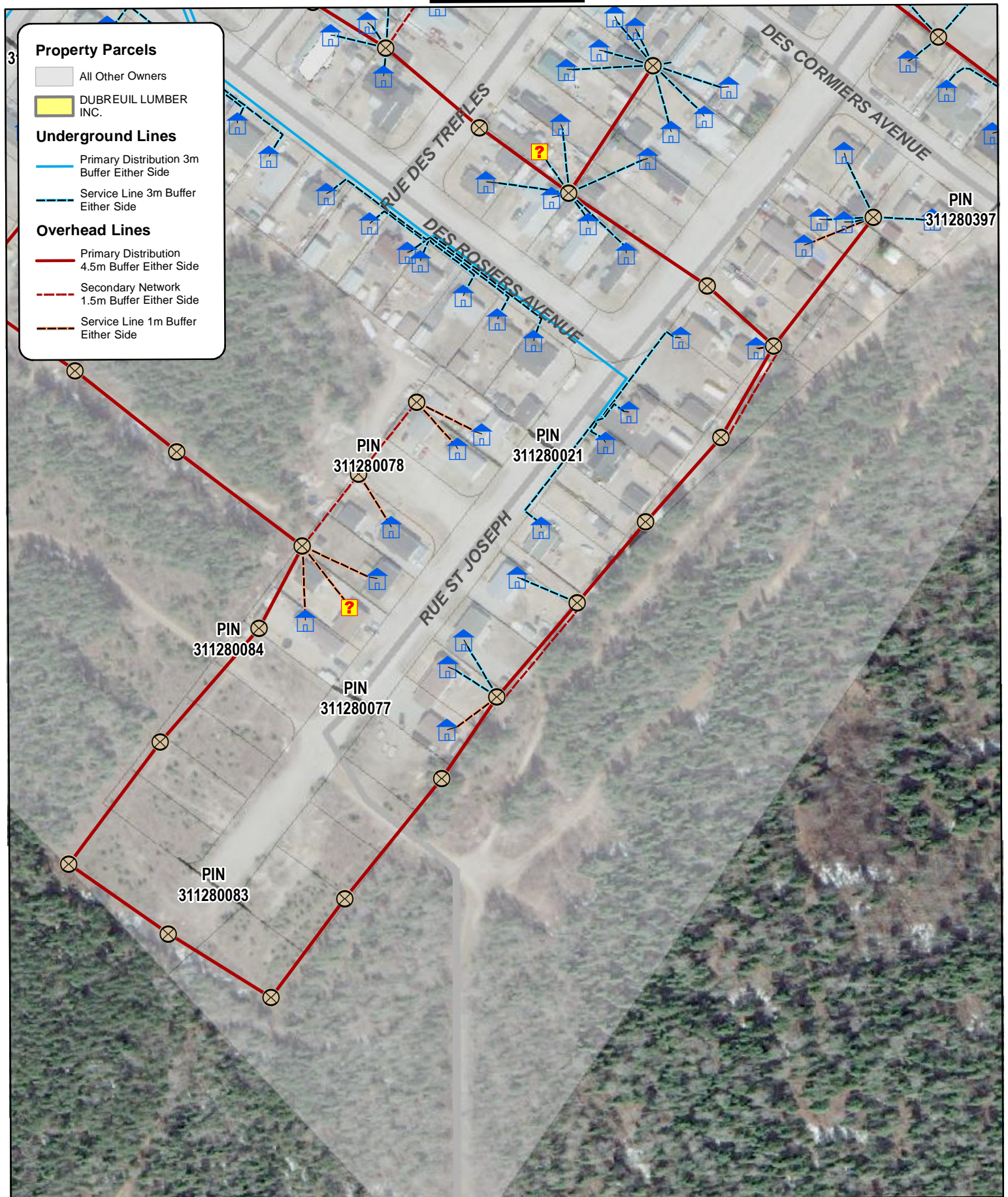
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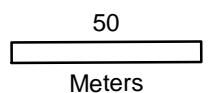
Dubreuil Lumber Inc. Property Easement Locations:
PIN No. 311280052. 311280023, 311280078 & 311280084



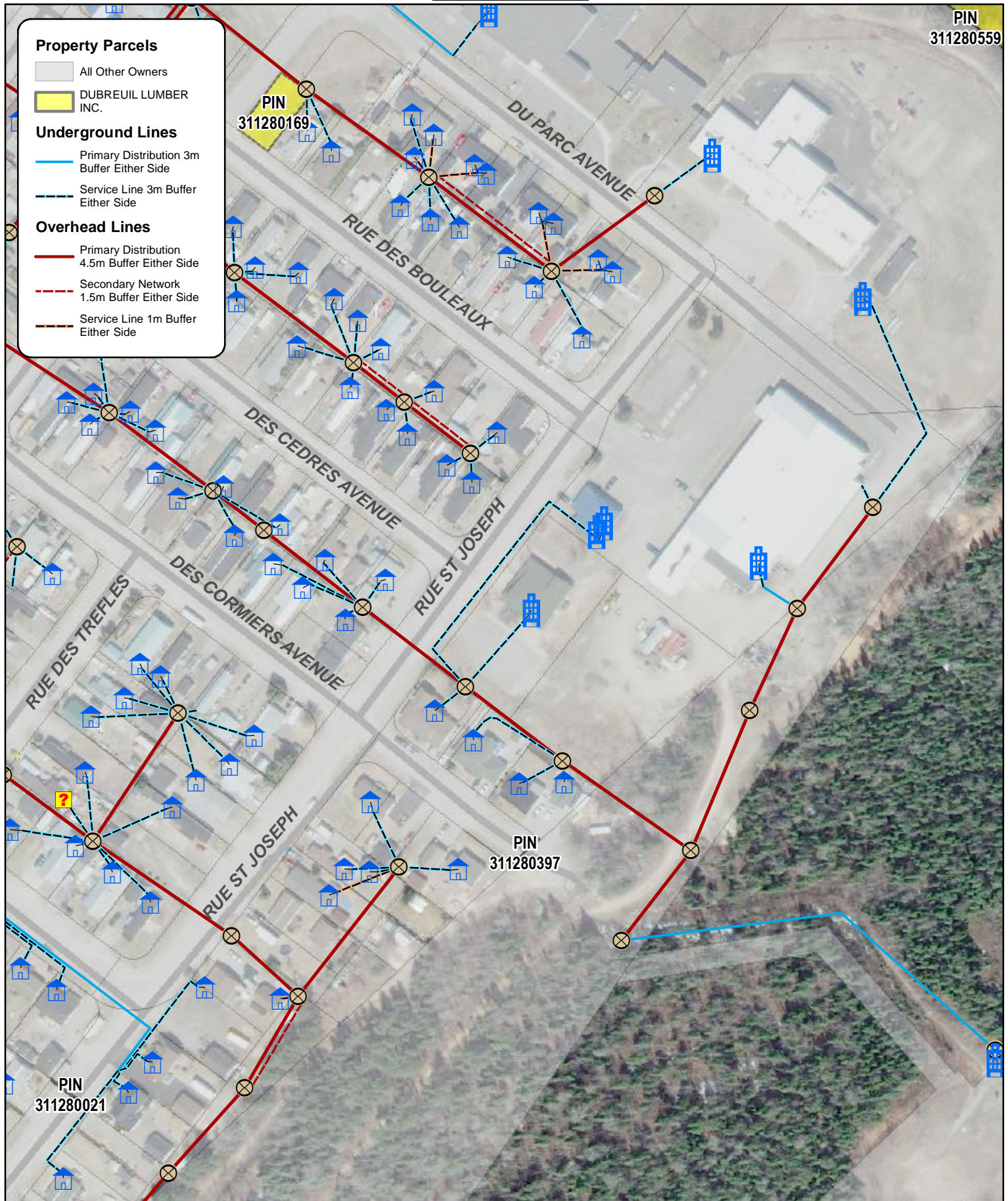
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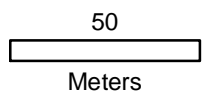
Dubreuil Lumber Inc. Property Easement Locations:
PIN No. 311280021



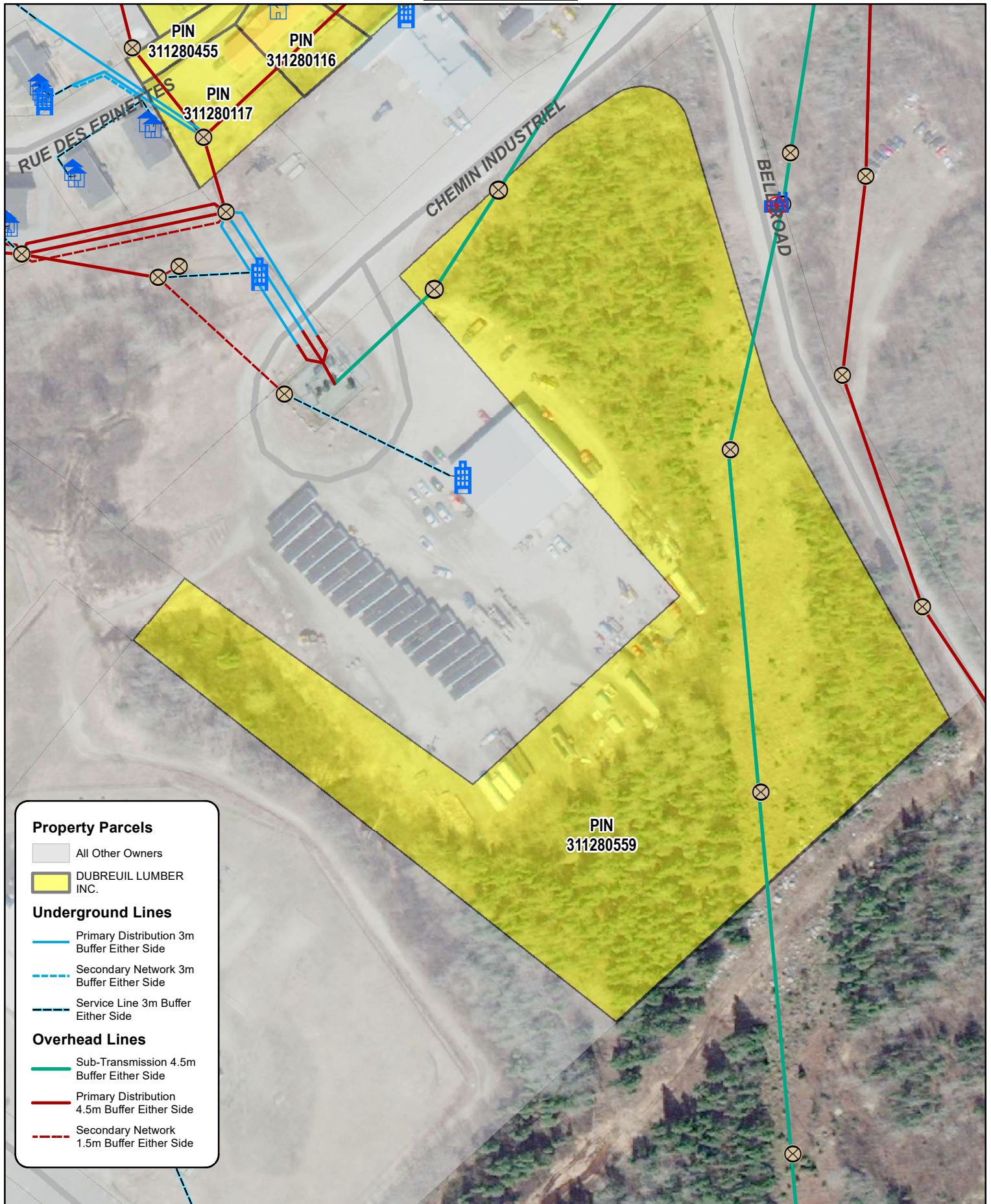
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Dubreuil Lumber Inc. Property Easement Locations:
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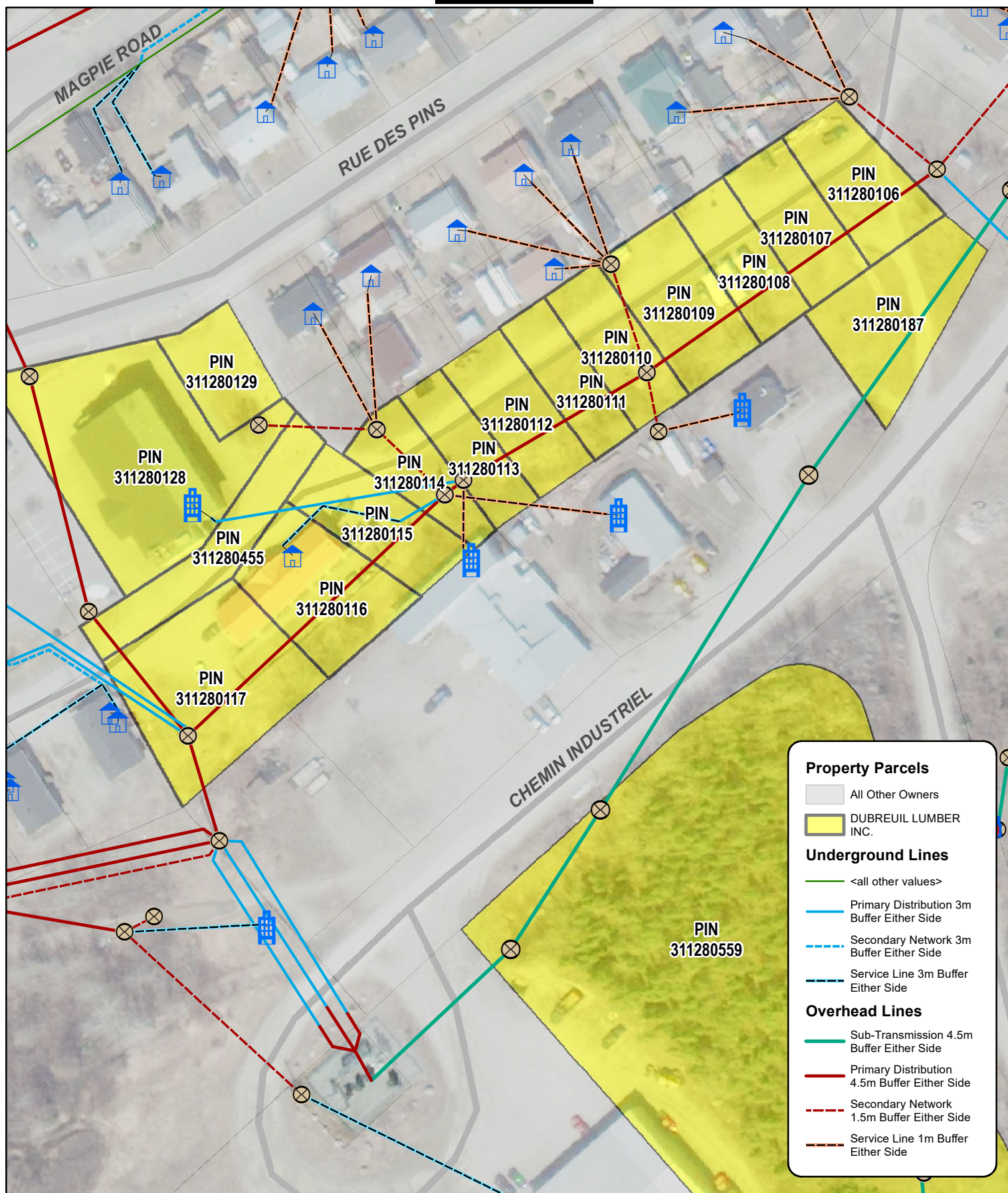
Map No.5



Dubreuil Lumber Inc. Property Easement Locations:
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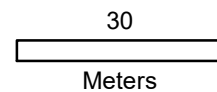
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Meters

Map No.6



Dubreuil Lumber Inc. Property Easement Locations:

PIN No. 311280128, 311280129, 311280455, 311280117, 311280116, 311280115, 311280114, 311280113, 311280112, 311280111, 311280110, 311280109, 311280108, 311280107, 311280106, 311280187



Map No.7

Property Parcels

- All Other Owners
- DUBREUIL LUMBER INC.

Underground Lines

- <all other values>
- Primary Distribution 3m Buffer Either Side
- Secondary Network 3m Buffer Either Side
- Service Line 3m Buffer Either Side

Overhead Lines

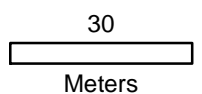
- <all other values>
- Sub-Transmission 4.5m Buffer Either Side
- Primary Distribution 4.5m Buffer Either Side
- Secondary Network 1.5m Buffer Either Side
- Service Line 1m Buffer Either Side

Station Locations

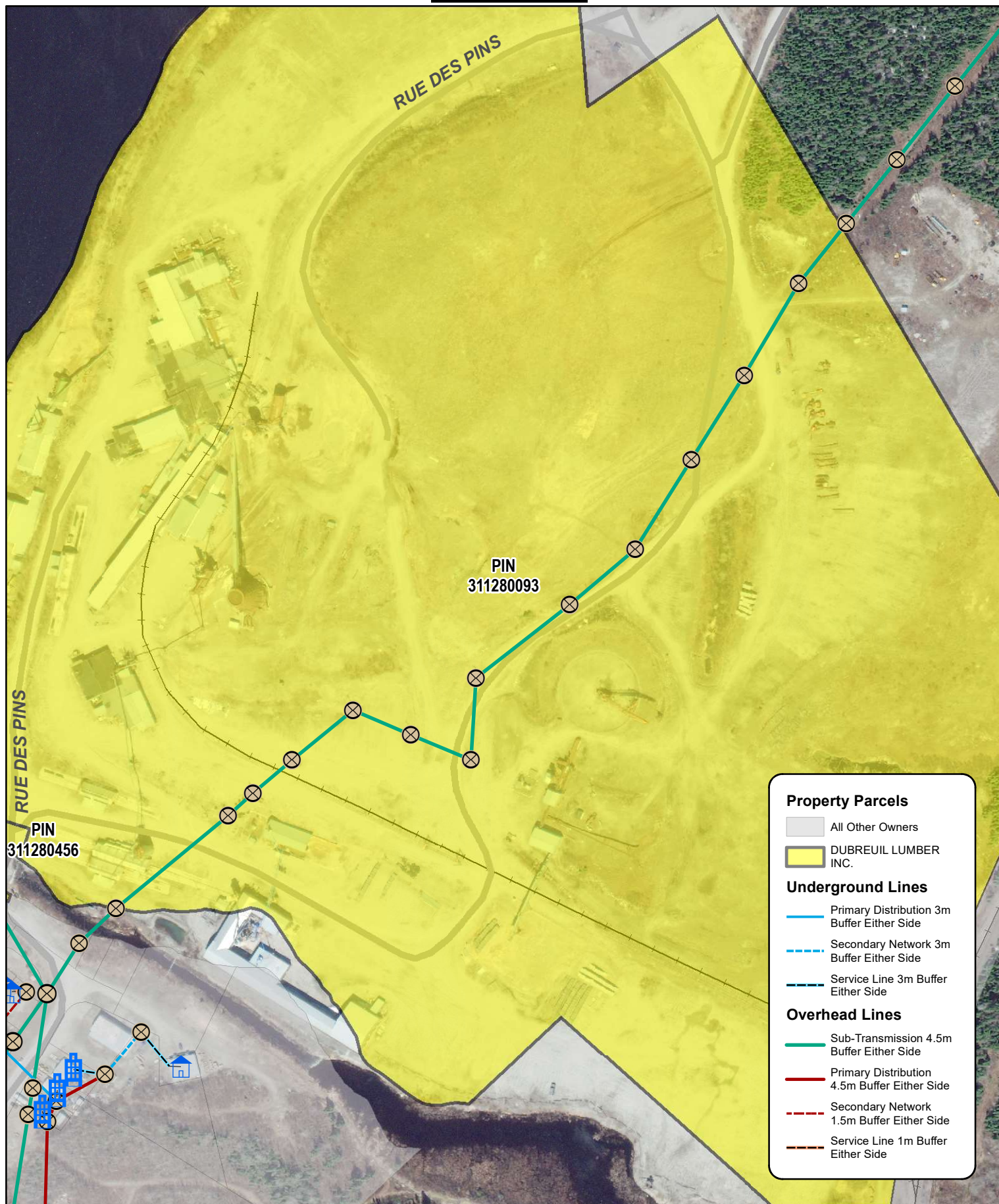
- Existing Location



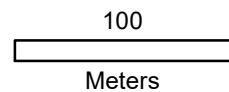
Dubreuil Lumber Inc. Property Easement Locations:
PIN No. 311280141 & 311280142



