



# **MAADs Application**

## **EB-2021-0280**

**Filed: November 1, 2021**

**IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. for leave for Amalco Holdco to acquire control of Brantford Energy Corporation and Cambridge and North Dumfries Energy Plus Inc. pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998*.

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. for leave to amalgamate to form LDC Amalco made pursuant to section 86(1)(c) of the *Ontario Energy Board Act, 1998*.

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. made pursuant to section 60 of the *Ontario Energy Board Act, 1998* for the issuance of a Distribution Licence to LDC Amalco.

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc., made pursuant to section 18 of the *Ontario Energy Board Act, 1998*, for leave to transfer the rate orders of Brantford Power Inc. and Energy+ Inc. to LDC Amalco, which would include the continuation of related distribution rates and low voltage rates associated with Embedded Distributor Service classifications;

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. for leave for LDC Amalco to track costs to the existing regulatory and deferral and variance accounts (“DVAs”) currently approved by the Board for each service area and to seek disposition of their balances at a future date;

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. for leave for LDC Amalco to track the grossed up Payment in Lieu (“PILs”) impact, of the variance between the Capital Cost Allowance (“CCA”) smoothing approach adopted by BPI in its 2022 Cost of Service (“COS”) Application Settlement Proposal (EB-2021-0009) (the “Settlement Proposal”), and the effective PILs impact of the phase out/elimination of the accelerated CCA in effect subsequent to 2026 and until LDC Amalco’s rebasing. The differences, if any, would be included in DVA Account 1592, PILS and Tax Variances Sub-Account CCA Changes for the Brantford service area only; and

**AND IN THE MATTER OF** an application by Brantford Power Inc. and Energy+ Inc. for the cancellation of the Distribution Licences of Brantford Power Inc. (ED-2003-0060) and Energy+ Inc. (ED-2002-0574) upon the issuance of the Distribution Licence to LDC Amalco.

## 1. TABLE OF CONTENTS

1. TABLE OF CONTENTS .....	1
2. LIST OF SCHEDULES .....	3
3. ADMINISTRATIVE.....	4
3.1. Application Overview .....	4
3.2. The Applicants .....	6
3.3. Counsel to the Applicants .....	8
3.4. Description of Transaction .....	9
3.5. Certificate of Evidence .....	9
4. DESCRIPTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION .....	10
4.1. Description of Business .....	10
4.2. Geographic Service Areas .....	12
4.3. Customer Information .....	14
4.4. Corporate Relationship .....	14
4.5. Net Metering .....	16
5. DESCRIPTION OF THE PROPOSED TRANSACTION .....	17
5.1. Proposed Transaction.....	17
5.2. Leave Being Sought.....	19
5.3. Consideration.....	22
5.4. Legal Documents .....	23
5.5. Resolutions .....	23
5.6. Additional Approvals .....	23
6. IMPACT OF PROPOSED TRANSACTION.....	24
6.1. Objective 1: Protect consumers with respect to price and adequacy, reliability and quality of electricity service. ....	24
6.2. Objective 2: Promote Economic Efficiencies and Cost Effectiveness and Facilitate the Maintenance of a Financially Viable Electricity Industry .....	39
7. RATE CONSIDERATIONS FOR CONSOLIDATION APPLICATIONS .....	45
7.1. Deferred Rate Rebasing .....	45
8. OTHER RELATED MATTERS.....	50
8.1. Application for Electricity Distribution Licence .....	50
8.2. Transfer and Extension of Existing Rate Riders .....	50

8.3.	Licence Amendment and Cancellation .....	50
8.4.	Approval to Continue to Track Costs to Approved Deferral and Variance Accounts .....	51
8.5.	Accounting Standards .....	51



## 2. LIST OF SCHEDULES

<b>Schedule</b>	<b>Title</b>
<b>A</b>	<u>Mapping of Application to Filing Requirements</u>
<b>B</b>	Map of Proposed Service Area
<b>C</b>	Certificate of Evidence
<b>D</b>	BPI Service Area
<b>E</b>	Energy+ Service Area
<b>F</b>	BEC Corporate Structure
<b>G</b>	Energy Plus Corporate Structure
<b>H</b>	Legal Agreements
<b>I</b>	Resolutions
<b>J</b>	BPI 2020 Scorecard
<b>K</b>	Energy+ 2020 Scorecard
<b>L</b>	Amalco Holdco Corporate Structure
<b>M</b>	BPI 2019 and 2020 Financial Statements
<b>N</b>	Energy+ 2019 and 2020 Financial Statements
<b>O</b>	Amalco LDC Year 1 Pro-Forma Financial Statements
<b>P</b>	BPI Electricity Distribution License
<b>Q</b>	Energy+ Electricity Distribution License
<b>R</b>	LDC Amalco Proposed Electricity Distribution License

### 3. ADMINISTRATIVE

#### 3.1. Application Overview

This is an application (the “Application”) to the Ontario Energy Board (“OEB”) for the approvals and relief necessary to effect the amalgamation of Brantford Power Inc. (“BPI”) and Energy+ Inc. (“Energy+”) into a single local distribution company (“LDC”) (referred to as “LDC Amalco”) that will serve over 107,000 customers. The LDC amalgamation is referred to in the Application as the “Proposed Transaction” or “merger” (each as further described in Section 5.1).

This Application is the culmination of many months of negotiations and agreement among the Applicants, as defined below, and their shareholders and is reflective of the terms of the merger approved by the three municipalities: (i) the Corporation of the City of Brantford; (ii) the Corporation of the City of Cambridge; and (iii) the Corporation of the Township of North Dumfries.

This Application adheres to the principles of the OEB’s March 26, 2015 *Report on Rate-Making Associated with Distributor Consolidation* (the “Consolidation Policy”) and follows the *Filing Requirements For Consolidation Applications* (the “Filing Requirements”) contained in the January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the “Handbook”). The mapping of the Applicant’s contents to the Filing Requirements is provided in Schedule A.

The specific approvals and items of relief are discussed in Section 5.2. The Applicants are requesting a written hearing.

Upon completion of the Proposed Transaction, the share percentage ownership of the holding company of LDC Amalco will be:

City of Brantford	41.000%
City of Cambridge	54.339%
Township of North Dumfries	4.661%

The licensed service area of LDC Amalco will be comprised of the current service areas of BPI and Energy+ and will result in a substantially contiguous service area, within the County of Brant and the City of Brantford. In fact, BPI’s existing service territory is surrounded by Energy+ at all service area boundary lines, and the Applicants expect that the merger will eliminate customer confusion as to the

utility servicing the County of Brant and City of Brantford. A combined service area map is provided as Schedule B.

The Proposed Transaction achieves the OEB's objectives, which among others: protects the interest of consumers with respect to prices and the adequacy, reliability, and quality of electricity service; and promotes economic efficiency and cost effectiveness.

A key objective for the Proposed Transaction is ensuring levels of customer service, safety and reliability that either meet or exceed existing levels for each of BPI and Energy+, while maintaining stable, competitive distribution rates. The Proposed Transaction will positively impact customers and provide the following customer benefits:

- Stable distribution rates over the course of the ten-year period, as provided under the Price Cap Incentive Regulation ("PCIR") methodology, that are projected to increase at less than the rate of inflation over the 10 years following merger, and are lower than what they would have been on a stand-alone basis in the absence of the Proposed Transaction;
- Real cost synergies and operational efficiencies, as well as economies of scale over a larger customer base, will result in a lower future cost structure after the ten-year deferred rebasing period. The sustained synergies from the merger will lower distribution rates at the next rebasing application in comparison to the stand-alone basis; and
- A larger, local and publicly owned utility that will have the capacity to modernize and adapt to future changes in Ontario's electricity sector, and will have more resources to invest in innovation and new technologies that address the needs of customers.

The merger of BPI and Energy+ demonstrates the benefits of voluntary consolidation within the electricity sector in Ontario. The Proposed Transaction supports the OEB's Renewed Regulatory Framework for Electricity Distributors, and the focus on performance-based outcomes. In particular, this merger will promote the achievement of customer focus, operational effectiveness, public policy responsiveness, and financial performance. As well, it will promote a key element of the framework, which is the focus on continuous improvement and increased efficiency in the distribution sector.

### **3.2. The Applicants**

BPI, Energy, and their respective holding Companies, Brantford Energy Corporation (“BEC”) and Cambridge and North Dumfries Energy Plus Inc. (“Energy Plus”), are the applicants (the “**Applicants**”) in respect of this Application.

The Applicants request that a copy of all documents filed with the Board be served on the Applicants and Applicants’ counsel, as follows:

#### **3.2.1. Name of Applicant 1:**

Energy+ Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6

#### **Energy+ Authorized Representative:**

Sarah Hughes, CPA, CA, C. Dir.  
Chief Financial Officer  
Energy+ Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6  
519-621-3530, ext. 2638  
[shughes@energyplus.ca](mailto:shughes@energyplus.ca); [regulatoryaffairs@energyplus.ca](mailto:regulatoryaffairs@energyplus.ca)

#### **3.2.2. Name of Applicant 2:**

Brantford Power Inc.  
150 Savannah Oaks Drive  
Brantford, ON N3V 1E8

**BPI Authorized Representative:**

Brian D'Amboise, CPA, CA  
Chief Financial Officer and Vice President, Corporate Services  
Brantford Energy Corporation  
150 Savannah Oaks Drive  
Brantford, ON N3V 1E8  
519-751-3522, ext. 5133  
[bdamboise@brantford.ca](mailto:bdamboise@brantford.ca)

**3.2.3. Name of Applicant 3:**

Cambridge and North Dumfries Energy Plus Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6

**Energy Plus Authorized Representative:**

Ian Miles  
President & CEO  
Energy+ Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6  
519-621-3530, ext. 2355  
[imiles@energyplus.ca](mailto:imiles@energyplus.ca)

**3.2.4. Name of Applicant 4:**

Brantford Energy Corporation  
150 Savannah Oaks Drive  
Brantford, ON N3V 1E8

**BEC Authorized Representative:**

**Paul Kwasnik**

CEO & President

Brantford Energy Corporation

150 Savannah Oaks Drive

Brantford, ON N3V 1E8

519-751-3522, ext. 5487

[pkwasnik@brantford.ca](mailto:pkwasnik@brantford.ca)

**3.3. Counsel to the Applicants**

**J. Mark Rodger**

Borden Ladner Gervais LLP

East Tower, Bay Adelaide Centre

22 Adelaide Street West, Suite 3400

Toronto, ON M5H 4E3

416-367-6190

[mrodger@blg.com](mailto:mrodger@blg.com)

**Gian Minichini**

Borden Ladner Gervais LLP

East Tower, Bay Adelaide Centre

22 Adelaide Street West, Suite 3400

Toronto, ON M5H 4E3

416-367-6738

[gminichini@blg.com](mailto:gminichini@blg.com)

### **3.4. Description of Transaction**

The Proposed Transaction involves the amalgamation of BEC and Energy Plus (the current holding companies of the regulated utilities BPI and Energy+) to form “Amalco Holdco”. Immediately following the amalgamation of “Amalco Holdco”, BPI and Energy+ (the regulated utilities) will amalgamate to form “LDC Amalco”.

The Proposed Transaction will result in the Corporation of the City of Brantford, the Corporation of the City of Cambridge, and the Corporation of the Township of North Dumfries collectively owning 100% of Amalco Holdco, which in turn will own 100% of LDC Amalco.

Closing of the Proposed Transaction will occur on the later of: (i) the first business day of a new fiscal quarter following receipt of OEB approval and Competition Act approval (e.g. April 1, July 2, October 1 or January 2); or (ii) another date following OEB approval, as mutually agreed to by the Applicants.

This Application adheres to the principles of the Handbook and the Consolidation Policy.

The Consolidation Policy provides Board policy pronouncements pertaining to rate-making for associated distributor consolidation transactions. These include: (1) an extension to the rate rebasing deferral period for a period of up to ten years after the close of the transaction; (2) a requirement for use of an earning sharing mechanism (“ESM”) where an applicant seeks a deferral period greater than five years and up to ten years; (3) utilization of the incremental capital investment module (“ICM”) by the consolidating entity during the deferred rebasing period; and (4) clarifications as to which incentive plan would apply to distributors who are party to a merger, amalgamation, acquisition, and divestiture (“MAADs”) transaction during any deferred rebasing period. The Applicants have considered the intent and rely on these reports in both supporting the merger and amalgamation of BPI and Energy+ and in developing this Application.

