

**BURLINGTON HYDRO RESPONSES TO
SCHOOL ENERGY COALITION
PRE-SETTLEMENT CLARIFICATION QUESTIONS**

SEC-1 (CQ-1-SEC-1)**Reference:** [1-SEC-3]

With respect to the Balance Scorecard:

- a. BHI has provided Balance Scorecard for previous years in Appendix B. The Scorecards appear to show the annual targets but not the year-end actual performance. For each year, please provide the actual performance for each measure.
- b. Is the balance scorecard how corporate objectives are measured for incentive compensation (4-SEC-30a)? If not, please explain how corporate objectives for incentive compensation are determined.
- c. Using the 2020 and 2021 Balanced Scorecards as examples, please explain how each metric is weighed for the purpose of determining the overall corporate scores.

Response:

- a. BHI provides the actual performance for each measure in the 2014 to 2019 Balanced Scorecards in attachment CQ_Attachment_1-SEC-1a.
- b. Corporate objectives for incentive compensation are determined using four metrics: EBIT, Customer Experience Satisfaction, Reliability and No Lost Time Injuries. The measures listed on the balance scorecard within each category (e.g., meet Customer Focus performance metrics on the OEB scorecard) are tactics or outcomes which contribute to the achievement of the four corporate objectives; and can also be included in an individual's objectives.
- c. Table 1 below identifies how each metric is weighted for the purposes of determining BHI's overall corporate score for the purposes of incentive compensation for 2020. 2021 is not available - although the Category, Metric, Weighting and Payouts will not change for 2021, the corporate objective targets (e.g., threshold, target and maximum) will not be finalized until April of 2021.

Table 1 – 2020

Balanced Scorecard Category	Metric	Weighting	Targets			Payout		
			Threshold	Target	Maximum	Threshold	Target	Max
Financial	EBIT	50%	90% of Budget	110% of Budget	122% of Budget	0.5	1	1.5
Community Commitment (Customers)	Customer Experience Satisfaction	15%	3% better than Ontario average	4% better than Ontario Average	8% better than Ontario average	0.5	1	1.5
Operational Effectiveness (Internal Processes)	Reliability (Rolling 5-year average)	15%	+10% of 5-year average	5-year average	-20% of 5-year average	0.5	1	1.5
Employer of Choice (Learning and Growth)	No Lost Time Injuries (Rolling 3-year Average)	20%	1.5% frequency rate	1.2% frequency rate	0 frequency rate	0.5	1	1.5
Total Weighted Payout (= weighting x payout)						50.0%	100.0%	150.0%

SEC-2 (CQ-4-SEC-2)**Reference:** [4-SEC-25]

Please provide a response to the IR. Please ensure the amounts do not include amounts also included in Account 1509.

Response:

BHI provides preliminary actuals for the 2020 Bridge Year in OEB Appendix 2-JA format with a comparison to the 2020 Bridge Year as filed in the Application. These amounts are preliminary and not audited; and results are not available by program (i.e., in OEB Appendix 2-JC format). The amounts are exclusive of any amounts included in Account 1509.

Table 1

Category	2020 Bridge Year (As Filed Oct. 30, 2021)	2020 Bridge Year Preliminary Actuals
Operations	\$4,381,070	\$4,559,213
Maintenance	\$5,087,113	\$5,744,830
Billing and Collecting	\$2,877,786	\$2,574,484
Community Relations	\$31,803	\$29,373
Administration and General	\$7,350,129	\$7,177,729
LEAP	\$34,603	\$34,603
Total 2-JA	\$19,762,504	\$20,120,232

SEC-3 (CQ-5-SEC-3)***Reference:*** [5-Staff-63]

With respect the \$15M term loan entered into with TD Bank:

- a. How will the fixed rates be determined when the amounts are draw down?
- b. Please provide a copy of any documentation that does exist that outlines the terms of the loan.
- c. Please explain why the Applicant entered into this specific arrangement and why it believes it is the most favorable option.

Response:

- a. The fixed rate % will be determined by the Bank, at its sole discretion, based on the loan term selected by BHI and the exact date of drawdown.
- b. A copy of the Amending Agreement between BHI and the TD Bank is attached as Appendix A.
- c. BHI entered into this specific arrangement as TD provides a streamlined approval process, flexible terms, amortization options and reasonable financial covenants.

SEC-4 (CQ-9-SEC-4)

Reference: [9-Staff-79(e), 9-SEC-36]

Please provide a version of Table 1 (9-SEC-36) using actual 2018, 2019 and 2020 capital expenditures. Please provide all supporting calculations.

Response:

BHI provides a recast version of Table 1 in interrogatory 9-SEC-36 to use actual 2018, actual 2019 and 2020 forecasted capital expenditures in Table 1 below. Capital expenditures for 2020 have not been finalized and BHI has not yet received the benefit from AIIP related to the 2020 tax year.