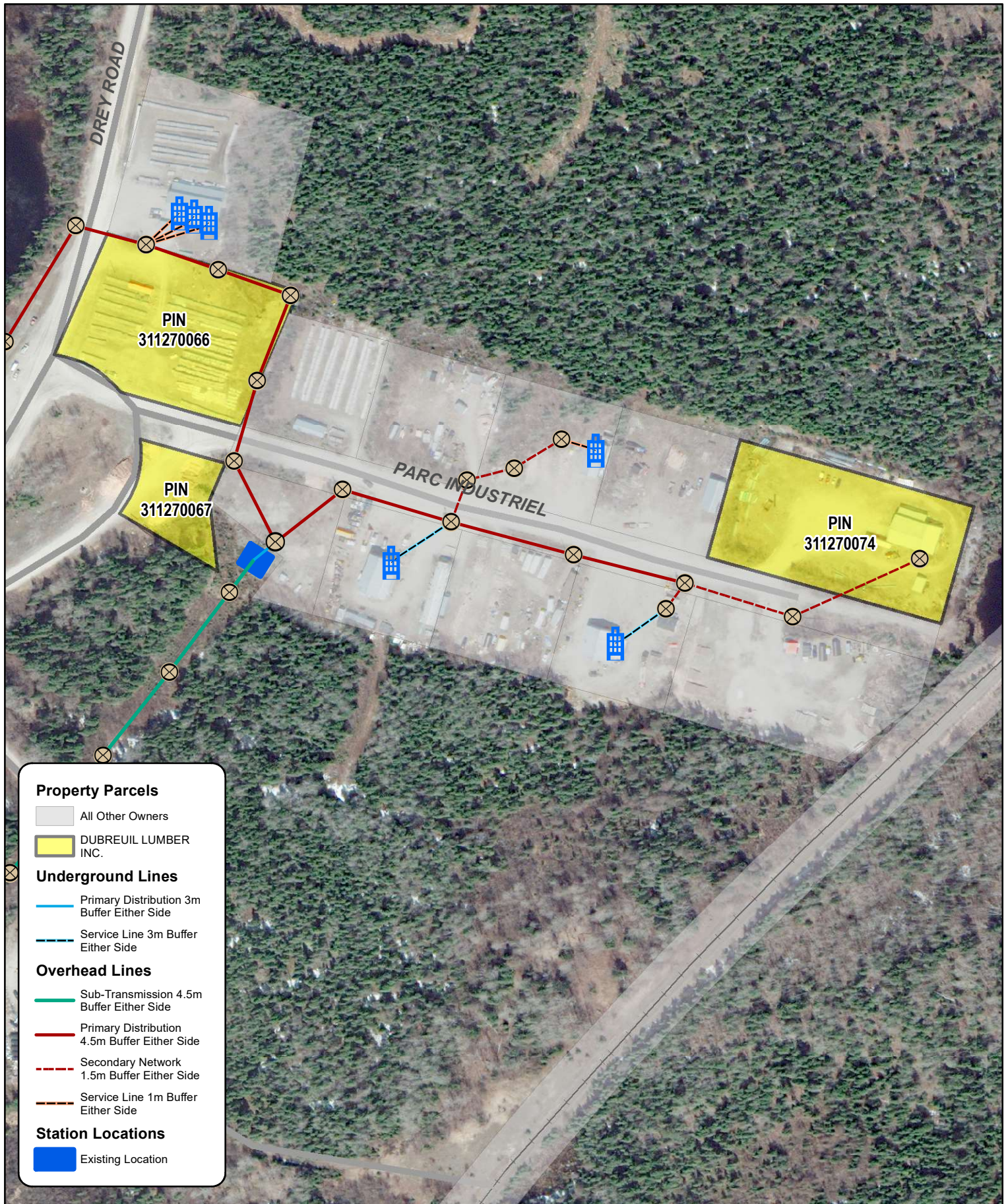
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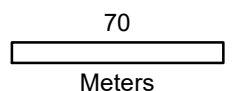
Dubreuil Lumber Inc. Property Easement Locations:
PIN No. 311280093



Map No.9



Dubreuil Lumber Inc. Property Easement Locations:
PIN No. 311270066, 311270067, 311270074



Form of Schedule to be attached to Transfer of Easement in Gross

WHEREAS the Transferee owns and operates a system of electricity distribution lines (within the meaning of Part VI of the Ontario Energy Board Act, 1998 and amendments thereto) throughout the District of Algoma;

AND WHEREAS the Transferor(s) is/are the registered owner(s) of the lands more particularly described in the Properties section of this Transfer of Easement (hereinafter referred to as the "Servient Lands") and has/have agreed to grant an easement in gross to the Transferee as hereinafter described;

WITNESSETH that in consideration of the sum of One Dollar (\$1.00) of lawful money of Canada now paid by the Transferee to the Transferor(s), the receipt whereof is hereby acknowledged, the Transferor(s) does/do hereby grant, convey and transfer unto the Transferee, its successors and assigns the right, liberty, privilege and easement in gross, in perpetuity in, over, along, upon, under and through the Servient Lands for the following purposes:

- (a) To erect, maintain, operate, repair, replace, relocate, reconstruct and remove at any time and from time to time in, over, along upon and under the Servient Lands, anchors, guys, braces, wires, cables and associated material and equipment required for the support of an electrical distribution line situated on other lands in the immediate vicinity of the Servient Lands (hereinafter referred to as the "Line")
- (b) To erect, maintain and use bridges and such gates in all fences which are now or may hereafter be on the Strip as the Transferee may from time to time consider necessary;
- (c) To install below the surface of the Servient Lands, at a sufficient depth so as not to interfere with any agricultural operation and maintain and use an underground conductor or conductors for electrical distribution purposes, with necessary grounding electrodes, when and where required within the Servient Lands;
- (d) To mark the location of the Line, if it is under the Strip, by suitable markers, but said markers when set in the ground shall be placed in fences or other locations which will not interfere with any reasonable use the Transferor shall make of the Strip;
- (e) To cut selectively trees and shrubs on the Servient Lands and to keep it clear of all trees, shrubs and brush which may interfere with the safe operation and maintenance of the Line;
- (f) To conduct engineering and legal surveys and make soil tests in, on and over the Servient Lands;
- (g) To clear the Servient Lands and keep them clear of all buildings, structures and other obstructions of any nature whatever, including removal of any materials which in the opinion of the Transferee are hazardous to the Line.
Notwithstanding the foregoing, in all cases where, in the sole discretion of the Transferee, the safe operation and maintenance of the Line is not endangered or interfered with, the Transferor(s) from time to time, or the person or persons entitled thereto, may with prior written approval of the Transferee, at his/her/their/its own expense, construct and maintain roads, lanes, walks, drains, sewers, water pipes, oil and gas pipelines, and fences (except fences less than

three metres high which do not need approval) on or under the Servient Lands or any portion thereof, provided that prior to commencing any such installation, the Transferor(s) shall give to the Transferee thirty (30) days notice in writing so as to enable the Transferee to have a representative inspect the site, be present during the performance of the work and ensure that the Transferor complies with any instructions that may be given by any such representative in order that such work may be carried out in such manner as not to endanger, damage or interfere with the Line;

- (h) To cut, prune and remove, if necessary, trees located outside the Servient Lands and to keep it clear of all trees, shrubs and brush which may interfere with the safe operation and maintenance of the Line;
- (i) To enter on and to pass and re-pass at any and all times, in, over, along and upon the Servient Lands for the servants, agents, contractors and subcontractors of the Transferee with or without vehicles, supplies, machinery and equipment for all purposes necessary or convenient to the exercise and enjoyment of the rights and easement hereby transferred.

THE TRANSFEEE shall:

- (a) be responsible for any damage caused at any time by its agents or employees to the lands of the Transferor(s) in the vicinity of the Servient Lands and, when practical, repair such damage appropriately, provided that subsequent maintenance of the said lands of the Transferor(s) shall be the responsibility of the Transferor(s);
- (b) indemnify and save the Transferor(s) harmless from all actions, causes of action, suits, claims and demands of every nature and kind whatsoever which may be made against the Transferor(s) relating to or arising out of the placement of the Line by the Transferee and for which the Transferee, in law, is responsible;

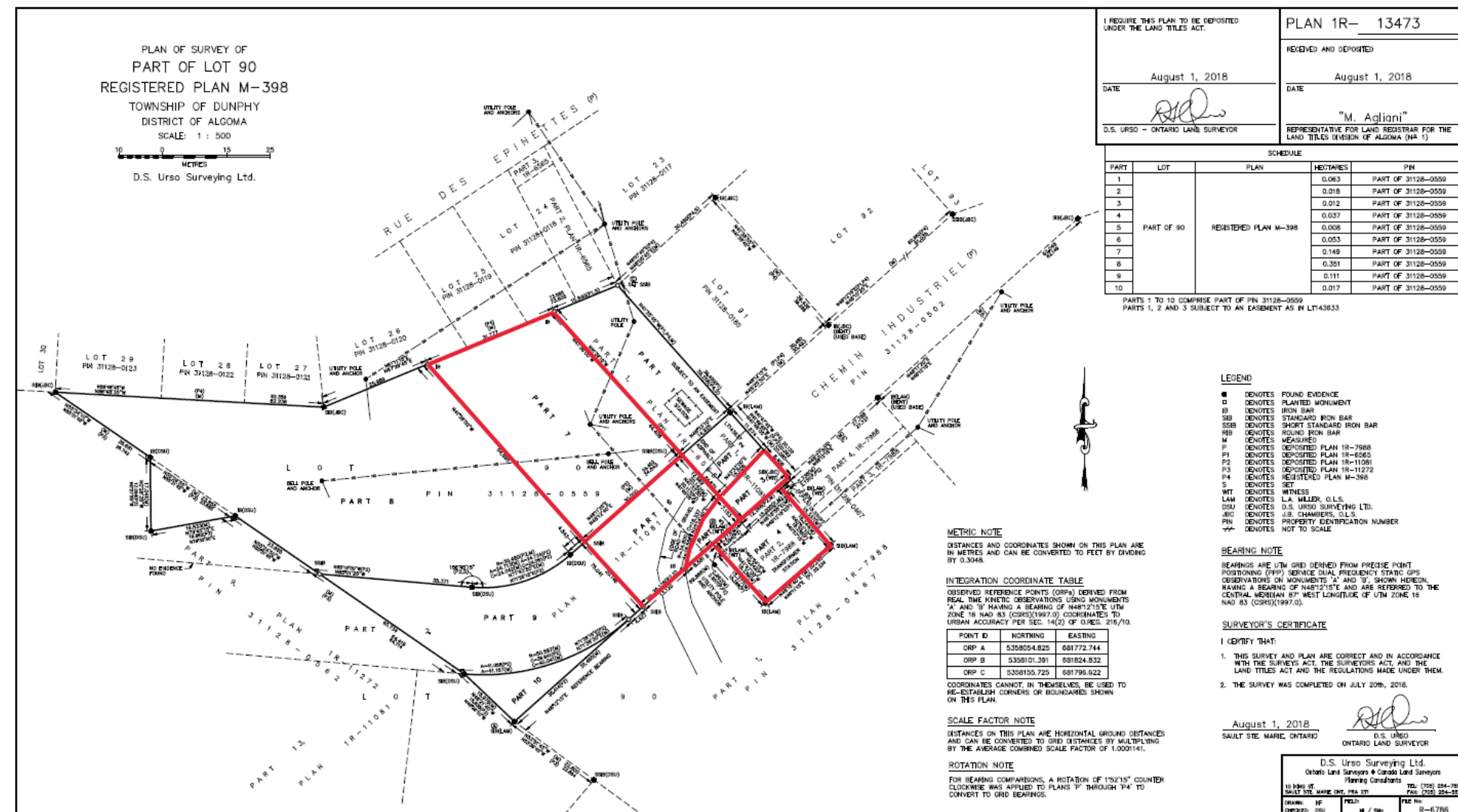
NOTWITHSTANDING any rule of law or equity and even though the Line is annexed or affixed to the Servient Lands, title to the Line shall nevertheless remain in the Transferee.

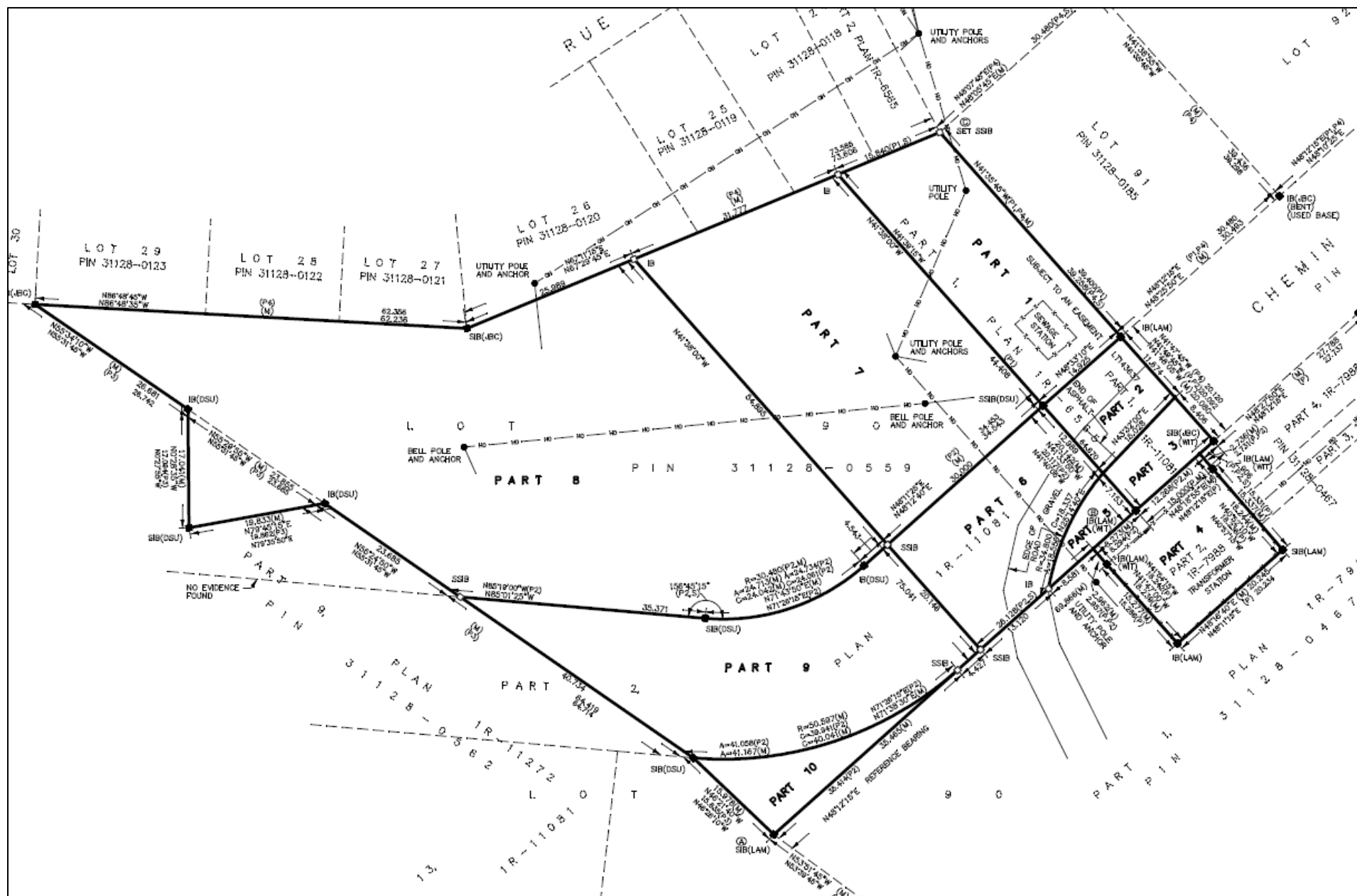
THE BURDEN and benefit of this easement shall run with the Servient Lands and shall extend to and be binding on and ensure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

THE TRANSFEEE DECLARES that this easement in gross is being acquired by the Transferee for the purposes of an electricity distribution line within the meaning of Part VI of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B.*

SCHEDULE 2.1(A)
OWNED REAL PROPERTY

- Part 2 shall be subject to an easement in gross for ingress and egress in favour of Parts 3, 4, 5, 6 and 7
- Part 6 shall be subject to an easement in gross for ingress and egress in favour of Parts 8, 9 and 10
- Parts 1, 2, 8, 9 and 10 shall be subject to an easement in gross for electrical lines, poles and related equipment





SCHEDULE 2.1(B)
MACHINERY AND EQUIPMENT

Distribution Stations	Description
Substation #1 (Rue des Pins)	API shall not own any distribution assets in this substation.
Substation #2 (Chemin Industriel)	API shall own all distribution assets in this substation, including, but not limited to, power transformers, high-side buswork and equipment, switches and fuses, overhead and underground primary conductors, fence, etc.
Substation #3 (Parc Industriel)	API shall own all distribution assets in this substation, including, but not limited to, power transformers, high-side buswork and equipment, switches and fuses, overhead and underground primary conductors, fence, etc.

Overhead Distribution	Description
Primary	<p>Subject to the provision below, API shall own all primary 44kV overhead circuits, including, but not limited to, poles¹, conductors, guying/anchoring, hardware, etc. that supply Substation #2 and Substation #3.</p> <p>API shall not own any primary 44kV overhead circuits, including, but not limited to poles, transformers, conductors, guying/anchoring, hardware, etc. that are: (i) located on Dubreuil Lumber Inc. property and (ii) used solely for the supply of electricity to Dubreuil Lumber Inc.</p>
	<p>Subject to the provision below, API shall own all primary overhead circuits less than 44kV, including, but not limited to, poles, transformers, conductors, guying/anchoring, hardware, etc.</p> <p>API shall not own any primary overhead circuits less than 44kV, including, but not limited to, poles, transformers, conductors, guying/anchoring, hardware, etc. that are: (i) located on Dubreuil Lumber Inc. property and (ii) used solely for the supply of electricity to Dubreuil Lumber Inc.</p>
Secondary	Subject to the provision below, API shall own all secondary overhead distribution circuits, including, but not limited to, poles, conductors, guying/anchoring, hardware, etc. to the customer meter.