Section 5 provides a detailed description of the Proposed Transaction.

### **3.5. Certificate of Evidence**

Please see Schedule C for the Certificates of Evidence from each of the Applicants.

## 4. DESCRIPTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION

### 4.1. Description of Business

#### 4.1.1. BPI

BPI is an electricity distributor licensed by the OEB, which operates in the City of Brantford, Ontario. BPI serves approximately 40,662 distribution load customers consisting of approximately 37,347 residential customers, 3,315 general service customers, and one embedded distributor customer.

BPI earns revenue by delivering electric power to the homes and businesses in its service area. The distribution rates charged by BPI and the performance standards that the energy delivery system must meet are regulated by the OEB. BPI is an Independent Electricity System Operator (“IESO”) registered wholesale market participant.

BPI was incorporated pursuant to the provisions of the *Energy Competition Act, 1998* on March 1, 2000 under the *Business Corporations Act (Ontario)* (“OBCA”) along with its affiliate companies, BEC and Brantford Hydro Inc. (“BHI”). BPI is a wholly owned subsidiary of BEC.

BPI's values, mission and vision guide its actions with respect to planning and operating its distribution system. BPI's mission is to provide safe, reliable and competitively priced services to its customers while ensuring industry comparable shareholder returns. BPI is driven to be a leading electricity distribution company. BPI's values include: health and safety; openness and integrity in all relationships; innovation and creativity; a customer focus; and employee engagement. BPI's corporate strategic goals include: investing in human resources; growing its business; pursuing organizational efficiencies, service excellence, and quality; raising community visibility and establishing the Brantford Power brand; and having an increasing role in energy efficiency and conservation. BPI's four key stakeholder groups include its customers, employees, regulator, and shareholder.



#### **4.1.2. Energy+**

Energy+ is an electricity distributor licensed by the OEB, which provides electricity distribution and related services to approximately 67,303, consisting of approximately 59,982 residential customers, 7,319 general service customers, and 2 large user customers within the City of Cambridge, Township of North Dumfries, within parts of the County of Brant, and within parts of the City of Brantford due to boundary adjustments with the County of Brant. Energy+'s distribution operations are regulated by the OEB. Energy+ is an IESO registered wholesale market participant.

Energy+ Inc. was formed on January 1, 2016 pursuant to the amalgamation of the former Cambridge and North Dumfries Hydro Inc. ("CND") and Brant County Power Inc. ("BCP") pursuant to the provisions of the OBCA. The former CND acquired all of the outstanding shares of the former BCP on November 28, 2014. At the time of acquisition, the former CND had approximately 53,500 customers and added approximately 10,000 customers with the acquisition of the former BCP.<sup>1</sup> Energy+ is wholly owned by Energy Plus.

Energy+'s vision is to be the energy company most admired for its innovative people, reliable service and outstanding performance. Energy+'s mission is to be recognized as a team dedicated to providing ideas, solutions, and value-added services that benefit our customers and stakeholders.

<sup>1</sup> Amalgamation of Cambridge and North Dumfries Hydro Inc. and Brant County Power Inc., EB-2014-0377; EB-2014-0217; and EB-2014-0223. Application for a Name Change Amendment Order EB-2016-0027.

## **4.2. Geographic Service Areas**

### **4.2.1. BPI Service Area**

BPI's service area is exclusively urban with no rural sections. It encompasses approximately 74 square kilometers and contains approximately 534 circuit kilometers of distribution lines. BPI's service area boundaries are contiguous.

BPI's area is serviced by three transformer stations that receive electricity from the Hydro One Networks Inc. ("HONI") transmission system at 115 kV and 230 kV and transform to a primary distribution voltage level of 27.6 kV. The three transformer stations are: Brant Transformer Station ("Brant TS"), Brantford Transformer Station ("Brantford TS") and Powerline Municipal Transformer Station ("PMTS"). Brant TS and Brantford TS are both owned by HONI. PMTS is jointly owned and operated by BPI and Energy+. BPI owns 5/8<sup>th</sup> of PMTS and Energy+ owns 3/8<sup>th</sup> of PMTS.

BPI's distribution system is made up of 275 kilometres of overhead lines, 259 kilometers of underground lines, and 3,627 distribution transformers. The 27.6 kV main feeders are predominately overhead and rated at 600A at the station egress. BPI has 18 feeders that supply power into its service territory. Of the 18 feeders, 16 of them service BPI customers under normal operating conditions and two idle feeders, one of which is used as back-up. BPI has plans to invest in egress of the two idle feeders to provide additional power and reliability for customers.

BPI does not have any submarine cable or conductors. BPI eliminated 4.16 kV and 8.32 kV substations by converting the supply to 27.6 kV. The last substation was taken out of service in 2006.

A map of BPI's distribution service territory is provided at Schedule D.

BPI's service territory is surrounded by Energy+ at all service area boundary lines. BPI also acts as a host to Energy+. BPI provides two wholesale delivery points to Energy+ from BPI owned feeders 64M25 and 64M27, originating from Brantford TS. The 64M25 Energy+ intertie point on Colborne Street West is used to provide power to Energy+ in case of an emergency or temporary back-up, and may also be temporarily operated to supply BPI load from Energy+. BPI receives power at distribution level voltages from Energy+ through a retail delivery point at Jennings Road.

#### **4.2.2. Energy+ Service Area**

Energy+'s service area is 562 square kilometers and utilizes 1,530 circuit kilometers of distribution lines. Energy+'s service area is non-contiguous, largely divided between the City of Cambridge, the Township of North Dumfries, and the County of Brant, which includes parts of the City of Brantford. The City of Cambridge and Township of North Dumfries service area is contiguous.

The Cambridge and North Dumfries service area receives power at 230 kV from two circuit taps. The power is stepped down at three transformer stations ("TS"): Galt TS, Municipal Transformer Station #1 ("MTS #1"), and Preston TS. Energy+ owns MTS#1, while Galt TS and Preston TS are owned by HONI. The Cambridge and North Dumfries service area also receives power from Wolverton Distribution Station, owned by HONI, via the Wolverton F2 feeder shared with HONI. HONI and Energy+ each own the portion of this 27.6 kV feeder within their respective service area. The feeder is demarcated by a primary metering unit at the boundary owned by Energy+.

The County of Brant service area includes Paris, Burford, and St. George, Ontario, as well as recently annexed portions of the City of Brantford. The communities of Burford and St. George are non-contiguous. Electricity to the communities of Burford and St. George is provided via 27.6 kV feeders shared with HONI. In the Brant area, HONI owns shared feeders in Energy+'s service area.

Energy+ receives power in the Brant area at 115 kV from the Brant TS and PMTS and at 230 kV from the Brantford TS via shared feeders with BPI. Several 27.6 kV feeders that supply Energy+ from HONI also supply BPI or other HONI customers, either upstream or downstream from the source of supply. This places operation procedure restrictions on Energy+, as well as load restrictions on these shared feeders. Close on-going co-ordination is required between HONI, BPI and Energy+ in order to ensure safe and reliable operation of these assets.

Energy+ also has three embedded distributors. BPI is embedded in the Brant area, Waterloo North Hydro Inc. ("WNH") is embedded in the Cambridge/North Dumfries area, and HONI is embedded in both areas.

A map of Energy+'s distribution service territory is provided at Schedule E.

Energy+'s neighbouring utilities include WNH, Kitchener-Wilmot Hydro Inc.; and HONI.

### 4.3. Customer Information

Table 1 and Table 2 below summarize the total number of metered customers and unmetered customers served by the Applicants as at December 31, 2020.

**Table 1: Customers/Connections by Rate Class**

	Customer Class	Number of Customers
BPI	Residential	37,347
	GS<50	2,822
	GS>50	493
	<b>BPI Total</b>	<b>40,662</b>
E+	Residential	59,982
	GS<50	6,543
	GS,50-999	751
	GS,1000-4999	25
	Large User	2
	<b>Energy+ Total</b>	<b>67,303</b>
<b>Combined Total</b>		<b>107,965</b>

**Table 2: Unmetered Customers/Connections by Type**

	Customer Class	Number of Connections
BPI	Street Lighting	5,771
	Sentinel Lighting	482
	Unmetered Scattered Load	409
	<b>BPI Total</b>	<b>6,662</b>
E+	Street Lighting	16,468
	Sentinel Lighting	119
	Unmetered Scattered Load	468
	<b>Energy+ Total</b>	<b>17,055</b>
<b>Combined Total</b>		<b>23,717</b>

### 4.4. Corporate Relationship

Please refer to Schedule F for the BEC group of companies corporate organizational chart and to Schedule G for the Energy Plus group of companies corporate organization chart.

#### **4.4.1. The City of Brantford**

The Corporation of the City of Brantford ("Brantford"), a municipality incorporated under the laws of Ontario, is the beneficial and registered owner of all of the issued and outstanding shares in the capital of Brantford Energy Corporation ("BEC"), a holding corporation incorporated under the laws of Ontario.

##### **4.4.1.1. BEC**

BEC is the legal and beneficial owner of all the issued and outstanding shares in the capital of:

- a) BPI, a corporation incorporated under the laws of Ontario, which is licensed by the OEB to distribute electricity in Ontario; and
- b) BHI, a corporation incorporated under the laws of Ontario.

#### **4.4.2. The City of Cambridge and the Township of North Dumfries**

The Corporation of the City of Cambridge ("Cambridge") and The Corporation of the Township of North Dumfries ("North Dumfries") are municipalities incorporated under the laws of Ontario. Cambridge is the beneficial and registered owner of 92.1% of the issued and outstanding shares in the capital of Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus"), a holding corporation incorporated under the laws of Ontario, and North Dumfries is the beneficial and registered owner of 7.9% of the issued and outstanding shares in the capital of Energy Plus.

##### **4.4.2.1. Energy Plus**

Energy Plus is the legal and beneficial owner of all the issued and outstanding shares in the capital of:

- a) Energy+, a corporation incorporated under the laws of Ontario, which is licensed by the OEB to distribute electricity in Ontario; and
- b) Cambridge and North Dumfries Energy Solutions Inc. ("Energy Solutions"), a corporation incorporated under the laws of Ontario.

#### 4.5. Net Metering

The most recent (2020) net metering thresholds of BPI and Energy+ and the summation for the proposed combined entity are provided in Table 3. There are no special circumstances to the Applicants' knowledge that would warrant the OEB using a different methodology to determine the net metering threshold for each utility.

**Table 3: Net Metering Thresholds**

	<b>Net Metering Threshold (kW)</b>
BPI	1,890.10
Energy+	3,296.05
<b>Combined Total</b>	<b>5,186.15</b>

## 5. DESCRIPTION OF THE PROPOSED TRANSACTION

### 5.1. Proposed Transaction

On September 1, 2021, Brantford, Cambridge, North Dumfries, BEC, Energy Plus, BPI, BHI, Energy+, and Energy Solutions approved and entered into an Merger Participation Agreement (the “MPA”) the effect of which, subject to OEB and Competition Act approval, is the amalgamation of BEC and Energy Plus (the “Holdco Amalgamation”), the amalgamation of BPI and Energy+ (the “LDC Amalgamation”), and at a later date yet to be determined, to amalgamate the unregulated affiliates of BHI and Energy Solutions (the “Affiliate Amalgamation”) (collectively, the “Proposed Transaction”), as further detailed below.

The MPA contemplates the closing of the transaction on the later of: (i) the first business day of a new fiscal quarter following receipt of OEB approval and Competition Act approval (e.g. April 1, July 2, October 1 or January 2); or (ii) another date following OEB approval, as mutually agreed to by the Applicants. If the OEB approval and Competition Act approval are received prior to the end of the applicable fiscal quarter, the closing date will be the first business day of the subsequent fiscal quarter.

#### 5.1.1. Holdco Amalgamation

BEC and Energy Plus shall amalgamate on the Closing Date to form Amalco Holdco, which will continue as a corporation amalgamated under the laws of Ontario.

Amalco Holdco will issue fully paid and non-assessable Common Shares and Special Shares in the capital of Amalco Holdco upon completion of the Holdco Amalgamation in accordance with the terms of the Holdco Amalgamation Agreement and as summarized in Table 4.