The capital expenditures for BHI's new GIS and CIS have been excluded from the calculation as the OEB determined in BHI's 2020 IRM Application that BHI did "*not have to record the effect of the All for the CIS and GIS projects in Account 1592*".¹

The supporting calculations are provided in CQ_Attachment_9-SEC-4a on pages 1 and 2. (Page 1 identifies the removal of the CIS and GIS projects on a separate row; Page 2 incorporates the CIS and GIS into the appropriate CCA classes)

Table 1 (recast of Table 1 in 9-SEC-36 to use actual/forecast capital expenditures)

Description	2018 Actuals	2019 Actuals	2020 Forecast	Total
Prior CCA	\$7,468,431	\$7,692,513	\$7,956,682	\$23,117,626
Accelerated CCA	\$7,862,774	\$8,656,878	\$8,631,638	\$25,151,290
Difference in CCA	(\$394,343)	(\$964,365)	(\$674,956)	(\$2,033,663)
Tax Impact @ 26.5%	(\$104,501)	(\$255,557)	(\$178,863)	(\$538,921)
Grossed up PILs	(\$142,178)	(\$347,696)	(\$243,352)	(\$733,225)

¹ EB-2019-0023, Decision and Rate Order, April 16, 2020, page 26



APPENDIX A: CQ-5-SEC-3 b)



Halton Commercial Banking Centre
5515 North Service Road, Suite 103
Burlington, ON
L7L 5H7

Telephone No.: (905) 336-6375
Fax No.: (905) 336-7712

December 22, 2020

BURLINGTON HYDRO INC.
1340 Brant Street
Burlington, ON L7R 3Z7

Attention:

The following amending agreement (the "Amending Agreement") amends the terms and conditions of the credit facilities (the "Facilities") provided to the Borrower pursuant to the Agreement dated January 12, 2011 and the subsequent amending agreement dated March 31, 2020:

BORROWER

BURLINGTON HYDRO INC. (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its Halton branch, in Burlington, ON.

CREDIT LIMIT

- 3) CAD\$15,000,000 as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".

TYPE OF CREDIT AND BORROWING OPTIONS

- 3) **Committed Reducing Term Facility (Multiple Draw)** available at the Borrower's option by way of:
- Fixed Rate Term Loan in CAD\$
 - Floating Rate Term Loan available by way of:
 - Bankers Acceptances in CAD\$ ("B/As")

PURPOSE

- 3) To finance capital expenditures in 2021, 2022 and 2023.

TENOR

- 3) Uncommitted until drawn.

CONTRACTUAL TERM

- 3) Upon Drawdown, the lesser of 120 months or the Rate Term as selected by the Borrower

RATE TERM (FIXED RATE TERM LOAN)

- 3) Fixed rate: 12-120 months but never to exceed the Contractual Term Maturity Date
3) Floating rate: No term

AMORTIZATION

- 3) Up to a maximum of 360 months.

INTEREST RATES AND FEES

Advances shall bear interest and fees as follows:

- 3) **Committed Reducing Term Facility:**
Fixed Rate Term Loans: % per annum or as determined by the Bank, in its sole discretion, for
- the Rate Term selected by the Borrower, and as set out in the Rate and Payment Terms Notice applicable to that Fixed Rate Term Loan.
- Floating Rate Term Loans available by way of:
- B/As: Stamping Fee at 1.100% per annum

For all Facilities, interest payments will be made in accordance with Schedule "A" unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A".

Interest on Fixed Rate Term Loans under Facility 3) is compounded monthly and payable in arrears.

ARRANGEMENT FEE

The Borrower has paid or will pay prior to any drawdown hereunder a non-refundable arrangement fee of CAD\$2,500.

DRAWDOWN

Assigned Facilities	Description
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- | | |
|---|--|
| 3 | Subject to satisfaction of Disbursement Conditions, multiple draws permitted up to the Credit Limit. Facility is subject to a maximum of 3 draws and \$10,000,000 per annum. Any undrawn portion of the facility after December 31, 2023 is cancelled. |
|---|--|

Each drawdown under Facility 3) will be a "tranche" and each tranche will bear its own interest rate and repayment terms as set out in the Rate and Payment Terms Notice delivered by the Bank to the Borrower in respect of that drawdown.

Notice periods, minimum amounts of draws, interest periods and contract maturity for LIBOR Loans, terms for Banker's Acceptances and other similar details are set out in the Schedule "A" attached hereto.