¹ A list of poles is included in this Schedule 2.1(b)

	API shall not own any secondary overhead distribution circuits, including, but not limited to, poles, conductors, guying/anchoring, hardware, etc. that are: (i) located on Dubreuil Lumber Inc. property; and (ii) used solely for the supply of electricity to Dubreuil Lumber Inc.
	API shall not own any secondary overhead distribution circuits, including but not limited to, poles, conductors, guying/anchoring, hardware, etc., beyond the customer meter.

Underground Distribution	Description
Primary	<p>Subject to the provision below, API shall own all primary underground circuits, including, but not limited to, transformers, riser equipment, cables, connectors, etc.</p> <p>API shall not own any primary underground circuits, including, but not limited to, transformers, riser equipment, cables, connectors, etc. that are: (i) located on Dubreuil Lumber Inc. property and (ii) used solely for the supply of electricity to Dubreuil Lumber Inc.</p>
	API shall own the underground transformation for residential services and commercial services up to 167 kVA (for single-phase) and 500 kVA (for three-phase) under this criteria.
Secondary	API shall own all secondary underground distribution circuits, including, but not limited to, riser equipment, cables, connectors, etc. to the customer meter.
	API shall not own any secondary underground distribution circuit, including, but not limited to, riser equipment, cables, connectors, etc. beyond the customer meter.
	With respect to bank of meters, API shall own the secondary underground distribution circuit, including, but not limited to, riser equipment, cables, connectors, etc. to any bank of meters.
	With respect to bank of meters, API shall not own the secondary underground distribution circuit, including, but not limited to, riser equipment, cables, connectors, etc. beyond any bank of meters.

Metering	Description
	API shall own all the primary and secondary meters, including all instrument transformers that are used to measure and settle electrical demand and consumption.

Street Lighting	Description
	API shall not own any street lighting infrastructure that is connected to the distribution system.

Telecommunication	Description
	API shall not own any telecommunication infrastructure, including, but not limited to, telecommunication cables, service drops, telecommunication guys and anchors, poles used strictly for telecommunication cables, etc.

Tools, Equipment, Material, Scrap, Vehicles	Description
	API shall not own any scrap or spare electrical distribution equipment and material that was previously managed by Dubreuil Lumber Inc. and is not currently connected to the distribution system, including, but not limited to, transformers, insulators, switches, abandoned overhead and underground circuits, etc.
	API shall not own any vehicles or tools previously used by Dubreuil Lumber Inc. to operate or maintain the distribution system.

Facilities	Description
	API shall not own any office facilities that were used by Dubreuil Lumber Inc. to operate or maintain the distribution system.

Pole Name	Circuit Class	Pole Height	Pole Class	Pole Age	Pole Species	X Coordinate	Y Coordinate
PD85-1	44 kV					681951.8309	5358400.679
PD86-1	44 kV					681974.2386	5358290.169
PD86-2	44 kV					681929.7021	5358227.739
PD86-3	44 kV					681884.0958	5358154.496
PD86-4	44 kV					681864.4398	5358124.06
PD87-1	44 kV					682020.8679	5358359.637
PD87-10	44 kV					682412.0253	5358636.438
PD87-11	44 kV					682451.5881	5358699.346
PD87-12	44 kV					682488.7643	5358758.599
PD87-13	44 kV					682527.2424	5358823.115
PD87-14	44 kV					682560.712	5358865.292
PD87-15	44 kV					682596.336	5358910.183
PD87-16	44 kV					682637.3453	5358961.861
PD87-17	44 kV					682694.5684	5359033.97
PD87-18	44 kV					682749.6057	5359103.325
PD87-19	44 kV					682788.0248	5359151.738
PD87-2	44 kV					682046.719	5358384.021
PD87-20	44 kV					682834.589	5359210.416
PD87-21	44 kV					682867.9099	5359252.405
PD87-22	44 kV					682897.9536	5359292.211
PD87-3	44 kV					682125.576	5358449.11
PD87-4	44 kV					682143.1927	5358465.035
PD87-5	44 kV					682170.6676	5358488.169
PD87-6	44 kV					682213.531	5358523.392
PD87-7	44 kV					682254.1995	5358506.058
PD87-8	44 kV					682300.112	5358546.005
PD87-9	44 kV					682365.9652	5358597.463
PGD104	44 kV					681971.0756	5358150.291
PGD105	44 kV					681973.4436	5358165.954
PGD106	44 kV					681985.0101	5358239.142
PGD107	44 kV					681988.2239	5358258.04
PGD108	44 kV					681998.1433	5358323.904
PY2G8600-1	Distribution Primary	65	2	1984	W	681800.611	5358147.866
PY2G8610-1	Distribution Primary	45	3	1985	W	681738.1079	5358134.924
PY2G8610-10	Distribution Primary	40	5	1989	W	681412.3953	5357863.534
PY2G8610-11	Distribution Primary	40	4	1983	W	681365.7539	5357802.205
PY2G8610-12	Distribution Primary	40	3	1983	W	681330.6981	5357755.6
PY2G8610-13	Distribution Primary	40	5	1983	W	681366.0412	5357727.546
PY2G8610-14	Distribution Primary	35	5	1974	Y	681395.5334	5357708.826
PY2G8610-14S1	Secondary	35	5	1974	J	681418.6559	5357742.318
PY2G8610-14S2	Secondary	35	5	1975	J	681438.4495	5357768.291
PY2G8610-15	Distribution Primary	40	5	1983	W	681433.0341	5357676.562

PY2G8610-16	Distribution Primary	35	5	1974	W	681469.0052	5357649.821
PY2G8610-16T01L	Distribution Primary	40	5	1983	W	681503.2457	5357701.299
PY2G8610-17	Distribution Primary	35	5	1974	W	681524.6014	5357611.937
PY2G8610-18	Distribution Primary	35	5	1975	J	681551.3262	5357587.559
PY2G8610-18T01L	Distribution Primary	35	5	1974	W	681591.8695	5357639.446
PY2G8610-19	Distribution Primary	40	5	1989	Y	681529.7737	5357550.618
PY2G8610-1T01	Distribution Primary	40	3	1985	W	681779.825	5358127.814
PY2G8610-1T01S1	Secondary	45	5	1985	W	681786.2553	5358131.233
PY2G8610-1T01S2	Secondary	40	5	1985	W	681818.6083	5358092.27
PY2G8610-2	Distribution Primary	45	3	1985	W	681689.2375	5358138.94
PY2G8610-20	Distribution Primary	40	4	1989	Y	681499.243	5357516.589
PY2G8610-21	Distribution Primary	40	4	1989	Y	681471.5419	5357484.109
PY2G8610-22	Distribution Primary	40	5	1989	Y	681439.0992	5357446.163
PY2G8610-23	Distribution Primary	40	5	1999	J	681416.4199	5357413.223
PY2G8610-24	Distribution Primary	40	4	2000	R	681377.2316	5357365.071
PY2G8610-25	Distribution Primary	45	4	2000	R	681347.2457	5357325.029
PY2G8610-26	Distribution Primary	40	4	2000	R	681305.8667	5357351.157
PY2G8610-27	Distribution Primary	45	4	2000	R	681265.8815	5357379.417
PY2G8610-28	Distribution Primary	40	4	2000	R	681302.9815	5357428.539
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PY2G8610-3	Distribution Primary	50	4	1977	W	681628.9349	5358121.685
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PY2G8610-30S2	Secondary	35	5	1975	W	681407.1264	5357565.583
PY2G8610-31	Distribution Primary	40	5	1989	Y	681310.3055	5357545.993
PY2G8610-32	Distribution Primary	40	5	1989	Y	681269.4666	5357578.845
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PY2G8610-33T01R	Distribution Primary	40	5	1989	Y	681261.3904	5357654.191
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PY2G8610-34	Distribution Primary	40	5	1989	Y	681191.3881	5357565.436
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PY2G8610-36	Distribution Primary	40	4	1989	Y	681109.6167	5357551.235
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PY2G8610-6	Distribution Primary	40	4	1978	W	681538.3154	5358029.447
PY2G8610-6T01	Distribution Primary	45	5	2002	R	681540.7242	5358026.077
PY2G8610-7	Distribution Primary	40	4	1983	W	681508.6464	5357988.803
PY2G8610-8	Distribution Primary	50	3	1985	W	681465.5499	5357933.403
PY2G8610-9	Distribution Primary	40	4	1985	W	681435.4427	5357894.615
PY2G8610A-1	Distribution Primary	40	4	1985	W	681554.5938	5357952.225
PY2G8610A-2	Distribution Primary	40	5	1988	W	681603.736	5357916.865
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PY2G8610A-4	Distribution Primary	40	5	1990	W	681694.3307	5357909.439
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PY2G8610B-2	Distribution Primary	40	4	1985	W	681525.7885	5357878.439
PY2G8610B-3	Distribution Primary	40	4	1985	W	681573.5568	5357842.247
PY2G8610B-4	Distribution Primary	40	4	1985	W	681593.8799	5357826.298
PY2G8610B-5	Distribution Primary	40	5	1985	W	681620.3921	5357805.838
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PY2G8610C-2A	Distribution Primary	45	4	2017	W	681537.6575	5357774.74
PY2G8610C-3	Distribution Primary	35	5	1974	J	681577.2051	5357743.956
PY2G8610C-4	Distribution Primary	40	5	1984	W	681618.4554	5357712.06
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PY2G8610C-6T02S1R	Secondary					681838.9182	5357563.372
PY2G8610C-7	Distribution Primary	45	3	2008	W	681732.4364	5357702.315
PY2G8610C-8	Distribution Primary	45	3	2008	W	681751.3968	5357743.427
PY2G8610C-9	Distribution Primary	45	3	2008	W	681781.7962	5357783.979
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PY2G8620-11	Distribution Primary	40	5	1985	W	681281.5647	5357981.219
PY2G8620-11A	Distribution Primary	40	5	1985	W	681246.611	5357983.84
PY2G8620-12	Distribution Primary	40	5	1985	W	681201.2333	5357986.236
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PY2G8620-14	Distribution Primary	40	4	1985	W	681183.3294	5358134.931
PY2G8620-15	Distribution Primary	40	4	1987	W	681193.4163	5358192.209
PY2G8620-16	Distribution Primary	40	3	1983	Y	681218.7779	5358231.288
PY2G8620-16A	Distribution Primary	45	4	2013	R	681218.6616	5358234.764
PY2G8620-16B	Distribution Primary	40	4	2013	R	681222.8291	5358242.988
PY2G8620-16C	Distribution Primary	45	2	2015	R	681225.4657	5358252.999
PY2G8620-17	Distribution Primary					681232.9969	5358275.167
PY2G8620-2S1	Secondary	35	5	1974	W	681670.0572	5358142.559
PY2G8620-9	Distribution Primary	40	4	1984	W	681399.9006	5357976.261
PY2G8620A-1	Distribution Primary	45	4	1984	W	681421.7996	5358011.233
PY2G8620A-2	Distribution Primary	45	4	1984	W	681439.8119	5358045.479
PY2G8620A-3	Distribution Primary	45	3	2002	R	681459.9588	5358085.431
PY2G8620B-1	Distribution Primary	40	4	1985	W	681231.1944	5358064.956
PY2G8620B-2	Distribution Primary	40	4	1985	W	681281.7853	5358061.921
PY2G8620B-3	Distribution Primary	40	4	1985	W	681320.0712	5358060.981
PY2G8620B-4	Distribution Primary	40	4	1985	W	681349.679	5358058.949
PY2G8620C-1	Distribution Primary	40	3	1998	R	681179.3985	5358205.077
PY2G8620C-10	Distribution Primary	40	5	1982	Y	680636.2404	5358220.29
PY2G8620C1-1	Distribution Primary	40	5	1984	Y	681032.4314	5358156.577
PY2G8620C-11	Distribution Primary	40	5	1982	Y	680586.4031	5358211.32
PY2G8620C1-1S1L	Secondary	35	5	1978	W	681064.5333	5358189.008

PY2G8620C1-2	Distribution Primary	40	3	1998	R	681045.5519	5358098.21
PY2G8620C-12	Distribution Primary	40	5	1982	Y	680530.9543	5358144.632
PY2G8620C1-3	Distribution Primary	40	5	1978	W	681015.8611	5358041.336
PY2G8620C-13	Distribution Primary	40	5	1982	Y	680483.0071	5358070.581
PY2G8620C1-3S1	Secondary	40	4	1983	W	680998.6316	5358004.413
PY2G8620C1-3S2	Secondary	30	1	1988	L	680996.2015	5357961.902
PY2G8620C1-3S3	Secondary	35	1	1988	J	680993.8948	5357919.539
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PY2G8620C-15	Distribution Primary	40	4	1983	Y	680427.8571	5357915.992
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PY2G8620C-17	Distribution Primary	40	4	1983	Y	680477.1222	5357788.719
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PY2G8620C-3	Distribution Primary	45	5	1985	L	681077.0623	5358254.467
PY2G8620C-3T01R	Distribution Primary	40	5	1983	W	681099.9006	5358279.524
PY2G8620C-3T01S1R	Secondary	40	5	1985	W	681127.8283	5358300.488
PY2G8620C-3T01S2R	Secondary	40	3	1993	W	681156.539	5358323.77
PY2G8620C-3T01S3R	Secondary	35	4	1988	R	681174.2143	5358365.788
PY2G8620C-4	Distribution Primary	40	5	1983	Y	681021.8795	5358219.614
PY2G8620C-4S1R	Secondary	40	5	1983	Y	680968.611	5358239.752
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PY2G8620C-6	Distribution Primary	40	5	1920	Y	680893.339	5358277.66
PY2G8620C-7	Distribution Primary	40	5	1983	Y	680819.3802	5358258.288
PY2G8620C-8	Distribution Primary	40	5	1983	Y	680747.0808	5358238.302
PY2G8620C-9	Distribution Primary	40	5	1983	Y	680691.9641	5358230.391
PY2G8620D-1	Distribution Primary	45	4	1991	W	681338.7249	5358173.232
PY2G8620D-1T01	Distribution Primary	45	3	1983	W	681370.1025	5358151.429
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PY2G8630-2S2	Secondary	35	5	1977	J	681809.2396	5358238.718
PY2G8630-3	Distribution Primary	40	5	1989	W	681854.1119	5358226.707
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PY2G8630-6T01	Distribution Primary	40	4	1964	W	682038.9227	5358267.332
PY2G8630-6T01S1	Secondary					682064.332	5358297.319
PY2G8630-7	Distribution Primary	40	4	1977	J	681998.4556	5358234.11
PY2G8630-8	Distribution Primary	35	5	1975	J	681996.4946	5358158.841
PY2G8630-9	Distribution Primary	35	5	1975	J	681989.3404	5358098.015
PY2G8630A-1	Distribution Primary	45	4	2017	W	681771.9578	5358197.972

PY2G8630A-2	Distribution Primary	45	4	2017	W	681759.0022	5358249.403
PY2G8630A-3	Distribution Primary	50	3	2017	W	681731.4377	5358309.446
PY2G8630A-3T01	Distribution Primary	45	4	2017	W	681702.1566	5358324.867
PY2G8630A-3T01S1	Secondary	40	2	1985	W	681673.7123	5358313.764
PY2G8630A-3T01S2	Secondary	45	5	2014	R	681672.0398	5358353.194
PY2G8630A-4	Distribution Primary	45	4	2017	W	681778.0058	5358332.937
PY2G8630A-5	Distribution Primary	50	3	2017	W	681814.4568	5358360.328
PY2G8630A-5S1	Secondary	35	5	2017	W	681823.7897	5358346.955
PY2G8630A-6	Distribution Primary	45	4	2017	W	681863.1592	5358404.875
PY2G8630A-6T01	Distribution Primary	40	5	2017	W	681865.0303	5358376.27
PY2G8630A-7	Distribution Primary	45	4	2017	W	681918.2866	5358428.44
PY2G8700-1	Distribution Primary					682921.082	5359317.247
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PY2G8720-1	Distribution Primary	45	4	1988	W	682900.2698	5359358.068
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PY2G8720-6	Distribution Primary	45	5	1990	W	682820.9163	5359475.606
PY2G8720-7	Distribution Primary	45	5	1990	W	682785.4495	5359417.504
PY2G8720-8	Distribution Primary	45	5	1990	W	682748.1148	5359358.737
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SCHEDULE 2.1(C)
MATERIAL CONTRACTS

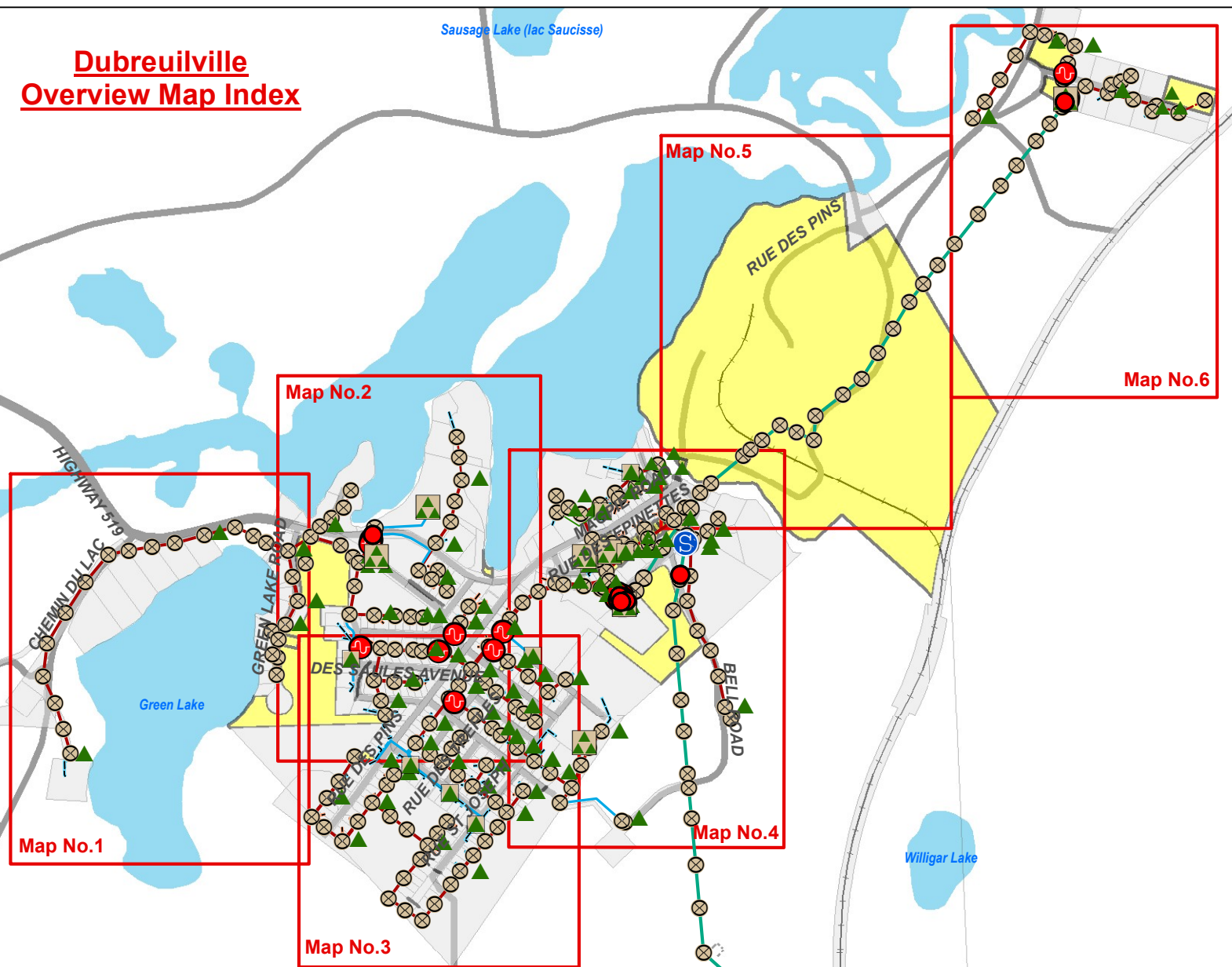
[NIL]

SCHEDULE 2.5
ALLOCATION OF PURCHASE PRICE

[NIL]

SCHEDULE 4.5
LOCATION OF ASSETS

Dubreuilville Overview Map Index



Overview Map No.1

Property Parcels

- All Other Owners
- DUBREUIL LUMBER INC.