**Table 4: Amalco Holdco Ownership %**

<b>Party</b>	<b>Amalco Holdco</b>	<b>Equity &amp; Voting %</b>
Brantford	41,000,000 Common Shares 1 Class B Special Share 1 Class D Special Share	41.000%
Cambridge	54,339,000 Common Shares 921 Class A Special Shares 921 Class C Special Shares	54.339%
North Dumfries	4,661,000 Common Shares 79 Class A Special Shares 79 Class C Special Shares	4.661%

### **5.1.2. LDC Amalgamation**

Following the Holdco Amalgamation, BPI and Energy+ shall amalgamate with each other on the Closing Date to form LDC Amalco, which will continue as a corporation amalgamated under the laws of Ontario, and shall file articles of amalgamation giving effect to the amalgamation in accordance with the OBCA. LDC Amalco will be wholly owned by Amalco Holdco following the completion of the Proposed Transaction.



## 5.2. Leave Being Sought

### 5.2.1. The Requested Regulatory Approvals

The Applicants hereby apply to the Board for the following Order and approvals:

- Leave for Amalco Holdco to acquire control of BEC and Energy Plus pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the “OEB Act”);
- Leave to amalgamate BPI and Energy+ to form LDC Amalco pursuant to section 86(1)(c) of the OEB Act;
- The issuance of a Distribution Licence to LDC Amalco pursuant to section 60 of the OEB Act;
- Leave to transfer the rate orders of BPI and Energy+ to LDC Amalco pursuant to section 18 of the OEB Act, which would include the continuation of related distribution rates and low voltage rates associated with Embedded Distributors;
- Leave for LDC Amalco to track costs to the existing regulatory and deferral and variance accounts currently approved by the Board for each service area and to seek disposition of their balances at a future date;
- Leave for LDC Amalco to track the grossed-up PILs impact, of the variance between the CCA smoothing approach adopted by BPI in its 2022 Cost of Service Settlement Proposal (EB-2021-0009), and the effective PILs impact of the phase out/elimination of the accelerated CCA in effect subsequent to 2026 and until LDC Amalco’s rebasing. The differences, if any, would be included in DVA Account 1592, PILS and Tax Variances Sub-Account CCA Changes for the Brantford service area only; and
- The cancellation of the Distribution Licences of BPI (ED-2003-0060) and Energy+ (ED-2002-0574) upon the issuance of the Distribution Licence to LDC Amalco.

BPI and Energy+ respectfully request that this Application be heard by way of a written hearing.

### 5.2.1.1. Embedded Distributors

#### *Overview of Embedded Distributor Rate Classes*

##### BPI to Energy+

BPI provides 27.6kV supply to Energy+ at two connection points. The first connection is located on Colborne Street East near Cainsville, outside the City of Brantford limits, and the second connection is located on Colborne Street West at the boundary of the City of Brantford and Brant County. The energy consumed is measured through BPI owned primary metering units and energy flow is controlled through BPI owned automated reclosers.

BPI's 2022 distribution revenue requirement includes revenue from its Embedded Distributor, Energy+, of approximately \$0.2MM.

##### Energy+ to BPI

Energy+ provides a three phase 8.32kV supply to BPI on Jennings Road near Brant Conservation Area. The energy consumed is measured through an Energy+ owned primary metering unit.

Energy+ 2022 distribution revenue requirement includes revenue from its Embedded Distributor, BPI of approximately \$0.01MM.

#### *Low Voltage Charges*

Energy+'s distribution system is partially embedded with BPI (as noted above) and HONI, providing Energy+ supply at the sub-transmission level.

The charges for this supply from the host distributors are material to Energy+. To recover these costs, Energy+'s tariff of charges includes Low Voltage Service Rate for all of its rate classes, with the exception of Embedded Distributor accounts with HONI where a reciprocal agreement is in place.

As a result of the supply arrangements, and the resulting impact to distribution revenue and low voltage costs, the Applicants propose to continue to record the embedded distribution rates by service area and to record the low voltage charges, consistent with the schedules of rates and tariffs, to ensure that there is no negative impact to either utility or its customers.

#### **5.2.1.2. PILs Smoothing Adjustment**

As part of the BPI Settlement Proposal, BPI agreed to a 5-year smoothing method of CCA reflected in PILs by calculating a smoothing adjustment that is added to net income before taxes. The adjustment addresses the timing of the rules for Accelerated Investment Incentive (AII). The current rules in place as of the Settlement Proposal (and still current at the time of this Application) include a phase-out of accelerated CCA beginning with capital additions in 2024, followed by the end of the accelerated CCA as of the start of 2028. The computation of the smoothing adjustment for 2022-2026 is described in more detail as part of the Settlement Proposal<sup>2</sup>.

The Settlement Proposal only address the treatment of accelerated CCA for the period 2022 through 2026, which would be BPI's next scheduled rebasing in the absence of the Proposed Transaction. The impact of planned CCA phase out and ultimate elimination beyond 2026 is expected to be significant to the operating results of LDC Amalco.

As such, the Applicants are requesting that LDC Amalco be permitted to track the grossed-up PILs impact of the variances between the CCA smoothing approach adopted by BPI in its Settlement Proposal (EB-2021-0009), and the effective PILs impact of the phase out/elimination of the accelerated CCA in effect subsequent to 2026 and until LDC Amalco's rebasing. The differences, if any, would be included in DVA Account 1592, PILS and Tax Variances Sub-Account CCA Changes for the Brantford service area only. The disposition of this account would be requested at LDC Amalco's next rebasing following the 10-year deferred rebasing period.

#### **5.2.2. Deferred Rebasing**

The Applicants confirm that they have chosen to defer LDC Amalco's rebasing for 10 years from the date of closing of the transaction, consistent with the Board's Consolidation policy. Additional details are summarized in Section 7.1.

<sup>2</sup> EB-2021-0009 BPI Settlement Proposal, Page 20.

The Applicants further confirm that an ESM will be established in accordance with the Board's Consolidation Policy. Additional details with respect to the ESM are summarized in Section 7.1.1.

### **5.3. Consideration**

The Proposed Transaction involves the exchange and issuance of shares. Ownership of the voting shares of Amalco Holdco are set out in Section 5.1.1 above. The only cash exchange arising from the amalgamation that may be necessary will occur in the form of typical post-closing adjustments, which are described in the MPA. These post-closing adjustments will have no impact on the ownership of the voting shares of Amalco Holdco.

The Proposed Transaction also involves the conversion of \$25,492,503 in promissory notes by Brantford into equity of Amalco Holdco upon closing of the Proposed Transaction. Brantford's ownership interest in Amalco Holdco described in Section 5.1.1 above reflects the promissory notes conversion.

Currently, BPI has a \$24.2MM promissory note and BHI has a \$1.3MM promissory note payable to Brantford, both of which mature on February 2026 ("Brantford Promissory Notes"). The Brantford Promissory Notes are convertible to shares with 90 days notice at the option of Brantford. Under the terms of the MPA, immediately prior to closing:

- BPI and BHI will each issue to BEC additional common shares equivalent to the amount of the promissory notes and BEC will assume the liabilities under the Brantford Promissory Notes;
- Brantford will commit to BEC by way of subscription agreement to invest an amount equal to all outstanding principal under the Brantford Promissory Notes in additional common shares of BEC;
- Brantford's committed investment under the subscription agreement shall be set off against the outstanding principle under the Brantford Promissory Notes; and
- BEC will issue additional common shares to Brantford and the Brantford Promissory Notes will be cancelled.

As a result of the Brantford Promissory Notes conversion and additional equity investments, Amalco Holdco and LDC Amalco will have strengthened balance sheets upon amalgamation. The financial viability of LDC Amalco is described in more detail under Section 6.2.4.

#### **5.4. Legal Documents**

A copy of the MPA that governs and contemplates all of the steps of the Proposed Transaction is provided at Schedule H. As the MPA contains: (i) personal information; (ii) confidential information, as this term is understood pursuant to the Board's Practice Direction on Confidential Filings; or (iii) is not relevant for the purposes of this Application and the "No Harm" test, a redacted version of the MPA has been filed for inclusion on the public record. An unredacted version of the MPA is being filed with the Board together with a request by the Applicants for confidential treatment of the redacted sections in accordance with the Board Practice Direction on Confidential Filings.

#### **5.5. Resolutions**

All necessary municipal council and Board of Directors approvals have been obtained. Copies of all relevant Board of Directors' and Municipal Councils' resolutions are included as Schedule I.

#### **5.6. Additional Approvals**

The MPA, in addition to the approvals identified in this Application, requires receipt of a *Competition Act (Canada)* clearance from the Commissioner of Competition.

## 6. IMPACT OF PROPOSED TRANSACTION

This section provides the Applicant's impact assessment of the Proposed Transaction and discusses the LDC Amalgamation in the context of the OEB's statutory objectives and the no harm test.

### 6.1. Objective 1: Protect consumers with respect to price and adequacy, reliability, and quality of electricity service.

#### 6.1.1. Consumer Impacts

The Proposed Transaction is expected to both benefit and protect customers as follows:

- Over the course of the ten-year period, customers in both the BPI and Energy+ service areas will benefit from stable distribution rates, as provided under PCIR, that are projected to increase at less than the rate of inflation over the 10 years following merger, and are lower than what they would have been on a stand-alone basis in the absence of the Proposed Transaction;
- Real cost synergies and operational efficiencies, as well as economies of scale over a larger customer base, will result in a lower future cost structure after the ten-year deferred rebasing period. Customers will benefit from the sustained synergies from the merger, which will lower distribution rates at the next rebasing application, in comparison to the stand-alone basis;
- LDC Amalco is committed to maintaining and enhancing the quality, reliability, and adequacy of electricity service across all service areas;
- Customers will benefit from a larger, local and publicly owned utility that will have the capacity to modernize and adapt to significant changes in the Ontario's electricity sector, and will have more resources to invest in innovation and new technologies that address the needs of customers; and
- The overall service territory of LDC Amalco will be substantially contiguous and will eliminate customer confusion as to the utility servicing the County of Brant/City of Brantford area.

##### 6.1.1.1. Price

The Proposed Transaction is expected to deliver distribution rate savings to all customers. LDC Amalco plans to file an annual PCIR application with two rate zones (the previous BPI and Energy+ service territories) during the 10-year deferred rebasing period. Under the PCIR, customers will experience a distribution rate increase that is less than inflation over this period. In the absence of the Proposed Transaction, under the stand-alone basis, both BPI and Energy+ would rebase their

distribution rates under the Cost of Service methodology during the 10 year deferred rebasing period (BPI: 2027 and Energy+: 2024 and 2029). Without the benefit of the projected costs savings and synergies realized from the Proposed Transaction, as outlined below, projected rate increases under the stand-alone basis are expected to be greater than under the PCIR.

#### **6.1.1.2. Adequacy, Reliability and Quality of Electricity Service**

The Handbook provides that in considering the impact of a proposed transaction on the quality and reliability of electricity service, and whether the “no harm” test has been met, the OEB will be informed by the metrics provided by the distributor in its annual reporting to the OEB and published in its annual scorecard. The OEB’s *Report of the Board: Electricity Distribution Systems Reliability Measures and Expectations*, issued on August 25, 2015 (the “Reliability Report”), additionally sets out the OEB’s expectations on the level of reliability performance by distributors. In the Reliability Report, the OEB notes that continuous improvement will be demonstrated by a distributor’s ability to deliver improved reliability performance without an increase in costs, or to maintain the same level of performance at a reduced cost.

Ensuring levels of customer service, safety and reliability that either meet or exceed existing levels for each of BPI and Energy+, while maintaining stable, competitive distribution rates, is a key objective for the Proposed Transaction.

LDC Amalco is committed to maintaining and enhancing the quality, reliability, and adequacy of electricity service for its customers across all of its service areas. LDC Amalco will continue the strong culture of customer service that is currently provided by BPI and Energy+. LDC Amalco will aim to maintain or improve on existing service levels while adopting best practices and achieving efficiencies in its operations. LDC Amalco will continue to focus on reliability, bill accuracy, first call resolution, responsiveness to customers’ needs and concerns, and general customer service. LDC Amalco will engage customers to inform the setting of its performance targets.

LDC Amalco will have two dedicated operations centres: (i) Bishop St. (Cambridge, Ontario) operations centre servicing the Cambridge and North Dumfries service area; and (ii) Savannah Oaks (Brantford, Ontario) operations centre servicing the County of Brant and City of Brantford service area (the “Operations Centres”). These Operations Centres will continue to be used for providing construction and maintenance, material handling and logistics, fleet, and metering services.