REPAYMENT AND REDUCTION OF AMOUNT OF CREDIT FACILITY

Assigned Facilities	Description
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- | | |
|----|--|
| 3) | All amounts outstanding will be repaid on or before the Contractual Term Maturity Date. Multiple draws are permitted. All drawdowns will be repaid in equal monthly payments. The details of repayment and interest rate applicable to such drawdown will be set out in the "Rate and Payment Terms Notice" applicable to that drawdown. Any amounts repaid may not be reborrowed. |
|----|--|

PREPAYMENT

Assigned Facilities	Description
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- | | |
|----|--|
| | If borrowing by way of Floating Term Loan via B/As: Not permitted during the term of the B/A. |
| 3) | If borrowing by way of Fixed Rate Term Loan the Borrower has the option to select the 10% Prepayment Option and accordingly, Fixed Rate Term Loans under this Facility may be prepaid in accordance with Section 4a) and 4b) of Schedule A. If the Borrower has not selected the 10% Prepayment Option, Fixed Rate Term Loans under this Facility may be prepaid in accordance with Section 4c) of Schedule A. |

DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" and the following additional drawdown conditions:

Delivery to the Bank of the following, all of which must be satisfactory to the Bank:

Assigned Facilities	Description
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- | | |
|----|---|
| 3) | City of Burlington to provide consent for the \$15,000,000 Facility 3). |
| 3) | Confirmation of financial covenant compliance based on latest quarterly reporting. |
| 3) | Executed Letter Agreement to be on hand. |
| 3) | Infrastructure Ontario to provide consent for new \$15,000,000 Facility #3. This condition has been removed. |

- 3) Executed Pari-Passu Agreement with Ontario Infrastructure and Lands Corporation to be satisfactory to the Bank's legal counsel. **This condition has been added.**
- 3) No Default or Event of Default under any material contract for borrowed money.
- 3) No Material Adverse Change.

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank.

All Facilities

- a) General Security Agreement ("GSA") representing a first position charge on all the Borrower's present and after acquired personal property.
- b) Assignment of Fire Insurance
- c) Subordination Agreement/Priorities Agreement (inter-creditor agreement) whereby The City of Burlington subordinates its security interest in favour of the Bank.

Facility 1) and 2)

- c) Subordination Agreement/Priorities Agreement (inter-creditor agreement) whereby Ontario Infrastructure and Lands Corporation subordinates its security interest in favour of the Bank.

Facility 3)

- e) Pari Passu Agreement (inter-creditor agreement) between Ontario Infrastructure and Lands Corporation, Burlington Hydro Inc., and The Toronto-Dominion Bank. - To Be Obtained

All persons and entities required to provide a guarantee shall be referred to in this Agreement individually as a "Surety" and/or "Guarantor" and collectively as the "Guarantors";

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:

Assigned Facilities	Description
All)	Purchase Money Security Interests in equipment which Purchase Money Security Interests exist on the date of this Agreement ("Existing PMSIs") which are known to the Bank and all future Purchase Money Security Interests on equipment acquired to replace the equipment under Existing PMSIs, provided that the cost of such replacement equipment may not exceed the cost of the equipment subject to the Existing PMSI by more than 10%

FINANCIAL COVENANTS

The Borrower agrees at all times to:

Assigned Facilities	Description
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All) Maintain a Debt Service Coverage ratio (DSC) of no less than 120%.
The DSC is defined as follows:

EBITDA / P + I on all debt

All) Maintain a maximum Debt to Capitalization Ratio of 0.60:1.

Debt defined as all interest-bearing debt (excluding customer deposits). Capitalization defined as the sum of total interest-bearing debt, shareholder's equity, contributed capital, and preference share capital net of any goodwill.

EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" attached hereto and after any one of the following additional Events of Default:

Assigned Facilities	Description
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All)	Cross default to all Ontario Infrastructure and Lands Corporation debt.
All)	The Cross-Default Threshold as referred to in Schedule "A" is: i) For the Borrower: \$500,000
All)	Any material adverse change in the legislation or regulation of the electrical distribution business.
All)	Loss of OEB License.
All)	Material Judgements.

AVAILABILITY OF OPERATING LOAN

The Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

Unless otherwise stated, the amendments outlined above are in addition to the Terms and Conditions of the existing Agreement. All other terms and conditions remain unchanged.

We ask that the Borrower acknowledges agreement to these amendments by signing and returning the attached duplicate copy of this Amending Agreement to the undersigned on or before **December 31st, 2020**.

**ACCURACY OF
INFORMATION**

The Borrower hereby represents and warrants that all information that it has provided to the Bank is accurate and complete respecting, where applicable:

- (i) the names of the Borrower's directors and the names and addresses of the Borrower's beneficial owners;
- (ii) the names and addresses of the Borrower's trustees, known beneficiaries and/or settlors; and
- (iii) the Borrower's ownership, control and structure.

The Borrower will provide, or cause to be provided, such updated information and/or additional supporting information as the Bank may require from time to time with respect to any or all the matters in the Borrower's foregoing representation and warranty.

Yours truly,

THE TORONTO-DOMINION BANK



Mike Anjos
Relationship Manager



Damian Savelli
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

BURLINGTON HYDRO INC. hereby accepts the foregoing offer this 22 day of December, 2020. The Borrower confirms that, except as may be set out above, the credit facilities detailed herein shall not be used by or on behalf of any third party.



Signature

Michael Kysley CFO

Print Name & Position