Underground Lines

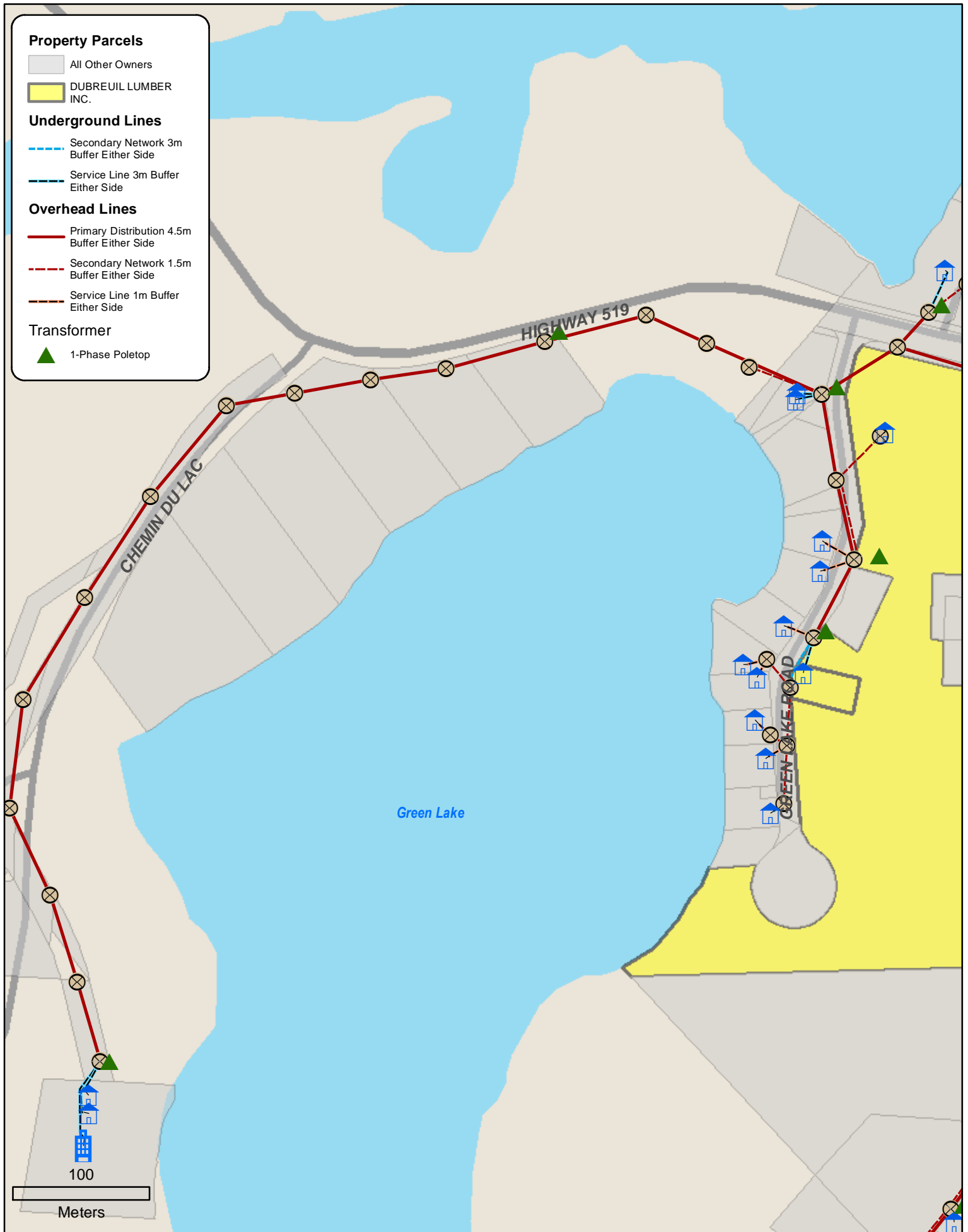
- Secondary Network 3m Buffer Either Side
- Service Line 3m Buffer Either Side

Overhead Lines

- Primary Distribution 4.5m Buffer Either Side
- Secondary Network 1.5m Buffer Either Side
- Service Line 1m Buffer Either Side

Transformer

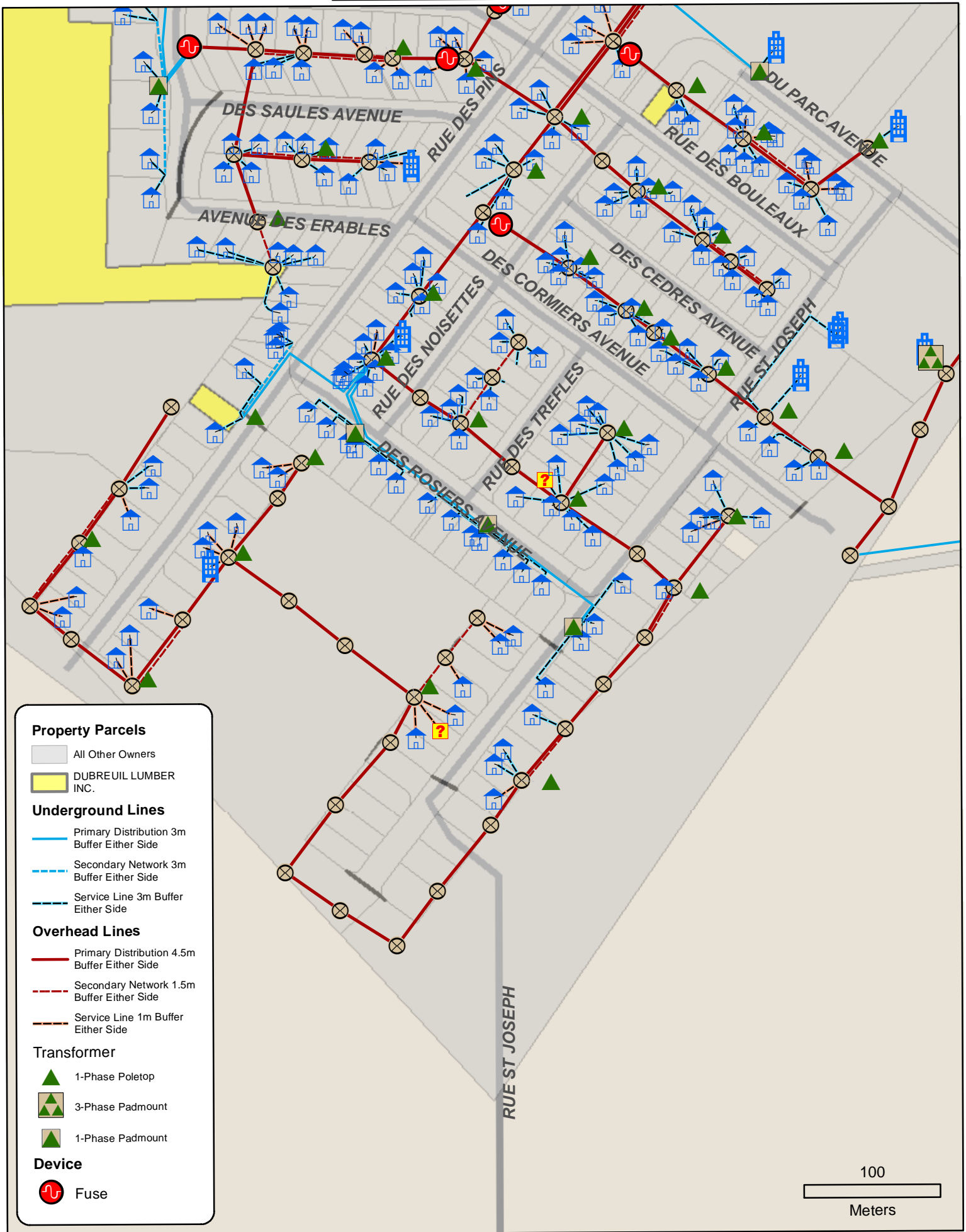
- 1-Phase Poletop



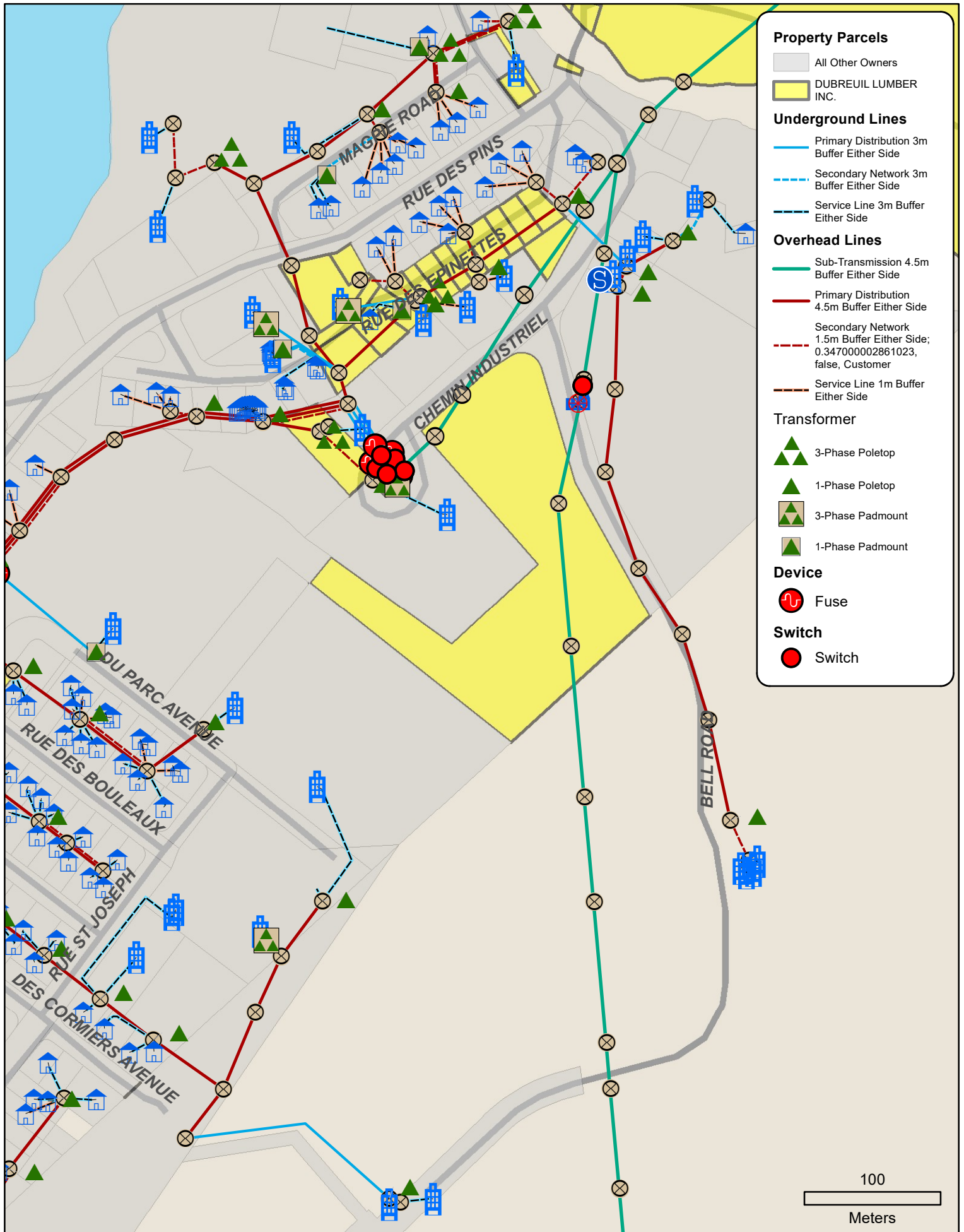
Overview Map No.2



Overview Map No.3



Overview Map No.4



Overview Map No.5

Property Parcels

- All Other Owners
- DUBREUIL LUMBER INC.

Underground Lines

- Primary Distribution 3m Buffer Either Side
- Secondary Network 3m Buffer Either Side
- Service Line 3m Buffer Either Side

Overhead Lines

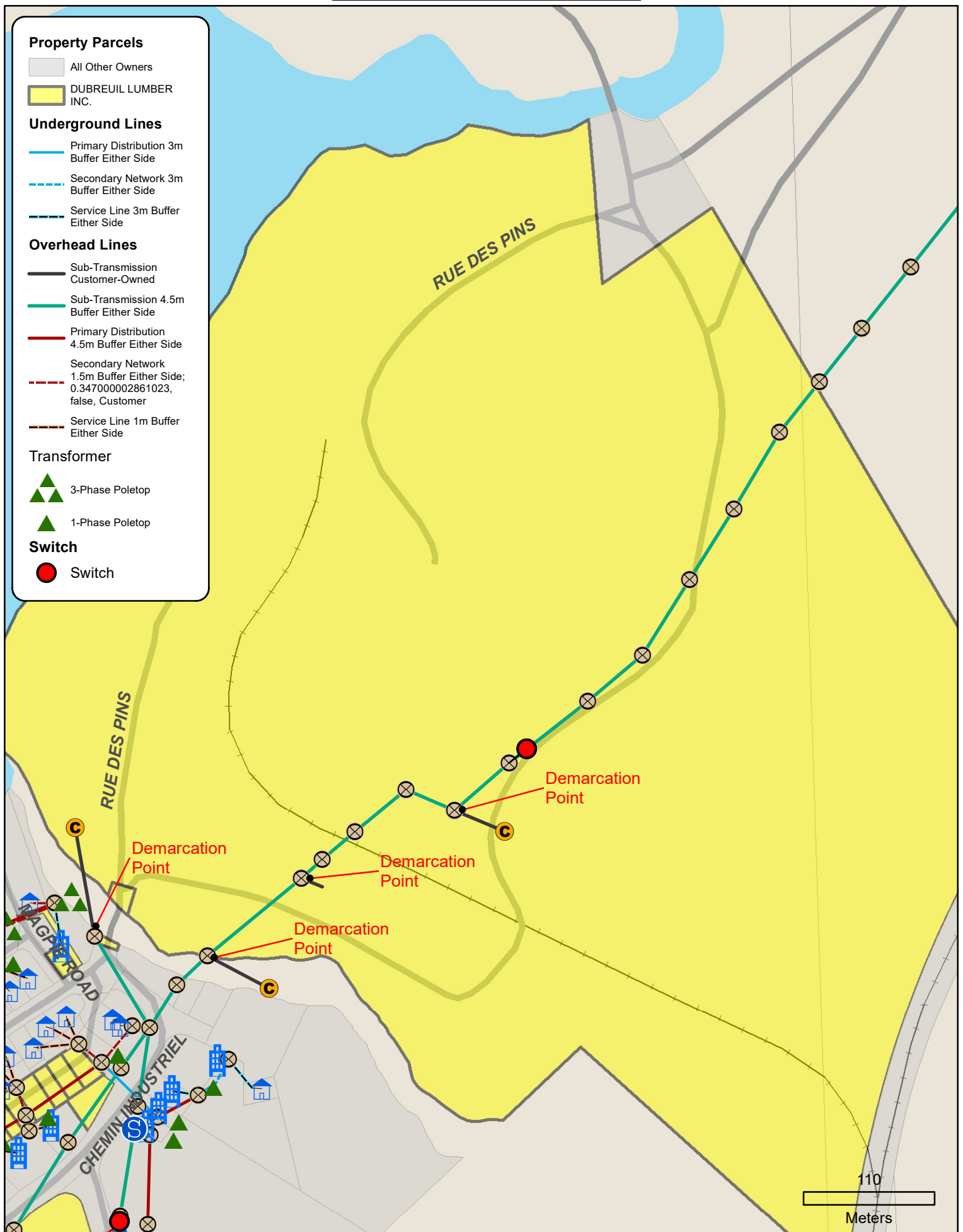
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- Sub-Transmission 4.5m Buffer Either Side
- Primary Distribution 4.5m Buffer Either Side
- Secondary Network 1.5m Buffer Either Side; 0.34700002861023, false, Customer
- Service Line 1m Buffer Either Side

Transformer

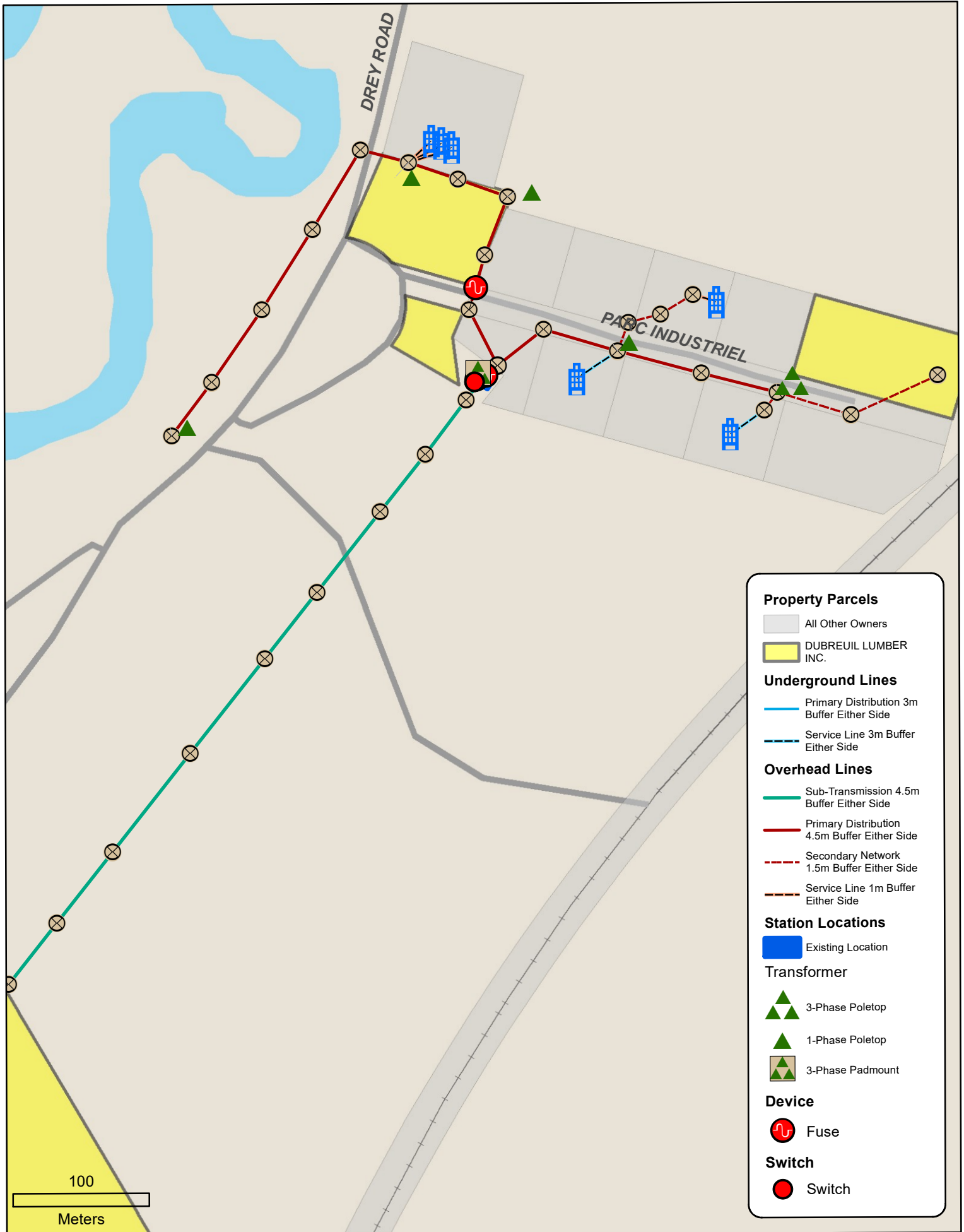
- 3-Phase Poletop
- 1-Phase Poletop

Switch

- Switch



Overview Map No.6



SCHEDULE 4.12

LICENCES

[NIL]

SCHEDULE 4.13(A)
REGULATORY CONSENTS

[NIL]

SCHEDULE 4.13(B)
THIRD PARTY CONSENTS

[NIL]

SCHEDULE 4.14
LEGAL AND REGULATORY PROCEEDINGS

[NIL]

SCHEDULE 4.17
ENVIRONMENTAL MATTERS

[NIL]

Appendix 'B'

Resolution Authorizing the Proposed Transaction for API

ALGOMA POWER INC.