The Operations staff that currently respond to outages and power quality issues will continue to serve the communities in which they currently operate. It is expected that LDC Amalco will maintain or improve existing response times as overall staffing levels are not expected to change in this area. In fact, during large scale outages, LDC Amalco will have the ability to draw upon a much larger number of Operations' staff for storm restoration efforts. Customers in the Brantford service territory will also benefit from a 24/7 System Control centre and Outage Management System ("OMS"), that is expected to improve the reliability and quality of service by minimizing the duration of outages.

The Proposed Transaction provides an opportunity for LDC Amalco to review and implement standardized operational and safety practices aligned to best practices. The adoption of standardized policies and procedures will ensure a consistent experience for businesses, developers, and contractors who currently operate in the service areas, and most notably will eliminate confusion of having two local distribution companies servicing the City of Brantford and surrounding area. Standardized processes for the expansion of the distribution system are expected to facilitate economic growth as developers will be serviced by one utility and receive a standard Offer to Connect.

Customers will also benefit from being served by a larger utility that will have expanded resources, including people and technology to: improve system reliability and power quality, as well as the monitoring and reporting of these performance indicators.

#### *SAIDI/SAFI*

The System Average Interruption Duration Index ("SAIDI"), the average outage duration for each customer served, is commonly used as a reliability indicator for electricity utilities. The System Average Interruption Frequency Index ("SAIFI"), the average number of interruptions that a customer would experience, is also a key reliability indicator.

LDC Amalco is expected to maintain and/or improve upon the five-year average reliability indices and the OEB Customer Service Standard metrics for its customers. Each of the service areas has unique distribution system characteristics and have capital and maintenance plans based on sound asset management strategies that address specific needs, including addressing reliability issues.

The five-year historical reliability metrics for BPI and Energy+ are provided in Table 5.



**Table 5: Five Year Historical Reliability Metrics (Energy+ and BPI)**

Description	2016	2017	2018	2019	2020	Average
SAIDI						
BPI	0.45	0.29	0.68	0.62	0.26	0.46
E+	0.63	1.53	0.46	0.92	0.71	0.85
SAIFI						
BPI	1.24	1.07	0.89	1.1	1.12	1.08
E+	1.27	2.18	1.19	1.53	1.38	1.51

The 2020 Scorecards for BPI and Energy+ have been provided at Schedules J and K, respectively.

### 6.1.2. Cost Structure Analysis

As the Board notes in the Handbook<sup>3</sup> a simple comparison of current rates between consolidating distributors does not reveal the potential for lower cost service delivery. For these reasons, the OEB will assess the underlying cost structures of the consolidating utilities and consider the impact of a transaction on the cost structure of consolidating entities both now and in the future.

To demonstrate “no harm” to customers with respect to price, the Applicants must provide evidence that it is reasonably expected that the underlying cost structure to serve customers following the LDC Amalgamation will be no higher than it otherwise would have been.

LDC Amalco will be focused on reducing operating expenditures, and estimates that these savings will be realized primarily through costs synergies in the following areas:

- Optimization and reduction of staffing levels, expected to be achieved primarily through planned retirements; maintaining vacant positions; and natural attrition;
- Reduction in corporate governance costs, with the consolidation of two boards of directors into a single board of directors;
- Reduction in information technology costs, such as hardware and software maintenance fees as a result of combining key information systems and reducing third party supports costs;

<sup>3</sup> Handbook, Pages 6-7.

- Reduction in future regulatory costs associated with fulfilling regulatory requirements, including the preparation and filing of regulatory applications, including Cost of Service applications;
- Reduction in overall financing costs (IESO prudential and interest rates on credit facilities and long-term debt) as a result of a strong credit profile and capital structure of LDC Amalco.

#### **6.1.2.1. Operating, Maintenance and Administrative (“OM&A”) Savings**

The Applicants estimate that the Proposed Transaction will result in annual OM&A cost savings of approximately \$3.9MM by year 11, following the 10-year rebasing deferral period. These cost savings are further summarized below in Table 6.

As outlined in Section 6.2.2, incremental OM&A integration and implementation costs are expected to be approximately \$2.1MM. These incremental costs will be funded through the annual OM&A savings generated.

In order to recover the incremental integration and implementation costs associated with the Proposed Transaction, the Applicants are relying on the synergistic efficiencies and cost savings over the 10-year deferred rebasing period. Should these synergies and cost efficiencies fail to materialize due to a change in law or regulatory policies, the Proposed Transaction may not be viable to the parties.

#### **6.1.2.2. Capital Expenditures**

Net cost savings related to capital investments over the 10-year deferred rebasing period are not expected to be material and therefore have not been included within the analysis of the Proposed Transaction. It is expected such adjustments would relate primarily to the General Plant investment category, with the planned “distribution system” investments remaining consistent with each community’s needs without the Proposed Transaction.

Certain long-term planned capital investments included in the distribution system capital plans of BPI and Energy+ may be avoided or reduced as part of the Proposed Transaction.

Subject to the further evaluation and due diligence to be undertaken by the integration planning teams, examples of avoided or reduced capital investments may include:

- (i) Geographical Information System (“GIS”) investment by BPI as a result of leveraging and integrating with Energy+’s existing GIS;
- (ii) OMS investment by BPI as a result of leveraging and integrating with Energy+’s existing OMS.
- (iii) Future upgrades to two separate Customer Information Systems (“CIS”);
- (iv) Future upgrades to two separate Enterprise Resource Planning (“ERP”) systems;
- (v) Future upgrades to two separate websites; and
- (vi) Consolidation of other network and cyber security infrastructure.

Other areas for potential capital expenditure synergies in the future include:

- Optimization of the vehicle fleet, including the size of the fleet required and the standardization of vehicles; and
- Consolidation and optimization of inventory levels and increased purchasing power of a larger entity.

LDC Amalco anticipates that cash flow savings from the avoidance of capital investments identified above will be required to fund the information system technology integration and implementation costs during the 10-year deferred rebasing period.

As a result, the annual capital investments under the Proposed Transaction are forecast to be the same as the sum of the individual capital plans under the stand-alone basis. Total gross and net capital expenditures over the 10-year deferred rebasing period are summarized in Table 7 and 8.

Any net capital cost savings achieved during the deferred rate rebasing period will ultimately benefit customers through lower depreciation and amortization expense and return on rate base in the years following rebasing.

**Table 6: Projected LDC Amalco Net OM&A Cost Savings (\$000's)**

OM&A	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Brantford Power	\$ 13,192	\$ 14,146	\$ 14,664	\$ 14,878	\$ 15,176	\$ 15,480	\$ 15,789	\$ 16,105	\$ 16,427	\$ 16,756	\$ 17,091
Energy+	\$ 20,645	\$ 21,057	\$ 21,179	\$ 21,452	\$ 21,881	\$ 22,319	\$ 22,765	\$ 23,221	\$ 23,685	\$ 24,159	\$ 24,642
Total BPI and E+ (Stand-Alone)	\$ 33,837	\$ 35,203	\$ 35,843	\$ 36,330	\$ 37,057	\$ 37,799	\$ 38,554	\$ 39,326	\$ 40,112	\$ 40,915	\$ 41,733
Net (Costs) / Synergies	\$ (331)	\$ 1,680	\$ 3,411	\$ 3,461	\$ 3,530	\$ 3,602	\$ 3,673	\$ 3,747	\$ 3,821	\$ 3,899	\$ 3,976
LDC Amalco	\$ 34,168	\$ 33,523	\$ 32,432	\$ 32,869	\$ 33,527	\$ 34,197	\$ 34,881	\$ 35,579	\$ 36,291	\$ 37,016	\$ 37,757

**Table 7: Projected LDC Amalco Gross Capital Expenditures (\$000's)**

Capital Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Brantford Power	\$ 10,650	\$ 8,415	\$ 6,991	\$ 8,462	\$ 7,198	\$ 7,360	\$ 7,525	\$ 7,694	\$ 7,868	\$ 8,045	\$ 8,226
Energy+	\$ 24,158	\$ 16,323	\$ 18,552	\$ 16,859	\$ 17,238	\$ 17,626	\$ 18,022	\$ 18,428	\$ 18,842	\$ 19,266	\$ 19,700
LDC Amalco	\$ 34,808	\$ 24,738	\$ 25,543	\$ 25,321	\$ 24,436	\$ 24,986	\$ 25,547	\$ 26,122	\$ 26,710	\$ 27,311	\$ 27,926

**Table 8: Projected LDC Amalco Net Capital Expenditures (\$000's)**

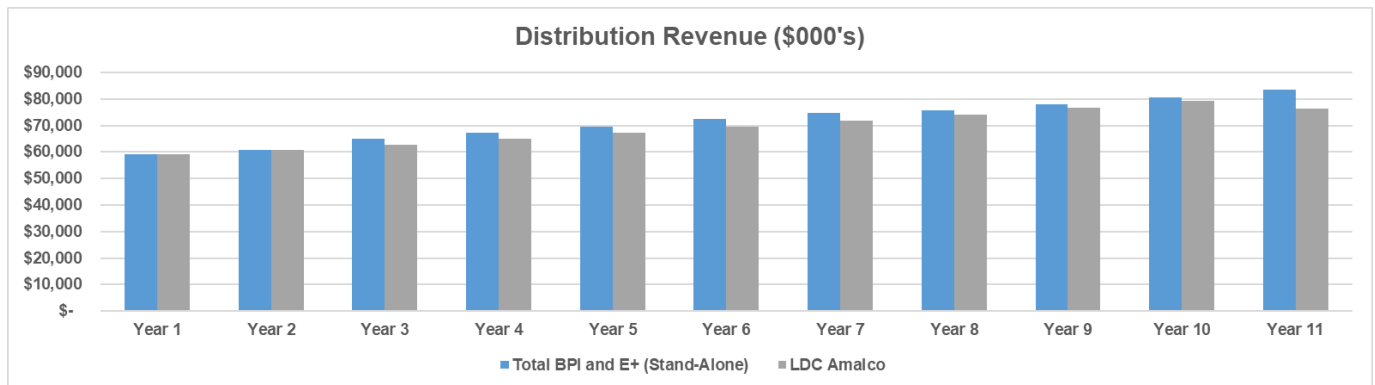
Net Capital Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Brantford Power	\$ 8,145	\$ 6,465	\$ 5,687	\$ 7,001	\$ 5,834	\$ 5,965	\$ 6,099	\$ 6,236	\$ 6,377	\$ 6,521	\$ 6,667
Energy+	\$ 23,496	\$ 15,801	\$ 18,030	\$ 16,337	\$ 16,705	\$ 17,081	\$ 17,464	\$ 17,858	\$ 18,259	\$ 18,670	\$ 19,090
LDC Amalco	\$ 31,641	\$ 22,266	\$ 23,717	\$ 23,338	\$ 22,539	\$ 23,046	\$ 23,563	\$ 24,094	\$ 24,636	\$ 25,191	\$ 25,757

Note: Net Capital Expenditures are net of capital contributions (deferred revenue).

### 6.1.2.3. Distribution Revenue Trend

Figure 1 illustrates the customer benefits of the Proposed Transaction in terms of LDC Amalco distribution revenue requirement. Benefits to customers versus the stand-alone basis begin to accrue in year 3, via the avoided incremental revenues associated with a planned Energy+ COS in 2024. Going forward from that year, the gap between the total stand-alone scenario revenues and LDC Amalgamation scenario revenues widens over time with further avoided COS increases. Following the deferred rebasing period in year 11, the net cost savings achieved through the Proposed Transaction are passed on to customers in the form of lower distribution revenue requirement and customer rates. The revenue requirement under the stand-alone basis is the combined revenue requirement of BPI and Energy+ in the absence of the Proposed Transaction.