BOARD OF DIRECTORS' MEETING MAY 8, 2018

RESOLUTIONS OF THE BOARD OF DIRECTORS OF ALGOMA POWER INC.

DUBREUIL LUMBER TRANSACTION

WHEREAS Algoma Power Inc. (the "**Corporation**") and Dubreuil Lumber Inc. ("**DLI**") propose to enter into a transaction (the "**Transaction**") whereby, pursuant to an asset purchase agreement (the "**Asset Purchase Agreement**"), the Corporation will acquire all of the property and assets used or held for use in connection with or relating to the electricity distribution business in the Township of Dubreuilville, Ontario carried on by DLI and operated by the Corporation since April 26, 2017, substantially on the terms and subject to the conditions set out in the draft asset purchase agreement (the "**Draft Asset Purchase Agreement**") made available to the directors of the Corporation;

NOW THEREFORE BE IT UNANIMOUSLY RESOLVED THAT:

1. the Transaction and the entering into of the Asset Purchase Agreement, substantially on the terms and subject to the conditions set out in the Draft Asset Purchase Agreement, are hereby approved by the Corporation;
2. any director or officer of the Corporation (each an "**Authorized Signatory**"), is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Asset Purchase Agreement, substantially in the form of the Draft Asset Purchase Agreement, with such additions, deletions, amendments or modifications thereto as such Authorized Signatory may in his absolute discretion determine, the execution and delivery of the Asset Purchase Agreement by an Authorized Signatory being conclusive evidence of such determination;
3. each Authorized Signatory is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such agreements, instruments, certificates and other documents, to apply for and obtain such regulatory approvals as he may deem necessary, including, without limitation, approvals from the Ontario Energy Board, and to do all such other acts and things as such Authorized Signatory may determine to be necessary or advisable to carry out the transactions contemplated by the Asset Purchase Agreement, the execution and delivery of any such agreement, instrument, certificate or other document or the doing of any such other act or thing by an Authorized Signatory being conclusive evidence of such determination.

Appendix 'C'

Resolution Authorizing the Proposed Transaction for DLI

RESOLUTION OF THE SOLE DIRECTOR

OF

DUBREUIL LUMBER INC.

WHEREAS the Corporation is desirous of entering into an Asset Purchase Agreement effective as of the 22nd day of August, 2018, with Algoma Power Inc., substantially in the form attached hereto and marked as Schedule "A";

NOW THEREFORE BE IT RESOLVED THAT

- 1) this Corporation is hereby authorized and directed to enter into the above described Agreement substantially in the form attached hereto and marked as Schedule "A" presented to the sole Director, with such alterations, amendments, deletions or additions as may be approved by the persons executing the same and that execution accordingly shall be conclusive evidence of such approval and that the said Asset Purchase Agreement so executed is the said Agreement authorized by this Resolution;
- 2) The President be and he is hereby authorized to execute and deliver on behalf of the Corporation all such other documents and writings and to do such other acts and things as may be necessary or desirable for fulfilling the Corporation's obligations under this Agreement.

THE FOREGOING RESOLUTION is hereby consented to by the sole Director of the Corporation, as evidenced by their respective signatures hereto in accordance with the provisions of section 129(1) of the *Business Corporations Act (Ontario)*, this 22nd day of August, 2018.



SUSAN KAREN BUCHANAN

CERTIFICATE

CERTIFIED to be a true copy of a Director's Resolution of Dubreuil Lumber Inc. as consented to by the sole Director of the Corporation and dated the 22nd day of August, 2018, as set forth in the minute book of the Corporation, which said Resolution has not been amended and is now in full force and effect.

DATED at Thunder Bay, Ontario on August 22nd, 2018.



(c/s)

AARON BLAZINA – Secretary/Treasurer

UNIQUE APPLICATION OF THE ‘NO HARM’ TEST

The Handbook provides guidance to applicants with respect to consolidation transactions that require OEB approval, and was prepared in response to the OEB’s recognition of there being a growing interest in and support for consolidation in the electricity sector. The main drivers behind this interest, as stated in the Handbook, are the opportunities for efficiencies that can be realized through the creation of economies of scale and contiguity, which in turn permit customers to be served at a lower per customer cost. Other drivers include the ability to better address challenges in an evolving electricity industry through better access to capital and lower financing costs, as well as a greater ability to respond to public policy goals. It is in this context that the OEB has articulated the ‘no harm’ test, which it applies in reviewing proposed consolidation transactions. Consequently, the OEB’s focus in applying the no harm test has primarily been on reviewing the impacts of a proposed transaction relative to certain of the OEB’s statutory objectives, including in particular with respect to price.

In contrast to a more typical, economic efficiency-driven consolidation proposal, the Proposed Transaction is driven by a unique range of factors that are a direct consequence of the OEB having appointed API as the interim licensee to operate the DLI system. In this context, API has become a willing purchaser of the DLI distribution system based on its recognition that:

- API will continue to be the interim operator unless and until DLI can transfer the system to another licensed electricity distributor, however no other licensed electricity distributor has been identified as having any potential interest in acquiring the DLI system;
- as the host distributor and interim operator of DLI’s system, and as the most geographically proximate licensed distributor, API is naturally well positioned to provide a long-term solution and effective, ongoing distribution service within the DLI service area; and
- the OEB sees it as being in the public interest to have a viable and committed owner and operator for the DLI system, and has encouraged API to take on this role.

Due to this unique context for the Proposed Transaction, many of the assumptions that are made in the Handbook in relation to the circumstances and drivers for a consolidation transaction are not relevant to this Application. For example, whereas the Handbook assumes that by providing for a deferred rebasing an acquirer will have an opportunity to offset their transaction and integration costs with achieved savings, the Proposed Transaction is not driven by the prospect of efficiency gains. Although API will spend its operating costs efficiently and will make only those capital investments that are necessary, API will not be able to recover its transaction and integration costs over any available deferred rebasing period. Moreover, whereas the Handbook indicates that a key focus for the OEB in applying the no harm test will be the impact on customers of the acquired utility with respect to price, the DLI customers that API proposes to acquire have historically paid rates that have not been regulated by the OEB and which have been set in an unsustainable manner that has led to insufficient reinvestment and significant deficiencies in the DLI system. Further, API has incurred material costs associated with the interim operation and maintenance of the DLI distribution system to address some of the most critical deficiencies in the DLI system, and anticipates the need for significant further investment in the system to bring it in line with current regulatory, environmental, safety and technical standards.¹

Based on these considerations it is appropriate that, in considering the no harm test in relation to the Proposed Transaction, the focus should be on a range of factors that are in addition to the impacts on price and economic efficiency. It is also appropriate in these unique circumstances to consider certain elements of rate setting for the consolidated utility and to provide for the recovery of transaction and integration costs other than through the provision of a deferred rebasing period. These aspects are discussed below.

¹ See discussion of system deficiencies and the need for further investment in Exh. C-2-1 under the heading “60-Day Report” and in the *60-Day Report* itself, provided in Exh. C-2-1, Appendix ‘C’. The work completed by API to date is described more particularly in Exh. C-2-1 under the heading “Transitional Activities” and API’s actual and forecast costs for the 2017 to 2019 period are set out on p. 2 of Exh. F-3-1.

A. Unique Circumstances of DLI

The historical context for DLI's ownership and operation of the distribution system in the Township of Dubreuilville is described in Exhibit C, Tab 1, Schedule 1 and Exhibit C, Tab 2, Schedule 1.

Since March 2012, DLI has operated under a licensing framework where the OEB issued and renewed DLI's distribution licence for terms of no more than one year. On April 4, 2017, the OEB determined that "*DLI is likely to fail to meet its obligations relating to the supply of electricity to consumers in the Township of Dubreuilville*".² This determination was fundamental to the OEB exercising its authority, under Section 59 of the OEB Act, to appoint API as the interim licensee in respect of the operation of DLI's distribution system.

In the circumstances of DLI, the regulatory tools that would normally ensure a distributor's ongoing financial viability and the provision of an adequate quality of electricity service have either not been applied or have not been effective. API was ordered by the OEB to step in and operate the DLI system on an interim basis. As no other licensed operator has emerged or been identified as having an interest in acquiring the system, the only viable alternative to API continuing on as the interim operator indefinitely, and incurring significant costs for doing so, is for API to acquire the DLI system. The OEB has encouraged the parties to find a long-term solution. It is in this context that API has agreed to acquire the DLI system.

The context for the Application therefore differs significantly from the typical consolidation scenario, where two regulated entities are independently operating in general compliance with the OEB's regulatory requirements and objectives, and their continued operation as distinct entities is a viable alternative to any proposed consolidation. In the case of DLI, both the OEB and DLI have already indicated that continued operation of the system by DLI is not a viable option and the OEB has clearly expressed its preference for a long-term solution.

² OEB, Decision and Order in EB-2017-0153, April 4, 2017, p. 2

B. Application of the No Harm Test in the context of DLI

While the Handbook describes the OEB's typical practice in applying the no harm test as being focused on a narrowed range of factors - price, quality of service and economic efficiencies, the fundamental purpose of the test is broad and clearly articulated: *"The 'no harm' test assesses whether the proposed transaction will have an adverse effect on the attainment of the OEB's statutory objectives"*.³

Given the OEB's determination that DLI was likely to fail in meeting its obligations to supply electricity, the focus for the OEB in considering each of its statutory objectives under the no harm test should be on reliability and quality of service, as well as financial viability. Given the continued use of outdated electromechanical meters in the Township, the OEB's statutory objective of facilitating the implementation of a smart grid in Ontario will also be relevant. Whereas typically pricing tends to be the focus in applying the no harm test to a consolidation transaction, in the present circumstances due to the need for significant investment in the system it would be inappropriate to focus on price in considering the impacts of the Proposed Transaction and the related grounds for relief requested in the Application. Nevertheless, API will implement the necessary investments and operational improvements more efficiently and at a lower cost upon consolidation as compared to having to make those investments and improvements as an interim operator of the DLI system.

Since being ordered to take possession and control of DLI's distribution system, API has focused on addressing critical risks and compliance issues in the short term, while developing medium and long-term plans that will continue progress towards bringing the system into compliance with applicable standards and regulatory requirements. These efforts would be required, and the associated costs incurred, regardless of whether API acquires the distribution system of DLI. If the requested relief is not granted and the Proposed Transaction does not proceed, the DLI system would most likely continue to be operated by API under successive extensions to the Interim Licence. Exhibit E, Tab 2, Schedule 1 describes how compliance with the OEB's objectives would

³ OEB, *Handbook to Electricity Distributor and Transmitter Consolidations*, January 19, 2016, p. 4

be achieved in either scenario. However, completing the Proposed Transaction will provide the benefit of a permanent solution, rate stability and predictability for DLI customers, as well as regulatory efficiency for the OEB. For API, the Proposed Transaction would provide greater regulatory certainty, clarity on how costs may be recovered over the long term for the investments needed in the DLI system, as well as operational and administrative efficiencies from fully integrating the DLI system into API's existing system.⁴

⁴ These expected efficiencies are as compared to the scenario in which API continues to operate DLI's system indefinitely under the Interim Licence, not as compared to historical costs associated with the stand-alone operations of API and DLI.

IMPACTS RELATIVE TO THE OEB'S STATUTORY OBJECTIVES

This schedule summarizes the effect of the Proposed Transaction on the attainment of the OEB's statutory objectives under Section 1 of the OEB Act. For the reasons set out in Exhibit E, Tab 1, Schedule 1, the OEB has already determined that the historical context in which DLI independently owns and operates the distribution system in the Township of Dubreuilville is no longer viable. As such, this schedule focuses on the benefits of the Proposed Transaction in comparison to the scenario under which API continues to operate DLI's distribution system pursuant to the Interim Licence.

A. OEB Objective #1 - To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service

1. Prices

DLI has not historically filed RRR information with the OEB or segregated the financial records of its distribution business from its non-regulated business activities. The Applicants are therefore not able to provide a comparative analysis of the historical cost structures of DLI (or API as interim operator) operating independently vs. API's expected post-transaction cost structure. Further, the historical costs of operating DLI's distribution business would not be a relevant comparison to future costs given historical system condition and compliance issues, and the need to resolve these issues irrespective of consolidation. The future costs of operating the distribution system in the Township of Dubreuilville will therefore be generally the same whether API owns the DLI system, or continues to operate the DLI system under the Interim Licence. In the absence of consolidation, API would incur additional administrative and regulatory costs due to inefficiencies inherent in operating two distinctly licensed LDC's. For example, API would have to:

- make significant changes in its enterprise resource planning (ERP) system by effectively establishing DLI as a stand-alone entity for purposes of accounting, financial record-keeping and maintaining customer and asset records in order to facilitate DLI system-

specific reporting for OEB, internal, audit and other regulatory purposes consistent with the Accounting Procedures Handbook;

- bring forward a stand-alone cost of service application on DLI's behalf to ensure that its future rates are reflective of its stand-alone costs;
- conduct financial audits and prepare tax filings annually on DLI's behalf;
- establish and administer appropriate service agreements between itself and DLI;
- comply with OEB requirements, on DLI's behalf, in relation to RRR filings and publication of annual scorecards;
- establish processes on DLI's behalf related to compliance with the requirements of O. Reg. 22/04 (Electrical Distribution Safety) in relation to equipment approval, design approval and construction verification; and
- annually retain an external auditor on behalf of DLI to meet O. Reg. 22/04 audit requirements.

With continued interim operation of the DLI system, API would need to reflect the costs of the above in the rates that would be charged to DLI customers. In contrast, consolidation will allow API to incorporate such requirements into its existing processes with minimal additional cost.

While the focus of the OEB's consideration of price in applying the no harm test is on underlying cost structures rather than rate impacts, it is notable that the Proposed Transaction would provide important benefits with respect to rate protection for the Acquired Customers. In particular, upon becoming customers of API, the Acquired Customers will become eligible for RRRP, pursuant to O. Reg. 445/07 (Reclassifying Certain Classes of Consumers as Residential-Rate Class Customers: Section 78 of the Act) and O. Reg. 442/01 (Rural or Remote Electricity Rate Protection). Given the rate-setting method historically used by DLI, as described in Exhibit C, Tab 1, Schedule 1, individual DLI customers have historically received an indirect benefit from Rural or Remote

Electricity Rate Protection (“RRRP”) as a result of the DLI’s account with API being classified as a Residential – R2 customer. However, that benefit has only applied to API’s cost to serve DLI and not to DLI’s cost to serve its customers. Any incremental investments in the DLI distribution system would have had to be recovered from DLI customers through increases to the distribution rates that DLI charged (i.e. the fixed monthly charge of \$23.76 and the variable rate of \$0.015 per kWh).¹ Upon closing of the Proposed Transaction, the Acquired Customers will become API customers and would thereafter see their base distribution rates indexed by the annual RRRP adjustment applicable to API.

Further, upon closing of the Proposed Transaction, 309 residential customers of DLI would become eligible for the monthly cap on distribution charges that is provided for by O. Reg. 198/17 (Distribution Rate-Protected Residential Consumers). At the rates proposed in API’s 2019 IRM application (EB-2018-0017), the Distribution Rate Protection (“DRP”) cap provides a benefit equivalent to a monthly credit of \$18.38 for the typical residential customer consuming 750 kWh per month.

The bill impacts for typical residential and commercial customers upon transitioning to API rates in 2019 are as follows:

Rate Class	Monthly Consumption (kWh)	Total Bill – API Interim Operation	Total Bill – Proposed Transaction	\$ Change	% Change
Residential	750	\$ 147.65	\$ 129.30	-\$ 18.35	-12.4%
Commercial	2000	\$ 320.40	\$ 340.84	\$ 20.44	6.4%

¹ Or, consequently, without rate increases, DLI may not have had sufficient funds to undertake the appropriate maintenance of and re-investments in its distribution system.

The bill impact calculations above include the proposed rate rider described in Exhibit F, Tab 2, Schedule 1 and Exhibit F, Tab 3, Schedule 1. In the scenario where API remains the interim operator, a rate rider of \$27.72 per customer per month over a 6 year period would be required to recover a portion of the 2017-2019 costs associated with the DLI system. In contrast, if the Proposed Transaction is completed, this rate rider would be \$11.16 per customer per month over a 6-year period. This is because undepreciated capital amounts would be transferred to API's rate base at the time of API's next rebasing in 2020. For residential customers, the increase in delivery rates resulting from the Proposed Transaction would be more than offset by the impact of the DRP cap and the lower rate rider. For commercial customers (who are not eligible for DRP), the lower rate rider would partially offset the increase in delivery rates.

In addition to reducing the average total bill for residential customers and mitigating the bill impact for commercial customers, eligibility for RRRP and DRP will provide long-term rate stability and predictability for the Acquired Customers. Future rate increases will be tied to the annual RRRP adjustment factor determined by the Board, which is based on the average rate increases of other LDC's in Ontario. In contrast, in the scenario where API continues as interim operator of the DLI system, the revenue resulting from DLI's historical rate-setting methodology would be inadequate to recover the reasonable costs of operating, maintaining and adequately re-investing in the DLI distribution system. As such, API would be required to bring forward a cost of service rate application on DLI's behalf. In operating DLI as a stand-alone entity, the costs presented in such an application would not be included in API's approved revenue requirement and would therefore not be subject to funding through RRRP. This would lead to significant rate increases for all DLI customers in future years.

It is also important to consider the impacts of the Proposed Transaction, with respect to price, on API's existing customers. The Proposed Transaction involves the acquisition of distribution assets and customers, which can readily be integrated into API's existing business processes. No employees, fleet, facilities or business systems are being acquired from DLI, nor is API forecasting

any additions in these areas as a result of the Proposed Transaction.² In light of the small changes to API's cost drivers (3% increase in customer count, 0.5% increase in circuit km, and a 2.5% increase in customer density), API does not expect a material change to its underlying cost structure.

With respect to rate protection, it is notable that the majority of API's customers are classified as Residential – R1 and Residential – R2, and are eligible for RRRP. The Proposed Transaction will not materially affect API's customer density levels which determine its eligibility for RRRP, as shown in the following table:

	API	DLI	Combined
Customers	11,554	353	11,907
Circuit km	1850	10	1860
Density (Customers/km)	6.245	35.3	6.402

Moreover, as explained in Exhibit C, Tab 1, Schedule 1, the rates for API's R1 and R2 customers are adjusted annually based on the average distribution rate increase for other LDC's, in accordance with RRRP regulations. As such, regardless of any impact on the underlying cost structure, the Proposed Transaction will not impact distribution rates for these customers.

API's remaining customers are classified as Seasonal or Street Lighting, and are not eligible for RRRP. API will propose at the time of its next rebasing that any costs that can be specifically attributed to the DLI service area be allocated primarily to the R1 and R2 classes in the OEB's cost allocation model, based on the fact that to the best of API's knowledge, all 353 existing

² With the exception of extending the reach of its AMI system to cover Dubreuilville, which would in turn result in a decrease in meter reading costs.

customers of DLI are residential and commercial customers (i.e. none of the existing customers are seasonal or street lighting).³ This will ensure that the Proposed Transaction does not adversely impact API's existing customers. To guide a future panel of the OEB in considering that cost allocation model, API asks the OEB endorse this approach as part of its decision in the present Application.

2. Adequacy, Reliability and Quality of Electricity Service

It is apparent from the OEB's April 4, 2017 Order that the primary concern in requiring API to operate DLI's system was that DLI was likely to fail to meet its obligations in supplying electricity to its customers. It is also apparent from API's assessment of the status of DLI's distribution system, as set out in the 60-Day Report, that the interests of consumers with respect to the adequacy, reliability and quality of service should be among the key factors for the OEB to focus on in applying the no harm test to the Proposed Transaction.

With respect to distribution system efficiency, reliability and power quality, API has already achieved significant improvements in the DLI distribution system. The decommissioning of Substation #1 significantly reduces the risk of extended outages to customers formerly served by this substation, and also addresses power quality and system loss issues associated with running the substation in an open-delta configuration. Addressing unmetered and incorrectly metered loads has significantly reduced system losses over the past year. Integration of smart meters into API's AMI network will allow further improvements to processes related to power quality, outage response and accurate billing.

As compared to DLI's historical operations, API is able to provide 24/7 on-call response from its Wawa work centre to address power outages, immediate safety concerns, and other operational

³ Note that a small number of street lights in Dubreuilville are currently unmetered and unbilled. These connections will be inventoried and considered appropriately in API's next cost of service application, which may result in a small portion of the costs attributed to the DLI service area being allocated to API's street lighting rate class.

emergencies in the Township of Dubreuilville. API expects that any travel time from Wawa to the Township will be more than offset by the fact that API crews will arrive with the appropriate equipment, trained personnel and spare equipment to efficiently and effectively address any issues. Further, API has the ability to rapidly increase its response efforts during major events by calling in additional crews and/or activating emergency response plans to receive assistance from other LDCs. This improved response would be provided irrespective of the Proposed Transaction. However, additional costs would be incurred to administer service agreements and accurately allocate third-party costs (e.g. call-center costs) between API and DLI in the event that API were to provide this enhanced response capability in its capacity as an interim operator as compared to being the owner and operator of the DLI system as part of a consolidated utility.

B. OEB Objective #1.1 – To promote the education of consumers

API engages its customers through a variety of methods, which include surveys, bill inserts, social media, engagement sessions, safety campaigns, customer service campaigns, and CDM initiatives. API has already undertaken customer education efforts in respect of the Acquired Customers, including by sending informational letters to customers, attending Town Council meetings, and organizing public information sessions in relation to API becoming the interim operator of the DLI system. API will continue to enhance its education and engagement activities with respect to the Acquired Customers, irrespective of the status of the Proposed Transaction. However, API expects that the costs of these activities would be lower in the future as a result of the Proposed Transaction. For example, customer satisfaction and safety surveys would include the Acquired Customers in the sample pool for API, as opposed to running separate surveys for DLI.

C. OEB Objective #2 - To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry

1. Economic Efficiency and Cost Effectiveness in the Distribution of Electricity

Historical investments in the operation and maintenance of the DLI system have been made in a sporadic manner, often in response to outages or asset failures. This would have required that third-party contractors be retained on an urgent basis, and mobilized from significant distances, to perform a limited scope of work.

API's operation of the DLI system (either interim, or through a consolidation) will allow the cost-effective use of API resources (located nearby in Wawa), and materials (which are sourced in greater volumes at a reduced cost and without markup). Where third-party services are required, they can be secured in conjunction with similar work that may be required elsewhere on API's existing system, allowing for planned competitive procurement processes seeking economies of scale and decreased mobilization costs.

Further, as a result of the Proposed Transaction, API would be able to simply include the Acquired Customers and the distribution system assets in the Township in a wide range of existing administrative, regulatory and operational processes, thereby eliminating duplication. Examples of areas that would present opportunities to achieve regulatory compliance while avoiding duplication include annual customer satisfaction surveys, annual safety and environmental audits, OEB RRR filings, and annual ESA audits.

2. Maintenance of Financial Viability in the Electricity Industry

The Board has determined, in appointing API as the interim operator of DLI's distribution system, that DLI was likely to fail to meet its obligations relating to the supply of electricity to consumers

in the Township of Dubreuilville.⁴ From the events leading up to the Board's April 4, 2017 Order⁵, it was clear that the distribution business of DLI was not financially sustainable. It was also clear from the Notice of Transition and the 60-day Report provided by API, that DLI was faced with significant challenges with respect to regulatory compliance in an evolving electricity industry, and was facing a number of requirements for short-term re-investment in its distribution system.

The preceding sections of this Schedule outline a number of areas in which API is able to improve the quality of distribution service provided to the Township in accordance with the Board's objectives, and where the outcome of the Proposed Transaction will achieve this in a manner that is cost-effective and avoids duplication. Further, where additional investment is required (i.e. direct capital investment in the distribution system in the Township), API has the necessary financial resources to do so. As such, the Proposed Transaction assists the OEB in achieving its statutory objective of facilitating the maintenance of a financially viable electricity industry.

D. OEB Objective #3 - To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances

API has historically obtained permission from the IESO to deliver its CDM programs to the DLI service area, since any conservation on the DLI system would inherently lower API's system load by an equivalent amount. API will seek opportunities to further promote its available CDM programs in conjunction with other customer education and engagement activities.

E. OEB Objective #4 – To facilitate the implementation of a smart grid in Ontario

The DLI distribution system does not currently have any smart meter infrastructure. Instead, it has continued to manually read meters and bill using outdated electrical mechanical style meters,

⁴ OEB, Decision and Order in EB-2017-0153, p. 2.

⁵ These events are detailed in the EB-2017-0153 Order, and summarized in Exhibit C, Tab 2, Schedule 1.

some of which were found to be out of compliance with metering requirements upon API assuming interim operations. As the interim operator, API is continuing to read meters manually and bill DLI customers in the same manner as was done historically. As indicated in the 60-Day Report, API has recommended replacing the existing electromechanical meters with smart meters to bring the existing metering assets into compliance and ready the system for eventual AMI implementation/integration, once feasible and approved by the OEB. If the Proposed Transaction is approved, the DLI system assets, including the fully-integrated AMI system, would be fully integrated into API's overall distribution system planning processes and, going forward, any decisions relating to smart grid implementation would thereby include these assets. In the absence of consolidation, full integration of the AMI system or other smart-grid related technologies may be complicated by the need to amend contracts with API's AMI vendor, as well as establish new contracts between API and DLI. The associated costs and complexities may adversely impact the business case in respect of implementing smart metering for the relatively small number of customers in the Township. On this basis, the Proposed Transaction would assist the OEB in achieving its statutory objective of facilitating the implementation of a smart grid in Ontario.

F. OEB Objective #5 - To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities

There have been no historical connections of distributed generation in the DLI service area. API expects that it will be able to accommodate any future requests for connection, and that barriers to connection will be reduced as a result of API's ability to manage the acquired assets as part of its distribution system. API also has existing metering, connection and settlement processes to easily accommodate such requests.

UNIQUE RATE CONSIDERATIONS

The Handbook provides guidance with respect to rate-making considerations associated with consolidation applications. Typically, rate-setting following a consolidation is not addressed in the application for approval of the consolidation unless a specific rate proposal is an integral aspect of the consolidation. The Handbook goes on to describe OEB policies that allow a deferred rebasing period (with related provisions for off-ramps, earnings sharing, and incremental capital investments), during which efficiencies resulting from the consolidation are able to offset transaction costs. Finally, the Handbook addresses expectations for future rebasing, including with respect to the harmonization of rates between consolidating distributors.

This section assists the OEB is considering the unique circumstances of the Proposed Transaction in the context of the rate-setting policies outlined in the Handbook, in support of the specific rate proposal presented in Exhibit F, Tab 2, Schedule 1, and the proposals related to deferral accounts presented in Exhibit F, Tab 3, Schedules 1 and 2. These proposals relating to rates and deferral accounts are integral aspects of the Proposed Transaction.

A. Deferred Rebasing Period

In order to encourage consolidation in the electricity sector the OEB has established a policy allowing consolidating distributors to defer rebasing for up to 10 years. The intent of this policy, as stated in the Handbook, is to allow consolidating distributors the opportunity to offset transaction costs with savings achieved during the deferred rebasing period.

The typical consolidation application involves two or more distributors that have historically operated independently, in compliance with relevant regulations and OEB policies, and each with their own complement of staff, fleet, facilities and supporting IT infrastructure. The typical consolidation therefore offers opportunities to achieve savings in areas such as reductions in staffing, consolidation of facilities and general plant assets, and greater economies of scale in procuring goods and services.

The context of the Proposed Transaction differs materially from the typical circumstance described above. Upon closing of the Proposed Transaction, API would acquire only the distribution assets and the customers of DLI, whose stand-alone distribution business was not financially viable, and who the OEB determined was likely to fail to meet its obligations in serving its customers. The Proposed Transaction does not include employees, fleet, operating facilities, inventory, or any type of IT infrastructure or business systems.

It is clear from the request for disposition of the Interim Distribution Licence Deferral Account in Exhibit F, Tab 3, Schedule 1 that the rates historically charged to DLI's customers are insufficient to recover the costs to serve these customers. In this context, there are no efficiencies to be gained during a deferred rebasing period. In fact, short-term spending in relation to the DLI distribution system has increased in comparison to historical levels as a result of API undertaking more appropriate levels of maintenance of and re-investment in the system, as well as progressing towards legislative and regulatory compliance in a number of areas.

It is also important to consider the relative scale of assets and customers as between API and DLI. The 353 Acquired Customers would result in an approximate 3% increase to API's customer base and the approximate 10 km of distribution line assets being acquired would increase API's total distribution line length by only 0.5%. Based on these modest increases, API does not expect to achieve any economies of scale resulting from the Proposed Transaction.

While API does not expect to achieve cost savings relative to historical costs during a deferred rebasing period, it is worth noting that the Proposed Transaction will result in efficiencies as compared to the status quo scenario where API continues indefinitely as the interim operator of the DLI system. In that context, the Proposed Transaction avoids duplication of a large number of processes that would be required to meet statutory and regulatory requirements if DLI were to continue to be a separately licensed LDC. These efficiencies are summarized in Exhibit E, Tab 2, Schedule 1.

In order to recover its reasonable transaction costs in the absence of a deferred rebasing period, API has included a proposal with respect to establishing a “Transaction and Integration Costs Deferral Account”, as described in detail in Exhibit F, Tab 3, Schedule 2.

B. Rate-Setting Considerations

DLI has historically distributed electricity for a price that is no greater than that required to recover all reasonable costs, and has never had its distribution rates approved by the OEB. Distribution rates for DLI customers have been determined on a monthly basis, in consideration of the total delivery charges and metered kWh indicated on DLI’s invoice from API. An additional fixed charge of \$23.76 and a variable rate of \$0.015/kWh have historically been added to the calculated distribution rate to cover DLI’s own costs related to operation and maintenance of its distribution system. API has continued to apply this historical rate-setting methodology on behalf of DLI as required by the OEB. However, it is clear that the resulting rates are insufficient to recover the costs associated with providing service to DLI’s customers.

Upon closing of the Proposed Transaction, DLI’s customers would become API customers, and would therefore be eligible for RRRP pursuant to O. Reg. 445/07 and O. Reg. 442/01. Further, 309 of the 353 Acquired Customers are residential customers that would become eligible for further rate relief under the DRP program, pursuant to O. Reg. 198/17.

In order to address the absence of historical Board-approved rates, the RRRP/DRP eligibility described above, and the need to recover the costs associated with providing adequate service to distribution system customers in the Township, API has included a specific rate proposal for the Acquired Customers in Exhibit F, Tab 2, Schedule 1. Since costs have already been recorded in the Interim Distribution Licence Deferral Account, and additional costs and revenues are forecasted prior to API’s next rebasing in 2020, the effect of applying the rate proposal has been integrated with the proposed disposition of the Interim Distribution Licence Deferral Account in Exhibit F, Tab 3, Schedule 1.

PROPOSED APPROACH TO RATE SETTING

Further to the reasons for addressing certain aspects of rate setting in the present application, which are discussed in Exhibit F, Tab 1, Schedule 1, this Schedule sets out API's proposed approach to setting rates in relation to the DLI distribution system following consolidation.

A. Proposed Approach

API requests approval to charge the Acquired Customers in accordance with its Board-approved tariff of rates and charges, effective upon closing of the Proposed Transaction, which is targeted for January 1, 2019.

DLI historically maintained two categories of customers for billing purposes – Residential and Commercial, both of which were billed on an energy basis. API proposes that all Residential customers would be migrated to API's R1(i) rate class (i.e. traditional residential customers), and that all Commercial customers would be initially migrated to its R1(ii) rate class (i.e. customers that are treated as residential under O. Reg. 445/07, with a demand less than 50 kW and billed on an energy basis).

API suspects that a small number of Commercial customers in the Township may have monthly peak demands that are consistently greater than 50 kW. However, API does not have an accurate record of historical demand on which to support a migration to its R2 class. As part of the meter replacement efforts currently underway, API will collect the necessary peak demand data to determine which, if any, customers should be migrated to the R2 class at a later date. The timing of any such migration will consider the need for customer education and notice. API's proposed tariff of rates and charges for rates effective January 1, 2019, as recently filed in API's 2019 IRM application (EB-2018-0017), is provided as Appendix 'A'.

The proposed 2019 rates are calculated using Board-approved 2018 values for the RRRP adjustment factor and the IRM adjustment factors. API acknowledges that these placeholders will be replaced with the Board-approved 2019 adjustment factors, that other changes may result from

the Board’s review in EB-2018-0017, and that the Board may issue decisions on regulatory charges and/or uniform transmission rates that require changes to the proposed rates.

The bill impact calculations presented below are based on the proposed tariff included in Appendix ‘A’. However, for greater certainty, API is proposing to charge the Acquired Customers, following the closing of the Proposed Transaction, based on API’s most recently approved tariff, as may be amended by any subsequent Board decisions.

B. Bill Impact

The following table summarizes the bill impacts resulting from migrating the Acquired Customers to API’s rates. Bill impacts have been calculated for typical residential and commercial customer consumption levels, as well as low-volume residential (i.e. customers at the 10th percentile of consumption).

Rate Class	Monthly Consumption (kWh)	Total Bill – API Interim Operation	Total Bill – Proposed Transaction	\$ Change	% Change
Residential	393	\$ 103.22	\$ 92.16	-\$ 11.06	-10.7%
Residential	750	\$ 147.65	\$ 129.30	-\$ 18.35	-12.4%
Commercial	2000	\$ 320.40	\$ 340.84	\$ 20.44	6.4%

The above impact summary, and the detailed bill impact calculations provided in Appendix ‘B’, compare the total bills resulting from the Proposed Transaction (i.e. applying API’s proposed 2019 rates to the Acquired Customers), to the scenario in which API continues as the interim operator, but still applies for disposition of the Interim Distribution Licence Deferral Account.

In order to establish baseline 2019 bill calculations for comparison purposes, API considered the scenario where the Proposed Transaction does not proceed, and API continues as the interim operator of DLI’s distribution system. In this case, API would continue to calculate monthly

distribution rates for DLI customers using DLI’s historical methodology, and would continue to record costs and revenues in the Interim Distribution Licence Deferral Account.

In this scenario, API calculated the annual average volumetric rate applicable to DLI customers as follows:

<i>Step 1 – Calculate Annual Delivery Charges at DLI 44 kV Meter (Based on API proposed R2 rates for 2019 and billed kW demand for most recent 12 months)</i>			
Rate Description	Rate	Billing Determinant	Annual Cost
Monthly Service Charge	\$661.88/month	12 months	\$7,942.56
Distribution Volumetric	\$3.4294/kW	15806.88 kW	\$54,208.11
Total RTSR Rates	\$4.7853/kW	15806.88 kW	\$75,640.66
Rate Rider Total (Excl GA)	-\$1.2890/kW	15806.88 kW	-\$20,375.07
Total			\$117,416.26
<i>Step 2 – Calculate Annual Average Pass-Through Volumetric Rate (Based on estimated 2019 Delivery Cost as per above and billed kWh for most recent 12 months)</i>			
2019 Estimated Delivery Cost:	\$117,416.26		
Divide by 12-Month Billed kWh:	7,699,858		
2019 Average Pass-Through Rate:	0.0152 \$/kWh		

The calculated 2019 pass-through rate of \$0.0152/kWh is shown in the “Low Voltage Service Charge” row of the detailed bill impact calculation, in order to distinguish it from the rate of \$0.0150/kWh historically added by DLI. The \$0.0150/kWh variable rate and the fixed monthly service charge of \$23.76/month are included in the appropriate rows for distribution rates.

In the scenario where API continues indefinitely as the interim operator of the DLI system, the capital investments made in the 2017-2019 period would not form part of API’s rate base in 2019. As such the rate rider calculated to dispose of the Interim Distribution Licence Deferral Account balance must carry through the amortization and return on capital components through the entire

disposition period. Additionally, the 2019 cost inputs are higher in this scenario, resulting from less offsetting revenue being recorded in the deferral account. A version of the rate rider model used to calculate the proposed disposition of the deferral account reflecting the interim operator scenario is included in Exhibit F, Tab 3, Schedule 1, Appendix 'B'. The resulting rate rider of \$27.72 per customer per month is included in the "Fixed Rate Riders" line of the bill impact model.

In the scenario where the Proposed Transaction closes on January 1, 2019, and the Acquired Customers are charged according to API's approved tariff, the bill impact calculations have been populated using the proposed rates contained in API's 2019 IRM application (EB-2018-0017). The effect of the DRP credit, which caps the monthly total of base distribution charges at \$36.86, has also been included. In this scenario, the fixed rate rider calculated to dispose of the Interim Distribution Licence Deferral Account balance is reduced to \$11.16. This is a result of both increased revenue from applying API's rates in 2019, and the capital investments being transferred to API's rate base in 2020 (which causes the amortization expense and return on capital to drop out of the calculation in that year).