**Figure 1: Distribution Revenue Trends**



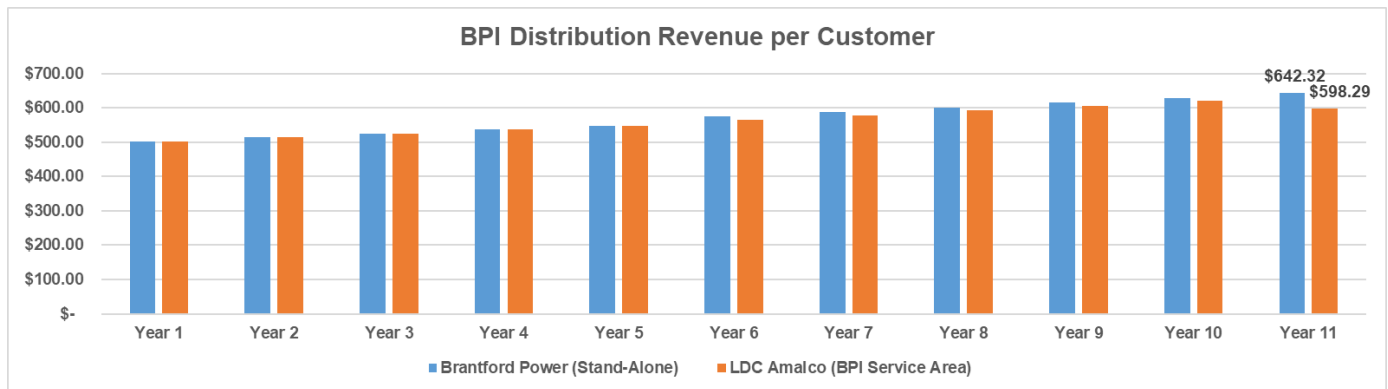
Notes: Figure 1 assumptions: (i) BPI 2022 COS Settlement Proposal is approved as filed; (ii) includes annual PCIR adjustments, and (iii) does not include any ICM Applications, which would or could be brought forward with or without the Proposed Transaction.

Overall, the Proposed transaction is expected to deliver lower distribution costs to LDC Amalco customers of approximately 2.4% through the rebasing deferral period and 8.3% following the transfer of the merger benefits to customers in year 11.

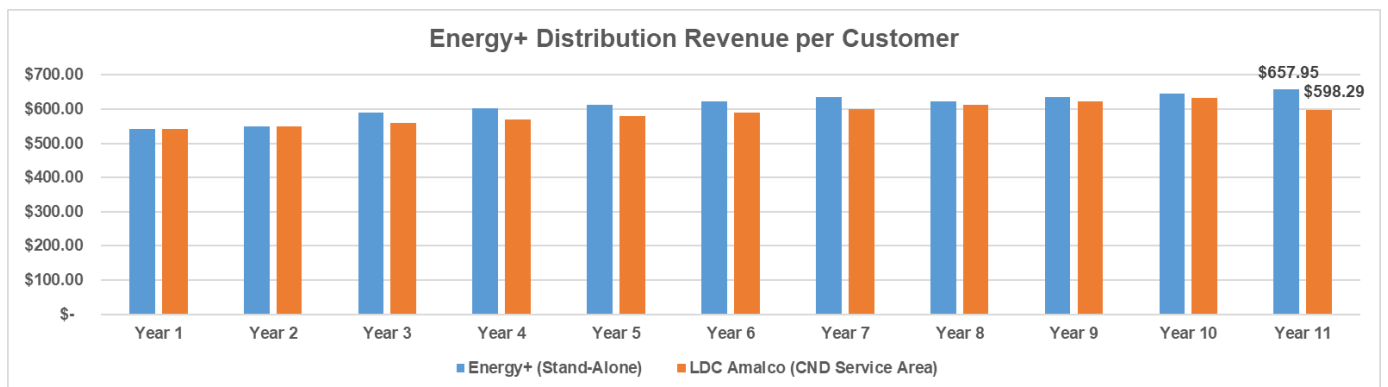
Figures 2 and 3 illustrate the distribution revenue per customer for each of BPI and Energy+ under the stand-alone basis compared to the Proposed Transaction. The distribution revenue per customer in each of the BPI and Energy+ service areas is expected to be lower as a result of the amalgamation compared to the stand-alone basis, and clearly demonstrates a benefit to customers in both service areas.

The Applicants note that the long-term forecasts for total revenue in year 11, following rate rebasing, have been developed based on currently reasonable inflation and growth assumptions (as well as projections for the sustained productivity savings). The forecast assumptions do not consider changes such as, but not limited to: (i) higher than expected inflation levels; (ii) mandatory regulatory or government policy changes requiring material cost increases; or (iii) other items which could normally place upwards pressure on the costs of LDC Amalco. In most cases, changes of this nature would place similar cost pressures on the Applicants in the stand-alone scenario, however, the Proposed Transaction may increase LDC Amalco's flexibility to address such changes.

**Figure 2: BPI Distribution Revenue per Customer**



**Figure 3: Energy+ Distribution Revenue per Customer**



Notes: Figures 2 and 3 assumptions: (i) BPI 2022 COS Settlement Proposal is approved as filed; (ii) includes annual PCIR adjustments, and (iii) does not include any ICM Applications, which would or could be brought forward with or without the Proposed Transaction.

During the deferred rebasing period, the consolidated distribution revenue requirement per customer will, on average, be 2.4% lower than it would have been under the stand-alone basis. Subsequent to rate rebasing at the end of the deferred rebasing period, the forecast shows that the consolidated distribution revenue requirement per customer will, on average, be approximately 8.3% lower than it would have been in absence of the amalgamation.

In summary, under the Proposed Transaction, a sustainable reduction to the underlying cost structure of LDC Amalco will be achieved through annual OM&A cost reductions of approximately \$3.9MM or 10% lower costs at the time of rebasing as compared to the stand-alone basis, in addition to any avoided capital costs that would be achieved through the Proposed Transaction. These underlying cost reductions will be passed through to customers at rebasing following the deferred rebasing period.

### 6.1.3. OM&A Cost per Customer

Table 9 provides a comparison of the OM&A per Customer for each of BPI and Energy+ based on the OEB's 2020 Electricity Distributors Yearbook.

**Table 9: OM&A per Customer**

	OM&A	Customers*	OM&A per Customer
<b>Brantford Power Inc.</b>	\$ 12,324,963	40,662	\$ 303.11
<b>Energy+ Inc.</b>	\$ 19,101,926	67,303	\$ 283.82
<b>Ontario Average</b>			\$ 324.44

\* Number of customers is sum of Residential, General Service < 50 kW, > 50 kW, and Large Users.

Annually, the OEB benchmarks Ontario electricity distributors in terms of cost performance. Each distributor is assigned into one of five cohorts, with the best cost performers assigned to Cohort 1 and the lowest to Cohort 5. The rankings are based on an annual report by the Pacific Economics Group, which uses econometric modelling to generate total cost benchmarking in order to rank the cost efficiency of each distributor.

On August 27, 2021, the OEB released the 2020 Benchmarking results. BPI continued to be ranked in Cohort 3 and Energy+ continued to be ranked in Cohort 2.

#### **6.1.4. Change of Control**

Under the Proposed Transaction, LDC Amalco will be wholly owned by Amalco Holdco. This entity will in turn be owned collectively by the municipalities of Cambridge, North Dumfries, and Brantford by the percentage amounts set out above at Section 5.1.1. Please also see the post-Proposed Transaction corporate organizational chart at Schedule L.

#### **6.1.5. Operations Following the Proposed Transaction**

##### *Guiding Principles*

The Applicants identified the following key guiding principles and objectives for LDC Amalco:

- *Safety and Wellness:*  
Continued high level commitment to protect the safety and wellness of our employees, our customers, and our communities.
- *Committed to Customer Service and Reliability:*  
Maintain or improve service and reliability ratios and enhance customer service and systems through innovation and technology and continued investment in critical infrastructure in all communities.
- *Create Opportunities for Employees:*  
Provide employment and development opportunities for our employees; fair and equitable compensation for all employees; and consistent, transparent, two-way communication.
- *Financial Strength:*  
Achieve operating efficiencies and synergies to mitigate future distribution rate increases for customers, and enhance shareholder value.
- *Build Stronger Communities:*  
Be a leading contributor and business partner to the municipalities that we service; and establish and maintain sustainable infrastructure in all communities served.



- *Sustainability:*

Committed to environmental, social, and governance leadership and best practices, including community leadership in energy conservation.

### Service Area

LDC Amalco's service area will encompass the City of Cambridge, Township of North Dumfries, the City of Brantford, and within parts of the County of Brant. LDC Amalco's service area will be partly non-contiguous, with parts of the County of Brant being served by HONI. Notwithstanding the foregoing, LDC Amalco's service area will provide for a large service area within the Cambridge-North Dumfries-Brantford area. Energy+ already serves some customers located within the City of Brantford. An additional benefit of the Proposed Transaction is that the City of Brantford will be served by a single local electricity distributor and which will eliminate customer confusion of having two LDCs servicing the City of Brantford and surrounding area.

### Our Employees

The employees of BPI and Energy+ are the most valued asset of LDC Amalco. The success of the amalgamation will be in large part a result of the engagement and contribution of the employees. While there is expected to be resource redundancies as a result of the amalgamation, given that the Applicants have similar business purposes and functions, LDC Amalco is committed to treating employees fairly and creating opportunities for employees. Through transition and integration planning, it will be important to ensure the retention of institutional and specialized knowledge to ensure that the consolidated business functions are sufficiently resourced with well trained, knowledgeable staff. Staff reductions to achieve cost savings and efficiencies are expected to be primarily accomplished through retirements, natural attrition, and maintaining vacant positions during the transition period.

### Operations Centres

Due to the importance of maintaining and enhancing current customer service levels, the Applicants will maintain the current Operation Centres in both service areas into the future. This will ensure the continuance of local focus to maintain strong community relationships and top tier customer service for both territories and is expected to enhance response times for outages and emergencies.

LDC Amalco will have two dedicated Operation Centres: (i) Bishop St. (Cambridge, Ontario) operations centre servicing the Cambridge and North Dumfries service area; and (ii) Savannah Oaks (Brantford, Ontario) operations centre servicing the County of Brant and City of Brantford service area.

It is important to note that the LDC Amalgamation will facilitate the further integration of joint activities already underway as a result of co-operation between the Applicants. As far back as 2018<sup>4</sup>, Energy+ and BPI recognized the benefits of combining their operations facilities to service the County of Brant and City of Brantford customers. The opportunity to share a new facility was attractive for a number of reasons, including:

- Existing Energy+ facility was at end-of-life condition and BPI was notified that its leased facilities would no longer be available;
- The location is ideal, central to the Brant County service area with good access to major arterial roads;
- The opportunity for shared services, including inventory, warehousing, fuelling stations, purchasing and stores, vehicle maintenance and shared vehicles; and
- Emergency preparedness considerations, allowing both utilities to respond to emergencies in a more efficient and effective manner.

In early 2021, Energy+ became a tenant at BPI's facility at Savannah Oaks and has operations personnel, as well as vehicles and equipment, servicing customers in the Brant service territory from that facility. Under service level arrangements, Energy+ and BPI are already sharing purchasing and warehouse services, vehicle garage, mechanics bay, and a fuelling station.

These Operations Centres will continue to be used for providing construction and maintenance, material handling and logistics, fleet, and metering services. The Operations staff that currently respond to outages and power quality issues will continue to serve the communities in which they currently operate. During large scale outages, LDC Amalco will have the ability to draw upon a much larger number of Operations' staff for restoration efforts.

<sup>4</sup> EB-2018-0028, Appendix 2-1: Distribution System Capital Plan, Appendix N, Facilities Business Plan.

### Customer Service and 24/7 Control Room

Customer Service and Control Room staff will be centralized at the Savannah Oaks facility.

LDC Amalco is committed to maintaining and enhancing the quality, reliability, and adequacy of electricity service for its customers across all of its service areas. LDC Amalco will continue the strong culture of customer service that is currently provided by BPI and Energy+. LDC Amalco will aim to maintain or improve on existing service levels while adopting best practices and achieving efficiencies in its operations.

LDC Amalco will set performance targets for customer service that will be informed by customer surveys and feedback, OEB mandated service levels, as well as industry and best practice benchmarking data.

LDC Amalco plans to transition to a single centralized 24/7 Control Room. Customers in the Brantford service territory will benefit from a 24/7 System Control centre and OMS, that is expected to improve the reliability and quality of service by minimizing the duration of outages.

### Engineering Services

Engineering Services will be located at both the Southworks and Savannah Oaks facilities to continue to provide relationship-based customer service and respond to the expected customer growth in each of the service territories.