C. Proposed Rate Approach is Reasonable

The proposed approach to rates, and the resulting bill impacts are reasonable in the circumstances. Residential customers, regardless of consumption levels, will see an overall reduction to their total bill as a result of the Proposed Transaction, mainly driven by the effect of the DRP cap on distribution rates. While commercial customers are ineligible for DRP, the resulting bill impact of \$20.44, or 6.4% for a typical customer is below the threshold that would normally require mitigation. In return for the one-time bill impact resulting from the Proposed Transaction, commercial customers will receive future rate stability through RRRP on becoming API customers. In addition, commercial customers will benefit from the improved service quality and maintenance practices, as well as the investments being made in the system under API ownership. In the absence of the Proposed Transaction, API would be required to bring forward a cost of service application, or additional rate rider applications, on DLI's behalf in order to ensure that the reasonable costs to serve customers in the Township could be recovered through rates applicable

to those customers. Without the benefit of RRRP rate stability, additional increases to rates and/or rate riders would be required in 2020 and beyond.

Appendix 'A'

Proposed Tariff of Rates and Charges

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2018-0017

RESIDENTIAL R1 SERVICE CLASSIFICATION

For the purposes of rates and charges, a residential service is defined in two ways:

- i) a dwelling occupied as a residence continuously for at least eight months of the year and, where the residential premises is located on a farm, includes other farm premises associated with the residential electricity meter, and
- ii) consumers who are treated as residential-rate class customers under Ontario Regulation 445/07 (Reclassifying Certain Classes of Consumers as Residential-Rate Class Customers: Section 78 of the Ontario Energy Board Act, 1998) made under the Ontario Energy Board Act, 1998.

This application refers to a Residential service with a demand of less than, or is forecast to be less than, 50 kilowatts, and which is billed on an energy basis. Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Condition of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge - Applicable only to customers that meet criteria (i) above	\$	42.34
Service Charge - Applicable only to customers that meet criteria (ii) above	\$	25.71
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.57
Distribution Volumetric Rate - Applicable only to customers that meet criteria (i) above	\$/kWh	0.0172
Distribution Volumetric Rate - Applicable only to customers that meet criteria (ii) above	\$/kWh	0.0362
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019		
Applicable only for Non-RPP Customers	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/kWh	(0.0011)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019		
	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0066
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0060

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
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EB-2018-0017

RESIDENTIAL R2 SERVICE CLASSIFICATION

This classification refers to a Residential service with a demand equal to or greater than, or is forecast to be equal to or greater than, 50 kilowatts, and which is billed on a demand basis. Class A and Class B consumers are defined in accordance with O. Reg. 429/04. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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The rate rider for the disposition of WMS – Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

The rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to WMP, customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	661.88
Distribution Volumetric Rate	\$/kW	3.4294
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019 Applicable only for Non-RPP Customers	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/kW	(0.4880)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kW	(0.8010)
Retail Transmission Rate - Network Service Rate	\$/kW	2.5066
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	2.2787

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2019
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EB-2018-0017

SEASONAL CUSTOMERS SERVICE CLASSIFICATION

This classification includes all services supplied to single-family dwelling units for domestic purposes, which are occupied on a seasonal/intermittent basis. A service is defined as Seasonal if occupancy is for a period of less than eight months of the year. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	54.60
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	\$	0.57
Distribution Volumetric Rate	\$/kWh	0.1489
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019		
Applicable only for Non-RPP Customers	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/kWh	(0.0012)
Rate Rider for Disposition of Account 1574 - effective until June 30, 2019	\$/kWh	0.0307
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kWh	0.0066
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0060

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

Algoma Power Inc.
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EB-2018-0017

STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to an account for roadway lighting. The consumption for these unmetered accounts will be based on the calculated connection load times the calculated hours of use established in the approved Ontario Energy Board street lighting load shape template. Class B consumers are defined in accordance with O. Reg. 429. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	\$	2.05
Distribution Volumetric Rate	\$/kWh	0.3310
Rate Rider for Disposition of Global Adjustment Account (2019) - effective until December 31, 2019		
Applicable only for Non-RPP Customers	\$/kWh	(0.0078)
Rate Rider for Disposition of Deferral/Variance Accounts (2019) - effective until December 31, 2019	\$/kWh	(0.0011)
Rate Rider for Disposition of Accounts 1575 & 1576 - effective until December 31, 2019	\$/kWh	(0.0019)
Retail Transmission Rate - Network Service Rate	\$/kW	1.8150
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.6438

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0032
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0003
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

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microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	\$	5.40
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EB-2018-0017

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for Transformer Losses - applied to measured demand & energy	%	(1.00)

SPECIFIC SERVICE CHARGES

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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Customer Administration

Arrears certificate (credit reference)	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

Non-Payment of Account

Late payment - per month	%	1.50
Late payment - per annum	%	19.56
Collection of account charge - no disconnection - during regular business hours	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
Disconnect/reconnect at meter - during regular hours	\$	65.00
Disconnect/reconnect at meter - after regular hours	\$	185.00
Disconnect/reconnect at pole - during regular hours	\$	185.00
Disconnect/reconnect at pole - after regular hours	\$	415.00
Install/remove load control device - during regular hours	\$	65.00
Install/remove load control device - after regular hours	\$	185.00

Other

Specific charge for access to the power poles - per pole/year (with the exception of wireless attachments)	\$	22.35
Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary service install & remove - overhead - no transformer	\$	500.00
Temporary service install & remove - underground - no transformer	\$	300.00
Temporary service install & remove - overhead - with transformer	\$	1,000.00

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
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EB-2018-0017

RETAIL SERVICE CHARGES (if applicable)

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Debt Retirement Charge, the Global Adjustment, and the HST.

Retail Service Charges refer to services provided by Algoma Power Inc. to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly fixed charge, per retailer	\$	20.00
Monthly variable charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	\$	no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

Algoma Power Inc.
TARIFF OF RATES AND CHARGES
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EB-2018-0017

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer	1.0917
Total Loss Factor - Primary Metered Customer	1.0808

Appendix 'B'

Bill Impact Details

Customer Class:	RESIDENTIAL R1(i) SERVICE CLASSIFICATION - 10th Percentile	
RPP / Non-RPP:	RPP	
Consumption	393	kWh
Demand	-	kW
Current Loss Factor	1.0917	
Proposed/Approved Loss Factor	1.0917	

	Stand-Alone 2019			API Rates 2019			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	\$ 23.76	1	\$ 23.76	\$ 42.34	1	\$ 42.34	\$ 18.58	78.20%
Distribution Volumetric Rate	\$ 0.0150	393	\$ 5.90	\$ 0.0172	393	\$ 6.76	\$ 0.86	14.67%
Effect of DRP						\$ (12.24)	\$ (12.24)	
Fixed Rate Riders	\$ 27.72	1	\$ 27.72	\$ 11.16	1	\$ 11.16	\$ (16.56)	-59.74%
Volumetric Rate Riders	\$ -	393	\$ -	\$ 0.0019	393	\$ (0.75)	\$ (0.75)	
Sub-Total A (excluding pass through)			\$ 57.38			\$ 47.27	\$ (10.10)	-17.61%
Line Losses on Cost of Power	\$ 0.0770	36	\$ 2.77	\$ 0.0770	36	\$ 2.77	\$ -	0.00%
Total Deferral/Variance Account Rate Riders	\$ -	393	\$ -	\$ 0.0011	393	\$ (0.43)	\$ (0.43)	
CBR Class B Rate Riders	\$ -	393	\$ -	\$ -	393	\$ -	\$ -	
GA Rate Riders	\$ -	393	\$ -	\$ -	393	\$ -	\$ -	
Low Voltage Service Charge	\$ 0.0152	393	\$ 5.97		393	\$ -	\$ (5.97)	-100.00%
Smart Meter Entity Charge (if applicable) and/or any fixed (\$) Deferral/Variance Account Rate Riders	\$ -	1	\$ -	\$ 0.57	1	\$ 0.57	\$ 0.57	
Additional Volumetric Rate Riders (Sheet 18)		393	\$ -	\$ -	393	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)			\$ 66.12			\$ 50.19	\$ (15.94)	-24.10%
RTSR - Network	\$ -	429	\$ -	\$ 0.0066	429	\$ 2.83	\$ 2.83	
RTSR - Connection and/or Line and Transformation Connection	\$ -	429	\$ -	\$ 0.0060	429	\$ 2.57	\$ 2.57	
Sub-Total C - Delivery (including Sub-Total B)			\$ 66.12			\$ 55.59	\$ (10.53)	-15.93%
Wholesale Market Service Charge (WMSC)	\$ 0.0036	429	\$ 1.54	\$ 0.0036	429	\$ 1.54	\$ -	0.00%
Rural and Remote Rate Protection (RRRP)	\$ 0.0003	429	\$ 0.13	\$ 0.0003	429	\$ 0.13	\$ -	0.00%
Standard Supply Service Charge	\$ 0.25	1	\$ 0.25	\$ 0.25	1	\$ 0.25	\$ -	0.00%
Ontario Electricity Support Program (OESP)								
RPP - First Tier	\$ 0.0770	393	\$ 30.26	\$ 0.0770	393	\$ 30.26	\$ -	0.00%
RPP - Second Tier	\$ 0.0890	-	\$ -	\$ 0.0890	-	\$ -	\$ -	
Total Bill on TOU (before Taxes)			\$ 98.31			\$ 87.78	\$ (10.53)	-10.71%
HST	13%		\$ 12.78	13%		\$ 11.41	\$ (1.37)	-10.71%
8% Rebate	8%		\$ (7.86)	8%		\$ (7.02)	\$ 0.84	
Total Bill on TOU			\$ 103.22			\$ 92.16	\$ (11.06)	-10.71%

Customer Class:	RESIDENTIAL R1(i) SERVICE CLASSIFICATION - OEB Typical	
RPP / Non-RPP:	RPP	
Consumption	750	kWh
Demand	-	kW
Current Loss Factor	1.0917	
Proposed/Approved Loss Factor	1.0917	

	Stand-Alone 2019			API Rates 2019			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	\$ 23.76	1	\$ 23.76	\$ 42.34	1	\$ 42.34	\$ 18.58	78.20%
Distribution Volumetric Rate	\$ 0.0150	750	\$ 11.25	\$ 0.0172	750	\$ 12.90	\$ 1.65	14.67%
Effect of DRP						\$ (18.38)	\$ (18.38)	
Fixed Rate Riders	\$ 27.72	1	\$ 27.72	\$ 11.16	1	\$ 11.16	\$ (16.56)	-59.74%
Volumetric Rate Riders	\$ -	750	\$ -	\$ 0.0019	750	\$ (1.43)	\$ (1.43)	
Sub-Total A (excluding pass through)			\$ 62.73			\$ 46.60	\$ (16.14)	-25.72%
Line Losses on Cost of Power	\$ 0.0770	69	\$ 5.30	\$ 0.0770	69	\$ 5.30	\$ -	0.00%
Total Deferral/Variance Account Rate Riders	\$ -	750	\$ -	\$ 0.0011	750	\$ (0.83)	\$ (0.83)	
CBR Class B Rate Riders	\$ -	750	\$ -	\$ -	750	\$ -	\$ -	
GA Rate Riders	\$ -	750	\$ -	\$ -	750	\$ -	\$ -	
Low Voltage Service Charge	\$ 0.0152	750	\$ 11.40		750	\$ -	\$ (11.40)	-100.00%
Smart Meter Entity Charge (if applicable) and/or any fixed (\$) Deferral/Variance Account Rate Riders	\$ -	1	\$ -	\$ 0.57	1	\$ 0.57	\$ 0.57	
Additional Volumetric Rate Riders (Sheet 18)		750	\$ -	\$ -	750	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)			\$ 79.43			\$ 51.64	\$ (27.79)	-34.99%
RTSR - Network	\$ -	819	\$ -	\$ 0.0066	819	\$ 5.40	\$ 5.40	
RTSR - Connection and/or Line and Transformation Connection	\$ -	819	\$ -	\$ 0.0060	819	\$ 4.91	\$ 4.91	
Sub-Total C - Delivery (including Sub-Total B)			\$ 79.43			\$ 61.95	\$ (17.47)	-22.00%
Wholesale Market Service Charge (WMSC)	\$ 0.0036	819	\$ 2.95	\$ 0.0036	819	\$ 2.95	\$ -	0.00%
Rural and Remote Rate Protection (RRRP)	\$ 0.0003	819	\$ 0.25	\$ 0.0003	819	\$ 0.25	\$ -	0.00%
Standard Supply Service Charge	\$ 0.25	1	\$ 0.25	\$ 0.25	1	\$ 0.25	\$ -	0.00%
Ontario Electricity Support Program (OESP)								
RPP - First Tier	\$ 0.0770	750	\$ 57.75	\$ 0.0770	750	\$ 57.75	\$ -	0.00%
RPP - Second Tier	\$ 0.0890	-	\$ -	\$ 0.0890	-	\$ -	\$ -	
Total Bill on TOU (before Taxes)			\$ 140.62			\$ 123.15	\$ (17.47)	-12.43%
HST	13%		\$ 18.28	13%		\$ 16.01	\$ (2.27)	-12.43%
8% Rebate	8%		\$ (11.25)	8%		\$ (9.85)	\$ 1.40	
Total Bill on TOU			\$ 147.65			\$ 129.30	\$ (18.35)	-12.43%

Customer Class:	RESIDENTIAL R1(ii) SERVICE CLASSIFICATION - OEB Typical	
RPP / Non-RPP:	RPP	
Consumption	2,000	kWh
Demand	-	kW
Current Loss Factor	1.0917	
Proposed/Approved Loss Factor	1.0917	

	Stand-Alone 2019			API Rates 2019			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	\$ 23.76	1	\$ 23.76	\$ 25.71	1	\$ 25.71	\$ 1.95	8.21%
Distribution Volumetric Rate	\$ 0.0150	2000	\$ 30.00	\$ 0.0362	2000	\$ 72.40	\$ 42.40	141.33%
Fixed Rate Riders	\$ 27.72	1	\$ 27.72	\$ 11.16	1	\$ 11.16	\$ (16.56)	-59.74%
Volumetric Rate Riders	\$ -	2000	\$ -	-\$ 0.0019	2000	\$ (3.80)	\$ (3.80)	
Sub-Total A (excluding pass through)			\$ 81.48			\$ 105.47	\$ 23.99	29.44%
Line Losses on Cost of Power	\$ 0.0845	183	\$ 15.50	\$ 0.0845	183	\$ 15.50	\$ -	0.00%
Total Deferral/Variance Account Rate Riders	\$ -	2,000	\$ -	-\$ 0.0011	2,000	\$ (2.20)	\$ (2.20)	
CBR Class B Rate Riders	\$ -	2,000	\$ -	\$ -	2,000	\$ -	\$ -	
GA Rate Riders	\$ -	2,000	\$ -	\$ -	2,000	\$ -	\$ -	
Low Voltage Service Charge	\$ 0.0152	2,000	\$ 30.40		2,000	\$ -	\$ (30.40)	-100.00%
Smart Meter Entity Charge (if applicable) and/or any fixed (\$) Deferral/Variance Account Rate Riders	\$ -	1	\$ -	\$ 0.57	1	\$ 0.57	\$ 0.57	
Additional Volumetric Rate Riders (Sheet 18)		2,000	\$ -	\$ -	2,000	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)			\$ 127.38			\$ 119.34	\$ (8.04)	-6.31%
RTSR - Network	\$ -	2,183	\$ -	\$ 0.0066	2,183	\$ 14.41	\$ 14.41	
RTSR - Connection and/or Line and Transformation Connection	\$ -	2,183	\$ -	\$ 0.0060	2,183	\$ 13.10	\$ 13.10	
Sub-Total C - Delivery (including Sub-Total B)			\$ 127.38			\$ 146.85	\$ 19.47	15.29%
Wholesale Market Service Charge (WMSC)	\$ 0.0036	2,183	\$ 7.86	\$ 0.0036	2,183	\$ 7.86	\$ -	0.00%
Rural and Remote Rate Protection (RRRP)	\$ 0.0003	2,183	\$ 0.66	\$ 0.0003	2,183	\$ 0.66	\$ -	0.00%
Standard Supply Service Charge	\$ 0.25	1	\$ 0.25	\$ 0.25	1	\$ 0.25	\$ -	0.00%
Ontario Electricity Support Program (OESP)								
RPP - First Tier	\$ 0.0770	750	\$ 57.75	\$ 0.0770	750	\$ 57.75	\$ -	0.00%
RPP - Second Tier	\$ 0.0890	1,250	\$ 111.25	\$ 0.0890	1,250	\$ 111.25	\$ -	0.00%
Total Bill on TOU (before Taxes)			\$ 305.14			\$ 324.61	\$ 19.47	6.38%
HST	13%		\$ 39.67	13%		\$ 42.20	\$ 2.53	6.38%
8% Rebate	8%		\$ (24.41)	8%		\$ (25.97)	\$ (1.56)	
Total Bill on TOU			\$ 320.40			\$ 340.84	\$ 20.44	6.38%

DISPOSITION OF INTERIM LICENCE DEFERRAL ACCOUNT

API is requesting disposition of the Interim Distribution Licence Deferral Account, on an interim basis. This section assists the OEB in considering the context in which the deferral account was established, the nature of the costs and revenues recorded in the account, and the method by which API is proposing to establish rate riders in support of its request for disposition.

A. Description of the Deferral Account

On April 4, 2017, as part of the Interim Licence Order, the OEB directed API to “Record revenues collected from customers within the service area of Dubreuil Lumber Inc. and the costs of operation and maintenance of the system in a deferral account under the Uniform System of Accounts”.¹

The costs recorded in the account relate to the day-to-day operation of the DLI system (e.g. outage response, locates, meter reading), administration (customer service, billing, collections), and one-time activities (transfer of control, condition assessments, audits, capital investments). In addition, API has continued to generate invoices in respect of the account associated with the 44 kV supply to the Township, and has recorded these amounts as costs in the deferral account. Amounts billed to individual customers on behalf of DLI (using DLI’s historical rate-setting practices) are recorded as offsetting revenue.

API most recently reported to the OEB that the account balance as at March 31, 2018 was \$474,771.² The following table summarizes the actual account balance to June 30, 2018, as well as forecasts to December 31, 2019.

¹ EB-2017-0153, Order, p. 3.

² EB-2018-0136, Deferral Account Report, p. 2.