### Information Systems Technology

Information Systems Technology ("IST") services will be delivered primarily from Savannah Oaks.

The Applicants are committed to ensuring a stable, secure information technology infrastructure environment to sustain the operations of the LDC Amalco, while at the same time maximizing operating synergies.

Operating efficiencies are expected to be realized by LDC Amalco with respect to IST in the following areas:

- BPI and Energy+ utilize the same CIS software for customer service and billing and the same ERP software solution. The consistency of software systems will minimize the effort and cost in combining the use of these platforms, as well as reduce the amount of staff training that might otherwise have been required;
- Leverage and utilize the Energy+ OMS;
- Leverage IST staff of Energy+ and transition the BPI IST services currently provided by the City of Brantford; and
- Consolidation and integration of enterprise cyber security practices and technologies into a single common set of processes and systems, informed by best practices, including the OEB's Ontario Cyber Security Framework.

Through the integration planning process, evaluation of other network platforms and software solutions will be completed. It is anticipated that other efficiencies can be realized through the transition to a single network platform and through the sharing of hardware and software.

#### Administration

In addition to the two Operations Centres, LDC Amalco will operate a new administrative facility referred to as "Southworks", located in Cambridge, Ontario.<sup>5</sup> The Southworks facility is currently under construction and is expected to be substantially complete and ready for occupancy in early 2022.

Corporate executive functions, as well as Finance, Regulatory, Billing, and Human Resources functions will be centralized at Southworks.

<sup>5</sup> EB-2018-0028, Appendix 2-1 Distribution System Capital Plan, Appendix N, Facilities Business Plan.

## **6.2. Objective 2: Promote Economic Efficiencies and Cost Effectiveness and Facilitate the Maintenance of a Financially Viable Electricity Industry**

### **6.2.1. Efficiencies**

The Applicants have estimated total OM&A savings, net of transition costs, of approximately \$30.5MM over the 10-year deferred rebasing period. The sustained OM&A savings are estimated to be approximately \$3.5MM to \$3.9MM per year, commencing in year five and beyond, driven principally by the integration of back-office and centralized functions.

As described previously in Section 6.1.2.1, LDC Amalco will be focused on reducing operating expenditures, and estimates that these savings will be realized primarily through costs synergies in the following areas:

- Optimization and reduction of staffing levels, expected to be achieved through planned retirements; maintaining vacant positions; and natural attrition;
- Reduction in corporate governance costs, with the consolidation of two boards of directors into a single board of directors;
- Reduction in information technology costs, such as hardware and software maintenance fees as a result of combining key information systems and reducing third party supports costs;
- Reduction in future regulatory costs associated with fulfilling regulatory requirements, including the preparation and filing of regulatory applications, including Cost of Service applications;
- Elimination of duplicate and/or overlapping third-party administrative services such as legal, auditing, banking, and consulting services; and
- Reduction in overall financing costs (IESO prudential and interest rates on credit facilities and long-term debt) as a result of a strong credit profile and capital structure of LDC Amalco.

These operating savings will benefit customers through lower rates than the stand-alone basis, as well as benefit shareholders through increased and more stable dividends.

The merger of BPI and Energy+ demonstrates the benefits of voluntary consolidation within the electricity sector in Ontario. The Proposed Transaction supports the OEB's Renewed Regulatory Framework for Electricity Distributors, and the focus on performance-based outcomes. In particular, this merger will promote the achievement of customer focus, operational effectiveness, public policy

responsiveness, and financial performance. As well, it will promote a key element of the framework, which is the focus on continuous improvement and increased efficiency in the distribution sector.

### **6.2.2. Incremental Costs**

The Applicants have and will incur incremental costs in respect of the Proposed Transaction, including transaction costs and integration and implementation costs.

Transaction costs include, but are not limited to:

- a. due diligence on the part of all parties;
- b. negotiating the terms of the Proposed Transaction, MPA, and related agreements;
- c. all regulatory, legal and statutory reviews in order to receive necessary regulatory approvals;  
and
- d. third party financial and independent expert valuation services.

The Applicants engaged joint legal and financial advisors to facilitate the Proposed Transaction. Each of the shareholders of BPI and Energy+ retained its own independent legal and financial advisors. The transactions costs are borne by each of the Applicants and are not recoverable from customers through electricity distribution rates. In addition, such costs will not be carried over as costs to LDC Amalco and are not included in the integration and implementation costs summarized below.

Integration and implementation costs include, but are not limited to:

- a. Human resource related costs, including transition planning and execution, incremental staffing costs related to implementing the transition and integration plans, and employee training costs associated with systems, processes, and policies;
- b. Third-party project management and related administrative costs;
- c. Legal and regulatory costs associated with the Application and the LDC Amalgamation;
- d. Brand development and implementation, which includes the development of a new corporate name and logo, as well as associated changes to operating and physical assets (e.g. signage, stationery, facilities, fleet, etc.); and
- e. Communication costs associated with the development and execution of customer and other stakeholder communications at various stages of transition.

The total integration and OM&A implementation costs are estimated at approximately \$2.1MM. These costs will be financed through the anticipated productivity savings expected from the amalgamation during the ten-year rebasing deferral period. These costs will not be included in the LDC Amalco's revenue requirement and will not be funded by customers. The deferred rebasing period will allow LDC Amalco to retain synergy savings to offset these costs and provide shareholder incentives to undertake the merger, while protecting the interests of customers.

Table 10 summarizes the incremental OM&A integration and implementation costs over the deferred rebasing period.

**Table 10: Incremental OM&A Integration and Implementation Costs (\$000's)**

Human Resource Costs	\$ 859
Project Management	275
Legal and Regulatory Costs	250
Branding	425
Other	270
	<b>\$ 2,079</b>

### 6.2.3. Valuation

In MAADs applications involving LDC acquisitions, the OEB considers whether the purchase price premium to be paid will have an adverse impact on the financial viability of the acquirer distributor. This consideration is not relevant to the Proposed Transaction since the merger of BPI and Energy+ involves the exchange of existing shares for new shares in the amalgamated entity, LDC Amalco. The financing of the transaction costs and incremental integration costs to implement the Proposed Transaction will be self-financed through synergy savings.

Accordingly, the Proposed Transaction is predominantly a non-cash transaction involving the issuance of shares. The only consideration which may be necessary will occur in the form of the issuance and redemption of non-voting special shares of Amalco Holdco arising from typical post-closing adjustments, as described in the MPA. The redemption of the non-voting special shares will have no impact on the ownership of the voting shares of Amalco Holdco. or LDC Amalco.

#### 6.2.4. Financial Viability

The Proposed Transaction is a non-cash transaction and as such, there is no adverse effect on the financial viability of the Applicants.

The Applicants have reviewed the proposed amalgamation of the LDCs, including the amount of debt that will be outstanding by LDC Amalco at the time of closing, as well as its longer-term financing requirements. LDC Amalco is targeting a long-term A-range rating, which is consistent with the Canadian utility practice for rate regulated entities. Energy+ is currently rated by Standard & Poor's ("S&P") and has maintained an A/Stable credit rating since its rating was established in January 2016.

The OEB's rate-making policy effectively establishes an appropriate capital structure for Ontario LDCs. This "deemed" structure comprises 60% debt and 40% equity in support of the regulated assets or rate base of an LDC. At these levels of debt and equity and corresponding rate recovery of financial capital, the rate-making policy effectively supports an A-range credit rating.

The Applicants have assumed that the on-going sustainment and growth requirements of the electricity distribution system are provided for in a manner consistent with the long-term forecasts of the utilities. BPI and Energy+ have long-term capital plans based on detailed asset condition assessments, growth estimates, and sound engineering principles.

Table 11 summarizes the debt-to-total capital ratio of Energy+ and BPI as at December 31, 2020, as well as a pro-forma for LDC Amalco at December 31, 2020 and at the end of year 1 following the closing of the Proposed Transaction:

**Table 11 Long-term Debt to Total Capital Ratio – LDC Amalco**

<u>Date</u>	<u>Long-Term Debt to Total Capital Ratio</u>		
	<u>BPI</u>	<u>E+</u>	<u>LDC Amalco</u> <u>(Pro-Forma)</u>
December 31, 2020	56%	53%	54%
On Closing - Post Promissory Note Conversion			49%
Year 1 Post Closing			45%



As illustrated in Table 11, BPI and Energy+ both currently operate at a level of debt below the OEB's deemed debt structure. It is important to highlight that, as a direct result of the promissory note conversion into equity, the financial viability of LDC Amalco will be strengthened immediately due to the lower debt structure of BPI immediately prior to close.

The future financial strength of LDC Amalco was also acknowledged by S&P in a bulletin issued on September 2, 2021, following the announcement of the approved merger between BPI and Energy+ by its shareholders:

*"S&P Global Ratings said today that its view of Energy+ Inc.'s A/Stable credit quality is unchanged following the company's proposed merger with the City of Brantford owned Brantford Power Inc. We assess the transaction as improving business risk because the merger will create a slightly larger, regulated company with more diversity, but it is rating neutral because we expect financial measures to remain flat and in line with current ratings. Our ratings are unchanged."*

#### **6.2.5. Financing**

The Proposed Transaction involves the issuance of shares in Amalco Holdco and the legal amalgamation of BPI and Energy+ to form LDC Amalco. Incremental financing is not required to affect the amalgamation of Amalco Hold Co. or LDC Amalco.

As outlined in Section 5.3, the Proposed Transaction involves the conversion of promissory notes by Brantford into equity of Amalco Holdco upon closing of the Proposed Transaction. BPI's \$24,189,168 promissory note payable to the City of Brantford, maturing February 2026, will be converted into equity immediately prior to close. As a direct result of the promissory note conversion into equity, the financial viability of LDC Amalco will be strengthened due to the lower debt structure of BPI immediately prior to the amalgamation of LDC Amalco.

Under the terms of the MPA, immediately prior to closing, BPI is obligated to repay approximately \$12.1MM in secured third-party debt held by Infrastructure Ontario. This repayment and release of security is required to align the structure of the third-party debt between the parties prior to the closing of the transaction. BPI has access to a \$14MM revolving credit facility with a financial institution that can be utilized to repay this debt immediately prior to close. In addition, the Applicants have been working closely with a financial institution on the longer-term financing plan for LDC Amalco, including a

proposal for a \$70MM revolving line of credit, which combines the existing lines of credit of Energy+ (\$40MM) and BPI (\$14MM) and provides incremental capacity to fund working capital and for general corporate purposes.

#### **6.2.6. Financial Statements**

Schedules M and N to this Application contain the 2019 and 2020 audited annual financial statements for each of BPI and Energy+.

#### **6.2.7. Pro Forma Financial Statements**

Schedule O to this Application contains the pro forma financial statements for LDC Amalco, for the first full year following close of the Proposed Transaction.

## 7. RATE CONSIDERATIONS FOR CONSOLIDATION APPLICATIONS

### 7.1. Deferred Rate Rebasing

The Applicants have chosen and are requesting a deferred rebasing period for LDC Amalco of ten years from the date of closing of the LDC Amalgamation, which is targeted as January 1, 2022, consistent with the Handbook and the Consolidation Policy.

Accordingly:

- a) LDC Amalco would maintain PCIR for each of the Cambridge & North Dumfries and Brantford service territories until the end of the ten-year rebasing deferral period;
- b) All existing and future rate riders approved for BPI or Energy+ shall continue as per the existing and approved rate schedules until expiry; and
- c) During the rebasing deferral period, LDC Amalco may apply for rate adjustments using the Board's ICM mechanism as may be necessary and in accordance with applicable Board policies with respect to eligibility for, and the use of, the ICM.

Under the Proposed Transaction, LDC Amalco plans to file an annual PCIR application with two rate zones (the previous BPI and Energy+ service territories) during the 10-year deferred rebasing period. Under the PCIR, customers will experience a distribution rate increase that is less than inflation over this period.

The Applicants propose that all existing Embedded Distributor service classifications be maintained and the rates updated annually in accordance with the OEB's policy, though Energy+ is the sole customer of BPI's "Embedded Distributor" Service Classification, and in turn, BPI is the sole customer of Energy+'s "Embedded Distributor-Brantford" Service Classification. This proposal will allow a consistent treatment compared to the stand-alone basis for each rate zone during the deferred rebasing period.

#### 7.1.1. Earnings Sharing Mechanism

The Applicants propose an Earnings Sharing Mechanism with customers for years 6 through 10 of the rebasing deferral period following the amalgamation of BPI and Energy+. The Applicants confirm that the proposed ESM is consistent with the Board's Consolidation Policy, which states:

*“ Consolidating entities may also apply for an extended rate rebasing deferral period of up to 10 years. For the extended period (i.e. – the period between year 5 and year 10), the OEB will require the consolidating entity to implement an earnings sharing mechanism. The earnings share split shall be a 50:50 sharing with customers where the return on equity for the consolidated distributor is greater than 300 basis points above the allowed rate of return for the consolidated distributor.”*<sup>6</sup>

In accordance with the Consolidation Policy, the Applicants propose calculating the regulatory net income and regulated rate of return (“Regulated ROE”), consistent with the Board’s current established Regulated ROE model applied for regulatory purposes under the Board’s Reporting and Record Keeping Requirements (“RRRs”). This is an important consideration as it is the baseline used for the business case undertaken to support the Proposed Transactions. Under the current methodology, Regulated ROE is calculated by dividing the current year’s Adjusted Regulatory Net Income by the Deemed Equity component of Rate Base.

The Applicants expect that the computation of the Adjusted Regulatory Net Income will continue to exclude any revenue and expenses that are not otherwise included for regulatory purposes. Such exclusions would include, but are not limited to:

- The impact of regulatory assets/liabilities including the Lost Revenue Adjustment Mechanism;
- Changes in taxes/PILs to which account 1592 applies, which will be shared through that account rather than through earnings sharing;
- Other non-rate regulated revenue and expenses applicable to each of the Applicants;
- Non-utility activities related to the surplus space at Savannah Oaks;
- Earnings from Conservation and Demand Management programs funded by the IESO or other third parties; and
- Non-LEAP donations.

<sup>6</sup> Consolidation Policy, Page 4.

### 7.1.2. Incremental Capital Module

On September 18, 2014, the OEB issued the *“Report of the Board, New Policy Options for Funding of Capital Investments: The Advanced Capital Module”* (“September 2014 Report”). The September 2014 Report clarified that the opportunity for requests for review and approvals of incremental capital during an incentive rate-setting (“IR”) term will be maintained for projects that were unanticipated at the time of the development of a distributors’ system plan, and/or for projects anticipated for which sufficient rationale was not available at the time of the system plan to establish need and prudence.

*“The Board is of the view that the availability of the incremental capital funding during the IR term should no longer be limited to non-discretionary projects. Any discrete project (discretionary or otherwise) adequately supported in the DSP (Distribution System Plan) is eligible for ACM funding subject to capital funding availability flowing from the formula results. The same approach shall apply going forward to new projects proposed as ICMs during the Price Cap IR term”<sup>7</sup>*

To encourage consolidations, the Handbook explicitly extended the availability of an ICM for any prudent discrete capital projects for consolidating distributors that are on either PCIR or Annual Incentive Regulation Index. Currently, the rates of both BPI and Energy+ are set in accordance with PCIR.

The Consolidation Policy specifically considers the incremental capital needs of a merged entity during the deferred rate rebasing period.

*“The Incremental Capital Module (“ICM”) will now be available for consolidating entities during the rate rebasing period”*

The Applicants understand that an ICM would be available to fund material capital expenditure investments of LDC Amalco should the need arise. The Applicants have no need to address an ICM in this Application, however, if circumstances prevail where either of the Applicants requires an ICM, a request will be incorporated as part of a future incentive rate-setting mechanism application.

<sup>7</sup> September 2014 Report, Page 15.

### 7.1.3. Rate Harmonization

In accordance with the Consolidation Policy, the Applicants have not included a rate harmonization proposal as part of this Application. LDC Amalco will be required to propose rate structures and a rate harmonization plan as part of its rebasing application following the 10-year deferred rebasing period.

Table 12 summarizes the 2022 estimated monthly distribution rates by customer class for each of Energy+ and BPI, as well as the difference in rates by customer class based on similar levels of consumption and demand.

**Table 12: BPI and Energy+ Monthly Distribution Rates by Customer Class**

Rate Class	kWh	kW	2022 Monthly Distribution Rates			Combined Energy+ and BPI		
			Energy+	BPI	\$ Difference - E+ vs. BPI	Customers	% Customers by Class	% Dist. Revenue by Class
Residential	750	-	\$ 30.31	\$ 27.61	\$ 2.70	97,329	90.15%	56%
GS < 50 kW	2,000	-	\$ 51.53	\$ 54.48	\$ (2.95)	9,365	8.67%	11%
GS >50 to 999 kW	20,000	250	\$ 1,134.46	\$ 1,111.12	\$ 23.34	1,244	1.15%	24%
GS >1,000 to 4,999		2,000	\$ 9,237.50			25	0.02%	4%
Large User		16,000	\$ 38,800.57			2	0.00%	2%
<b>TOTAL</b>						<b>107,965</b>	<b>100%</b>	<b>97%</b>

Notes: (1) BPI rates based on 2022 Proposed Settlement Agreement; (2) Energy+ rates based on 2022 IRM Application; (3) Customers at December 31, 2020; (4) % of Distribution Revenue by Class based on combined Energy+ and BPI approved revenue requirements. (5) BPI has a GS> 50 kW rate class and does not have a GS1,000-4,999 kW or Large User rate class.

Table 12 illustrates that the 2022 distribution rates for Energy+ and BPI are set at comparable levels. Specifically, there exists no material discrepancies in distribution rate levels which would make any future harmonization plans challenging to implement on a fair and equitable basis for customers. The Applicants have included this additional distribution rate information in order to both assist and provide comfort to the OEB that, that when combined with the description of LDC Amalco's lower cost structure beyond the deferred rebasing period, any proposed rate harmonization plan proposed in year 11 would start from a strong foundation of comparable, legacy utility distribution rates.

As described in Section 6.1.2, the Proposed Transaction is expected to result in annual net cost savings of approximately \$3.9MM by year 11, following the 10-year rebasing deferral period.

Customers will directly benefit as these savings would be passed on to customers in the form of lower distribution revenue requirement and customer rates following the 10-year deferred rebasing period.

Based on these estimated net cost savings, LDC Amalco distribution rates would be no greater than what they would have otherwise been in the absence of the Proposed Transaction.

The timing and approach to the future harmonization of rates will be carefully considered to ensure that there is no harm to customers.

## **8. OTHER RELATED MATTERS**

### **8.1. Application for Electricity Distribution Licence**

The Applicants seek an Order from the Board to create a new Electricity Distribution License for LDC Amalco.

The BPI Electricity Distribution License is attached as Schedule P. The Energy+ Electricity Distribution License is attached as Schedule Q.

A draft version of LDC Amalco Proposed Electricity Distribution License Service Area is attached as Schedule R. If the Proposed Transaction is approved, an application for an Electricity Distribution Licence for LDC Amalco will be filed with the OEB.

### **8.2. Transfer of Rate Orders and Extension of Existing Rate Riders**

The Applicants seek an Order from the Board transferring the existing Rate Orders (and any future Rate Orders received prior to the Board's approval for this Application) of BPI (EB-2020-0006/EB-2021-0009) and Energy+ (EB-2020-0016/EB-2021-0018) to LDC Amalco.

The Applicants propose that all customer service classifications, inclusive of all existing Embedded Distributor Service Classifications be transferred to LDC Amalco.

The Applicants are not proposing any new rate riders or changes to existing rate riders as a result of the Proposed Transaction.

### **8.3. Licence Amendment and Cancellation**

The Applicants will seek an Order from the Board to cancel the existing Electricity Distribution Licenses of BPI (ED-2003-0060) and Energy+ (ED-2002-0574) upon the issuance of the new license for LDC Amalco.



#### **8.4. Approval to Continue to Track Costs to Approved Deferral and Variance Accounts**

The Applicants request that LDC Amalco be granted approval to continue to track costs to the existing regulatory and deferral and variance accounts currently approved by the Board for BPI and Energy+. BPI's deferral and variance accounts will be held separately from Energy+'s deferral and variance accounts during the 10-year deferral period and the Applicants will seek disposition at a later date in accordance with OEB policy.

The OEB's *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report* dated July 31, 2009 ("EDDVAR") provides that under the PCIR, the distributor's Group 1 audited account balances will be reviewed and disposed if the pre-set disposition threshold is met. Pursuant to the letter update to EDDVAR dated July 25, 2014, distributors may seek to dispose Group 1 balances that do not exceed the threshold. The Applicants will comply with this policy during the deferred rebasing period and will propose disposition of the former BPI and Energy+ Group 1 balances consistent with this policy.

As described in Section 5.2.1.2, the Applicants seek approval to continue the use of DVA Account 1592, PILS and Tax Variances Sub-Account CCA Changes for the Brantford service area to track the grossed up PILs impact, of the variance between the CCA smoothing approach adopted by BPI in its Settlement Proposal, and the effective PILs impact of the phase out/elimination of the accelerated CCA in effect subsequent to 2026 and until LDC Amalco's rebasing.

As described in Section 7.1.1, the Applicants request approval to establish and use a regulatory account to track costs associated with the proposed ESM, which is proposed to be active in the deferral period years six through ten as part of this Application. If approval is granted, the Applicants will submit a Draft Accounting Order for the Board's approval either as a condition of this Application's approval, or as a subsequent filing.

#### **8.5. Accounting Standards**

The Applicants currently prepare their financial statements under International Financial Reporting Standards ("IFRS"). LDC Amalco will also prepare its financial statements under IFRS. The Applicants utilize Modified International Financial Reporting Standards ("MIFRS") for regulatory reporting purposes, consistent with OEB policy. LDC Amalco will also utilize MIFRS.

## Schedule A

### Mapping of Application to Filing Requirements

	Filing Requirements	Reference
2.1 The Index	Index	Schedule A
2.2 The Application		
2.2.1 Administrative		Section 3
	Certification of the Evidence	Schedule C
	Details of the authorized representative of the applicants, including the name, phone and fax numbers, and email and delivery addresses	Section 3.2
	Legal name of the other party or parties to the transaction, if not an applicant	Section 3.2
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	Section 3.2
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Section 3.1
2.2.2 Description of the Business of the Parties to the Transaction		Section 4
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in the generation, transmission, distribution or retailing of electricity.	Section 4.1
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or if not the relative distance between service boundaries.	Section 4.2
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Section 4.3
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Section 6.1.5 and Schedule B
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Section 4.4 and Schedules F and G.
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the current net metering thresholds of the utilities involved in the proposed transaction.	Section 4.5