Nature of Costs	Description	2017 Actual	2018 YTD (Jan-Jun)	2018 Forecast (Jul-Dec)	2018 Forecast	2019 Forecast
OM&A, Cost of Power, Billed Revenue	Outage and Emergency Response (Includes Locates)	51,999	40,214	40,214	80,428	80,428
	Meter Reading	54,552	18,351	18,351	36,702	36,702
	Customer Service and Community Relations	16,498	529	5,000	5,529	5,000
	Billing & Collections	22,770	4,367	4,367	8,734	8,734
	Supervisory and Administrative Support	7,014	2,126	2,126	4,252	4,252
	Cyclical Maintenance	-	-	6,500	6,500	10,000
	Cost of Power and Billed Revenue Tracking	8,062	-	28,435	-	56,870
	Sub-Total OM&A, Cost of Power, Billed Revenue	160,895	37,151	48,123	85,274	18,292
Capital	Distribution Line Capital (Including Bypass Project)	149,108	14,138	110,000	124,138	252,000
	Metering Replacements	-	-	118,140	118,140	-
	Substation and Underground Capital	-	-	33,859	33,859	250,000
	Sub-Total Capital	149,108	14,138	261,999	276,137	502,000
One-Time	Transfer of Control and Process Development	51,086	3,664	5,000	8,664	-
	Condition Assessments, Audits, and Reporting	63,065	53,196	10,000	63,196	-
	Safety, Environmental and Regulatory Compliance	19,466	14,447	-	14,447	-
	Substation #1 Decommissioning	-	-	67,453	67,453	-
	Substation #2 Transformer Contingency	-	-	15,000	15,000	-
	Oil Sampling for PCB Testing	-	-	-	-	80,000
	Sub-Total One-Time Costs	133,617	71,307	97,453	168,761	80,000
Total		443,619	122,596	407,576	530,172	600,292

B. Disposition of Deferral Account Balance

Costs Included in Disposition Request

Upon closing of the Proposed Transaction, API proposes to recover the following costs through a monthly fixed rate rider that would apply to all Acquired Customers:

- 50% of the 2017 total of OM&A, Cost of Power and Billed Revenue
- 100% of the 2018-2019 total of OM&A, Cost of Power and Billed Revenue
- Amortization expense and return on capital for the 2017-2019 period
- Tax impacts associated with the above costs
- The net impact of the simple interest calculated on cumulative OM&A and amortization expense offset by the simple interest calculated on revenues from the resulting rate rider

API's rationale for excluding the One-Time costs identified above from the rate rider calculations is that these costs are a direct result of the OEB's interim order and therefore have broader public interest considerations. While DLI customers will receive some amount of long-term benefit as a result of this spending, much of these costs are either related to compliance with the interim order and other regulatory requirements, or they relate to integration costs that were necessary by virtue

of API being designated as the interim operator. The rationale for excluding 50% of the 2017 total of OM&A, Cost of Power and Billed Revenue is similar – while many of these costs can't readily be split out as “One-Time” costs in API's work order system, they were significantly higher in 2017 as API transitioned to ramp-up compliance in many areas such as meter reading accuracy, locates, and customer service rules. API proposes to transfer these amounts to the Transaction and Integration Costs Deferral Account, and to dispose of those costs as part of its next rebasing application, as described in Exhibit F, Tab 3, Schedule 2.

Description of Disposition Mechanism and Rate Rider Calculation

API considers that the disposition request is analogous to the way in which the OEB provided for recovery of smart metering costs. The need to undertake the investment was outside of API's control (as a result of the Interim Licence Order), it occurred between rebasing years, and it involves material costs. Further, the nature of the costs that API is seeking to include in the calculation of the proposed rate rider are similar to the costs historically included in the calculation of rate riders relating to smart metering implementation. As a result, API has worked with OEB staff to modify the OEB's smart meter cost recovery model to facilitate the appropriate calculation of the proposed rate riders. For clarity, API will refer to the modified model as the API-DLI Rate Rider Model.

The general steps that API undertook in populating the API-DLI Rate Rider Model are as follows:

- The OM&A, Cost of Power and Billed Revenue totals proposed for inclusion in the model were entered in the “OM&A Expenses” row of Tab 2;
- The capital totals proposed for inclusion in the model were divided into 3 categories, based on differences in depreciation rates and CCA categories, and entered in the “Capital Costs” section of Tab 2;
- The depreciation and CCA rates on Tab 3 were updated to reflect the above categorization;
- Other parameters on Tab 3 were updated to match the Board-approved parameters from API's last cost of service application;

- API proposes that the net book value of the 2017-2019 capital investments be included in its rate base as part of its future rebasing application for a 2020 test year – as a result, certain formulas on Tabs 5, 6 and 7 were removed from 2020 onward to prevent double-counting of these amounts;
- A new Tab 8 was created in respect of interest calculations to allow calculation of interest on both the cumulative OM&A and amortization expense, as well as offsetting interest on the revenue received from the proposed rate riders;
- Iterative calculations were enabled to address the circular reference created by the above interest calculations (the amount of the calculated rate rider affects the interest calculation, which in turn affects the calculation of the rate rider); and
- A 6-year disposition period was chosen on Tab 9.

The resulting rate rider over the requested 6-year disposition period is calculated at \$11.16 per customer per month. This results in reasonable bill impacts for all customers³, and aligns the expiry of the rate rider (December 31, 2024) with the end of API's next IRM period.

API requests that the OEB approve the disposition requested above on an interim basis, and approve the calculated rate rider of \$11.16 per customer per month, applicable to all of the Acquired Customers.

API further proposes to continue to record the actual costs and revenues associated with the DLI distribution system and the Acquired Customers (including revenues from the resulting rate rider) in the deferral account until December 31, 2019. API would then request final disposition of the account balance as part of its 2021 IRM application (filed in 2020 using 2019 audited balances), which may result in a change to the rate rider for the 2021 to 2024 period.

³ See Exhibit F, Tab 2, Schedule 1

TRANSACTION AND INTEGRATION COSTS DEFERRAL ACCOUNT

The Handbook describes OEB rate-setting policies that allow a deferred rebasing period following consolidations, during which efficiencies resulting from the consolidation are able to offset transaction costs. The intent of this policy, as stated in the Handbook, is to incent consolidation in the electricity sector. As described in detail in Exhibit F, Tab 1, Schedule 1, the Proposed Transaction does not involve two distributors which could otherwise continue to operate independently. Rather the Proposed Transaction involves the acquisition by API of DLI's electricity distribution assets and associated customers. It does not include employees, fleet, operating facilities, inventory, or any type of IT infrastructure or business systems, where opportunities to achieve savings through efficiencies would normally exist. Further, DLI's historical rate setting methodology fails to adequately recover its costs, further complicating any concept of recovering transaction costs through a deferred rebasing period.

While the Proposed Transaction does not present an opportunity to recover transaction and integration costs through a deferred rebasing period, it nevertheless represents the most efficient and cost-effective means to meet the future needs of DLI's customers, and to assist the OEB in meeting its statutory objectives in relation to those customers. API was involuntarily subjected to a number of obligations under the Interim Licence Order, has incurred a number of one-time costs as a result of those obligations and has been responsive to the OEB's efforts to encourage a permanent solution for the DLI distribution system. If the transaction and integration costs were not incurred and the Proposed Transaction not completed, the duplication of costs that would be incurred to achieve legislative and regulatory compliance by API as interim operator on behalf of DLI would exceed the proposed transaction costs. API therefore requests that the OEB approve the establishment of a new Transaction and Integration Costs Deferral Account.

API requests that the Transaction and Integration Costs Deferral Account be given an effective date of April 4, 2017, which coincides with the OEB's Decision and Order requiring API to take possession and control of the DLI distribution system. This would enable API to capture all of its transaction and integration costs in the account so as to enable the future recovery of these

amounts. As noted by the OEB, in its October 3, 2017 Decision and Order extending the term of API's interim licence in EB-2017-0303, API indicated as early as in its April 26, 2017 notice of transition that it was engaged in commercial discussions with DLI. The OEB also stated that it "is of the view that it is in the public interest to have a viable and committed owner and operator of the distribution system for the Township of Dubreuilville (and that it) looks forward to further updates from both Algoma Power and DLI regarding the progress towards achieving a long term solution." The transaction and integration costs incurred since April 4, 2017 are distinct from the amounts API has been permitted to record in the Interim Distribution Licence Deferral Account, which is described in Exhibit F, Tab 3, Schedule 1. API started incurring integration costs as a result of the circumstances of being appointed as the interim operator, and started incurring transaction costs after being encouraged by the OEB to find a long-term solution and recognizing that there were no other long-term solutions that appeared viable. It is therefore appropriate for the OEB to allow an effective date of April 4, 2017 for the proposed Transaction and Integration Costs Deferral Account.

Nature of Costs to be Recorded in Transaction and Integration Costs Deferral Account

API proposes to record all costs associated with the preparation of the Asset Purchase Agreement and this Application, as well as all costs related to the OEB's hearing process (including, but not limited to legal fees and intervenor cost awards), and costs related to the closing of the Proposed Transaction. These costs are included in the "Transaction Costs" line in the summary below.

Description	2017 Actual	2018 Forecast	2019 Forecast	Total
Transaction Costs	-	83,674	85,000	168,674
Transfer of One-Time Costs from Deferral Account	133,617	71,307	97,453	302,377
Transfer of 50% of 2017 OM&A from Deferral Account	80,447			80,447
Total Transaction and Integration Costs	214,064	154,981	182,453	551,499

In addition to the Transaction Costs identified in the table above, API proposes to transfer a portion of the costs recorded/forecasted in the Interim Licence Deferral Account into the Transaction and

Integration Costs Deferral Account. The rationale for the transfer of these costs is include in Exhibit F, Tab 3, Schedule 1.

Future Disposition of Account Balance

In consideration of the one-time nature of the above costs, API proposes to dispose of the account balance by including the total cost (\$551,499 plus interest) as a one-time cost in its next rebasing application. Specifically, 20% of the total cost (or \$110,300, plus 20% of the accumulated interest) would be added to API's 2020 test year revenue requirement, such that the total amount is recovered during the test year and subsequent IRM period.

A draft accounting order is attached as **Appendix 'A'**.

Appendix 'A'
Draft Accounting Order

DRAFT ACCOUNTING ORDER

TRANSACTION AND INTEGRATION COSTS DEFERRAL ACCOUNT

Algoma Power Inc. shall establish a new “Transaction and Integration Costs Deferral Account, for the purpose of recording costs incurred in relation to the acquisition of the distribution system assets of Dubreuil Lumber Inc., as well as certain one-time costs and operating costs, as determined by the Board in its Decision and Order in the matter of EB-2018-0271.

The account shall be established as **Account 1508, Other Regulatory Assets – Sub-Account “Transaction and Integration Costs Deferral Account”**, effective April 4, 2017.

The amounts recorded in the above accounts shall be brought forward for disposition in a future proceeding.

The following outlines proposed accounting entries for this account:

USofA #	Account Description
Credit: 1508	Other Regulatory Assets – Sub-Account: “Interim Licence Deferral Account”
Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”

To transfer certain one-time and operating costs from the Interim Licence Deferral Account to the Transaction and Integration Costs Deferral Account, in accordance with the Board’s Decision and Order in EB-2018-0271.

USofA #	Account Description
Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”
Credit: 2205	Accounts Payable

To record all costs associated with the preparation of the Asset Purchase Agreement and this Application, as well as all costs related to the OEB’s hearing process, and costs related to the closing of the Proposed Transaction.

USofA #	Account Description
Debit: 1508	Other Regulatory Assets – Sub-Account: “Transaction and Integration Costs Deferral Account”
Credit: 4405	Interest and Dividend Income

To record interest improvement on the principal balance of the “Transaction and Integration Costs Deferral Account”.

CANCELLATION OF DLI'S DISTRIBUTION LICENSE

On March 5, 2012, the OEB issued DLI a distribution licence (ED-2012-0074) for a term of one year, authorizing it to own and operate the distribution system in the Township of Dubreuilville. This licence was renewed annually until 2017, and has since been renewed for 6-month terms. In 2017 the OEB issued the Interim Licence Order in EB-2017-0153, which required API to operate the electricity distribution system in the Township and required DLI to surrender possession and control of its electricity distribution system to API. The Interim Licence Order, as well as orders related to subsequent extensions to the Interim Licence (EB-2018-0149), confirm that DLI continues to own the electricity distribution system in the Township, and that it continues to be responsible for meeting all requirements under its current licence.

Subject to the OEB approving the Proposed Transaction, the cancellation of API's interim licence and the requested amendments to API's existing distribution licence, as requested in the Application, DLI requests that the OEB, pursuant to ss. 77(5) of the OEB Act, cancel DLI's distribution licence (ED-2012-0074), effective upon the closing of the Proposed Transaction. The Proposed Transaction is tentatively scheduled to close on January 1, 2019. However, the Applicants intend to provide the OEB with advanced notice of any change to the anticipated closing date as well as confirmation upon closing of the Proposed Transaction so as to facilitate the orderly cancellation and amendment of the affected licenses.

CANCELLATION OF API'S INTERIM DISTRIBUTION LICENCE

On April 4, 2017 the OEB issued the Interim Licence Order in EB-2017-0153, which required API on an interim basis to operate the electricity distribution system in the Township of Dubreuilville. An interim electricity distribution licence (the "Interim Licence"), valid until October 3, 2017, accompanied the Order (ED-2017-0153). The OEB has since extended the term of API's Interim Licence for additional 6-month periods (currently to October 3, 2018).

Subject to the OEB approving the Proposed Transaction, the cancellation of DLI's distribution licence and the requested amendments to API's existing distribution licence, as requested in the Application, API requests that the OEB, pursuant to ss. 77(5) of the OEB Act, cancel API's interim distribution licence (ED-2017-0153), effective upon the closing of the Proposed Transaction. The Proposed Transaction is tentatively scheduled for January 1, 2019. However, the Applicants intend to provide the OEB with advanced notice of any change to the anticipated closing date as well as confirmation upon closing of the Proposed Transaction so as to facilitate the cancellation and amendment of the affected licenses.

AMENDMENTS TO API DISTRIBUTION LICENCE

Subject to the OEB approving the Proposed Transaction, the cancellation of API's interim licence and the cancellation of DLI's distribution licence, as requested in the Application, API requests that the OEB, pursuant to ss. 74(1)(b) of the OEB Act, amend API's existing electricity distribution licence (ED-2009-0072) by (i) amending the service area to include the Township of Dubreuilville, and (ii) adding a condition to provide API with limited relief from regulatory liability for circumstances arising from its acquisition of the DLI system. In addition, API notes that it may require further relief in the event it becomes liable for any damages arising from DLI's legacy ownership and operation of the system. The Applicants intend to provide the OEB with notice of any change to the anticipated closing date of January 1, 2019, as well as confirmation upon closing of the Proposed Transaction, so as to facilitate the cancellation and amendment of the affected licenses. These aspects are discussed below.

1. Service Area Amendment

API requests that the OEB amend its distribution licence (ED-2009-0072) by adding the "Township of Dubreuilville" to the description of the service area in which API is authorized to distribute and sell electricity, as listed in Schedule 1, Section 1 of API's licence.

Pursuant to sections 1.1 (Definitions – Purchased Business) and 2.1 (Purchased Assets) of the Asset Purchase Agreement,¹ API will acquire all assets that are required to provide the Acquired Customers with distribution service. DLI will only retain ownership of certain service assets in relation to its own accounts. The distribution assets to be retained by DLI are not required and will not be used to provide distribution service to any other person.

2. Relief from Liability For Acquired DLI System

Under section 59 of the OEB Act, subsection (3.1) provides that a person who is required as a condition of an interim licence to take possession and control of the business of a distributor "is

¹ The Asset Purchase Agreement is included as Exhibit D, Tab 1, Schedule 1, Appendix A.

not liable for anything that results from taking possession and control of the business or otherwise exercising or performing the person's powers and duties under this Act, the interim licence or any order of the Board, unless liability arises from the person's negligence or wilful misconduct."

Accordingly, section 9 of the Interim Licence issued to API in respect of the DLI system, provides as follows:

Liability of the Licensee

The Licensee is not liable for anything that results from taking possession and control of the distribution assets owned by Dubreuil Lumber Inc. or otherwise exercising or performing the Licensee's powers and duties under the Act in relation to those businesses, this Licence or any order of the Board, unless liability arises from the Licensee's negligence or wilful misconduct.

As summarized in Exhibit C, Tab 2, Schedule 1, and further detailed in the Notice of Transition and 60-Day Report, there are a number of areas in which the DLI system was found by API to be out of compliance with regulatory requirements, codes and technical standards, as well as good utility practices. Despite API's efforts during the period of it being the interim operator, the Proposed Transaction will result in API acquiring a distribution system that continues to have deficiencies and potential compliance issues. However, rather than continuing to operate the system as an interim licensee until all such deficiencies and compliance issues have been fully addressed, API is moving forward with the long term solution of acquiring the DLI system and intends to continue to address the deficiencies and compliance issues as the owner of the system.

To support API in its efforts to promptly implement a long term solution for the DLI system, API requests that the OEB add a condition to API's distribution licence which provides that the OEB will refrain from enforcing regulatory requirements that are within the OEB's control insofar as such requirements relate to circumstances or defects inherited by API through its acquisition of the DLI system, provided however that upon becoming aware of any such circumstances or defects relating to the acquired DLI system API shall take reasonable steps to address those circumstances or defects within a reasonable period.

In addition, API notes that by acquiring the DLI system for the purposes of promptly achieving a long-term solution in the public interest, API is assuming various risks that it otherwise would not have been exposed to. For example, it could become liable for historical environmental contamination relating to DLI assets or operations, or an oil spill or discharge of PCBs from defective or poorly maintained equipment occurring before API has an opportunity to identify and address that particular risk. There could also be equipment defects, not yet known to API, that cause impacts to customer-owned electrical equipment or property. While API does not anticipate such risks being realized based on the work it has carried out to date as interim operator, the risk nevertheless remains. Moreover, in acquiring the system for a nominal purchase price from an insolvent company, API has had no reasonable opportunity to mitigate such risks, such as through indemnities or a purchase price reduction. Consequently, if API becomes liable for any damages arising from DLI's legacy ownership and operation of the system, API may need to seek relief from the OEB such as through the establishment of a new deferral account, the balance of which would be recovered through a method to be proposed at that time based on the circumstances and materiality of the liability.

OTHER MATTERS

Section 2.2.6 of the Handbook identifies a number of matters in respect of which applicants in prior consolidation applications have made additional requests to the OEB as part of the determination of a consolidation application. Several of these matters have been included elsewhere in the Application, including with respect to the need for new or extended rate riders, licence amendments and cancellations and the need for a deferral account to track costs. The Table of Concordance provided in Exhibit A, Tab 2, Schedule 1 provides references to those requests in this Application. The balance of this schedule briefly describes the reasons why the Applicants are not making requests in relation to subsections (b) and (e) of Section 2.2.6 of the Handbook.

A. 2.2.6 (b) – Transfer of Rate Order and Licence

As described in Exhibit F, Tab 1, Schedule 1, there is no existing rate order in respect of DLI, and API is therefore proposing to bill the acquired customers in accordance with API's approved tariff of rates and charges, effective upon closing of the proposed transaction.

The only outstanding OEB order in respect of DLI of which the Applicants are aware is the requirement in the orders accompanying the Interim Licence, and subsequent extensions of the Interim Licence, for DLI to either renew its licence or dispose of its ownership interest in its distribution system (whether through a sale or other transfer of its assets) to another licensed electricity distributor. The Application and the Proposed Transaction address this requirement.

With respect to Licensing, the Applicants have proposed the cancellation of DLI's licence to own the distribution assets in the Township, as well as the cancellation of API's Interim Licence. API has also requested that its distribution licence be concurrently amended to add the Township of Dubreuilville to API's licensed service area. These licensing matters are detailed in Exhibit G of the Application, and are proposed to be effective upon closing of the proposed transaction. The Applicants therefore do not seek the transfer of any DLI licence or order to API.

B. 2.2.6 (e) – Approval to use different accounting standards for financial reporting following the closing of the proposed transaction

API uses Accounting Standards for Private Enterprises (“ASPE”) for financial accounting and regulatory accounting and reporting purposes. The acquisition of the distribution assets and customers of DLI will not result in any changes to accounting standards.