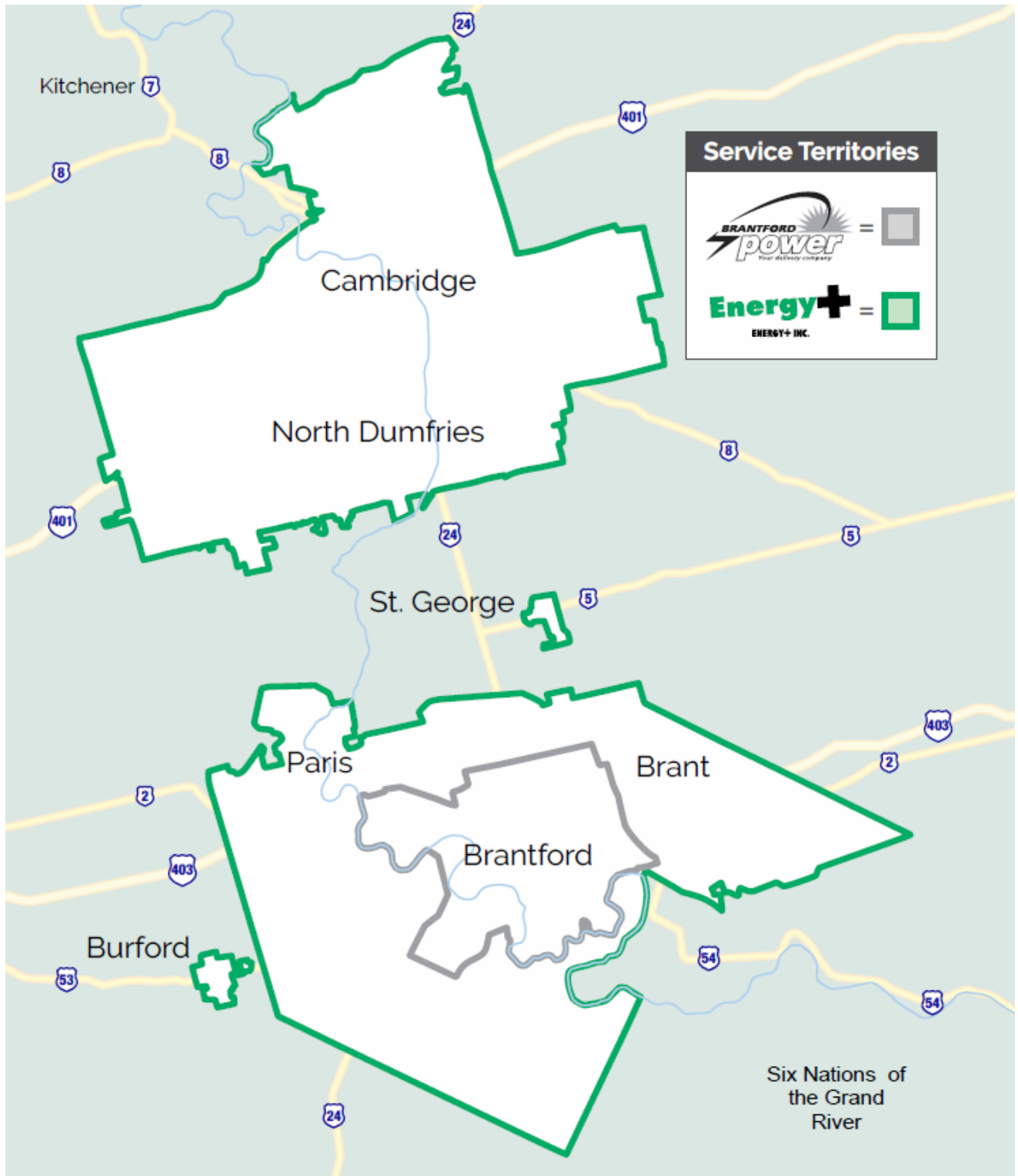
	Filing Requirements	Reference
2.2.3 Description of the Proposed Transaction		Section 5
	Provide a detailed description of the proposed transaction.	Section 5.1
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the <i>Ontario Energy Board Act, 1998</i> .	Section 5.2
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Section 5.3
	Provide all final legal documents to be used to implement the proposed transaction.	Section 5.4 and Schedule H
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Schedule I
2.2.4 Impact of the Proposed Transaction		Section 6
<i>Objective 1-Protect consumers with respect to prices and the adequacy, reliability, and quality of electricity service.</i>		Section 6.1
	Indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Section 6.1
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post transaction and in the absence of the transaction.	Section 6.1.2
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	Section 6.1.3
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Section 6.1.4
	Describe how the distribution or transmission systems within the service areas will be operated.	Section 6.1.5

	Filing Requirements	Reference
Objective 2 -Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry.		Section 6.2
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity); identifying the various aspect of utility operations where the applicant expects sustained operation efficiencies (both quantitative and qualitative).	Section 6.2.1
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental merged costs (e.g. employee severances), and incremental on-going costs (e.g. purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Section 6.2.2
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Section 6.2.3
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	Not Applicable
	Provide details of the financing of the proposed transaction.	Section 6.2.5
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years	Section 6.2.6 Schedules M and N
	Provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following the completion of the proposed transaction	Schedule O
2.2.5 Rate considerations for consolidation applications		Section 7.1
	Indicate a specific deferred rate rebasing period that has been chosen	Section 7.1
	For deferred rebasing periods greater than five years, confirm that the ESM will be as required by the 2015 Report and the Handbook	Section 7.1.1
	If the applicants proposed ESM a different from the ESM set out in the 2015 Report, the applicant must provide evidence to demonstrate the benefit to the customers of the acquired distributor	Not Applicable

	Filing Requirements	Reference
2.2.6 Other Related Matters		Section 8.1
	Approval to continue with existing rate riders	Section 8.2
	Transfer of rate order and licence	Section 8.2
	Licence amendment and cancellation	Section 8.3
	Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Section 8.4
	Confirmation re no change in accounting standards for financial reporting following the closing of the proposed transaction	Section 8.5

**Schedule B**

**LDC AMALCO Proposed Service Area**



**Schedule C**

**Certificate of Evidence**

The undersigned, CEO and President of Brantford Power Inc., in my capacity as an officer of that corporation 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.



---

Paul Kwasnik  
CEO and President  
Brantford Power Inc.

The undersigned, President and CEO of Energy+ Inc., in my capacity as an officer of that corporation 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.

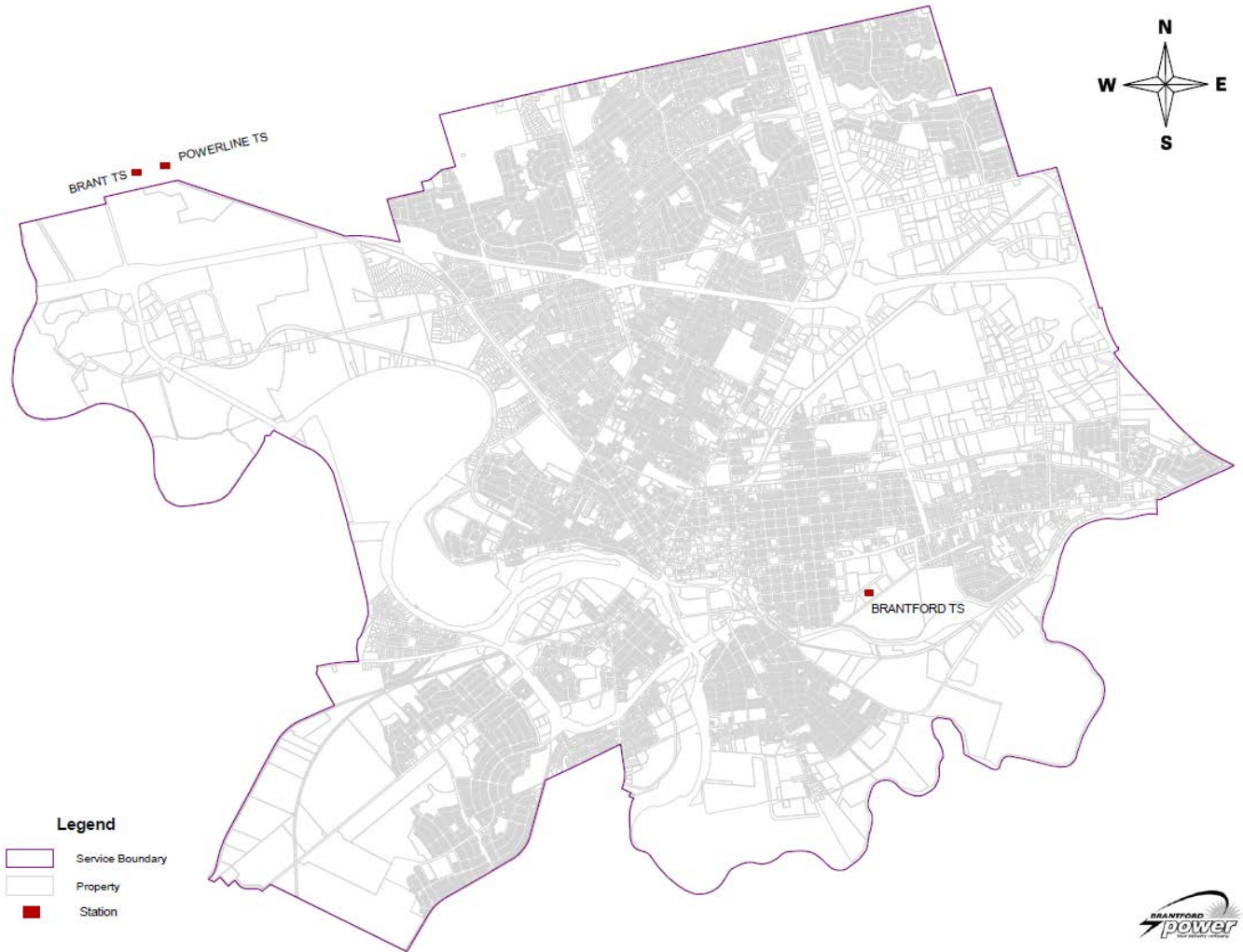


---

Ian Miles  
President and CEO  
Energy+ Inc.

**Schedule D**

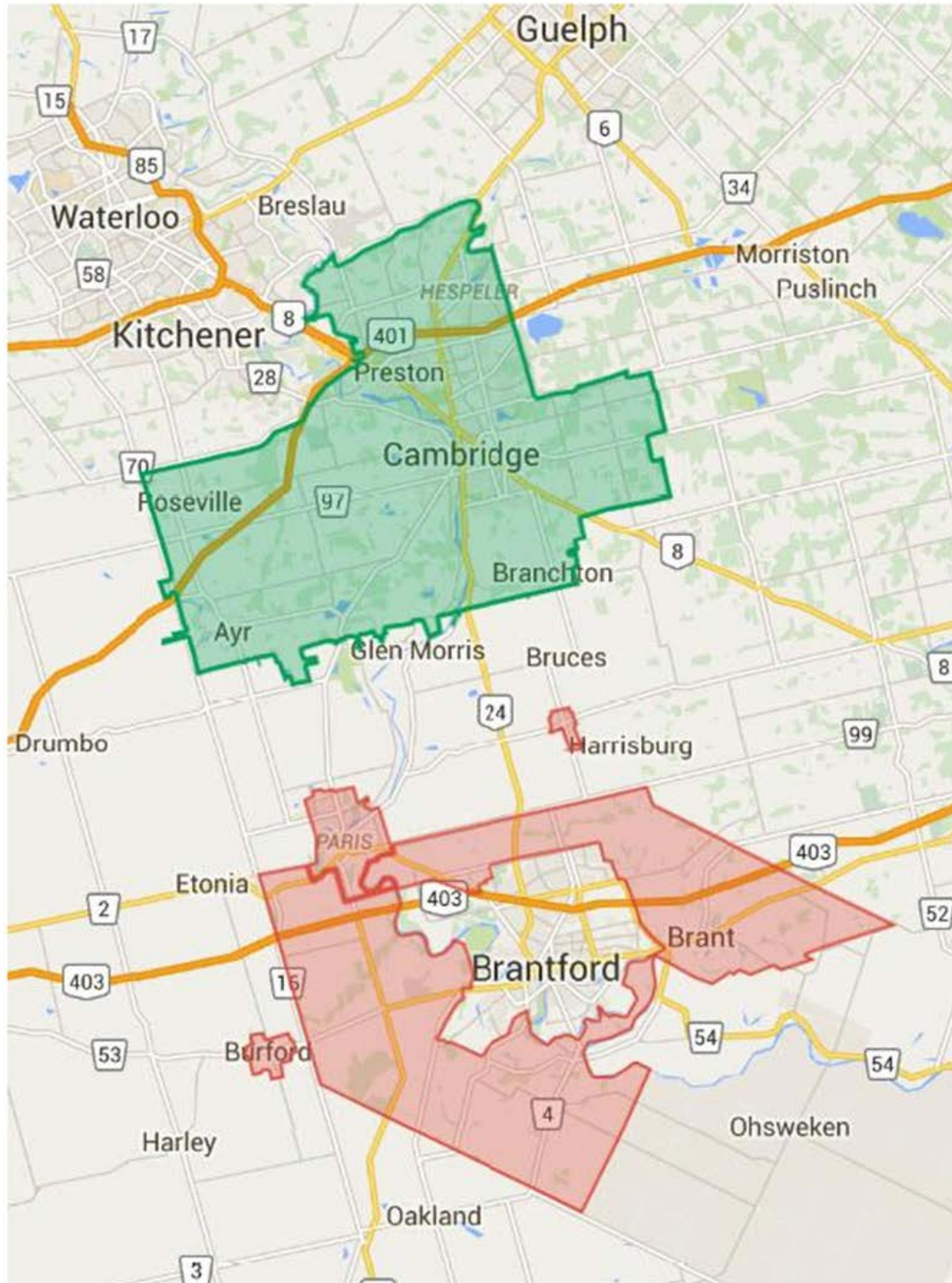
**BPI Service Area**





## Schedule E

### Energy+ Service Area



Cambridge and North Dumfries Service Area

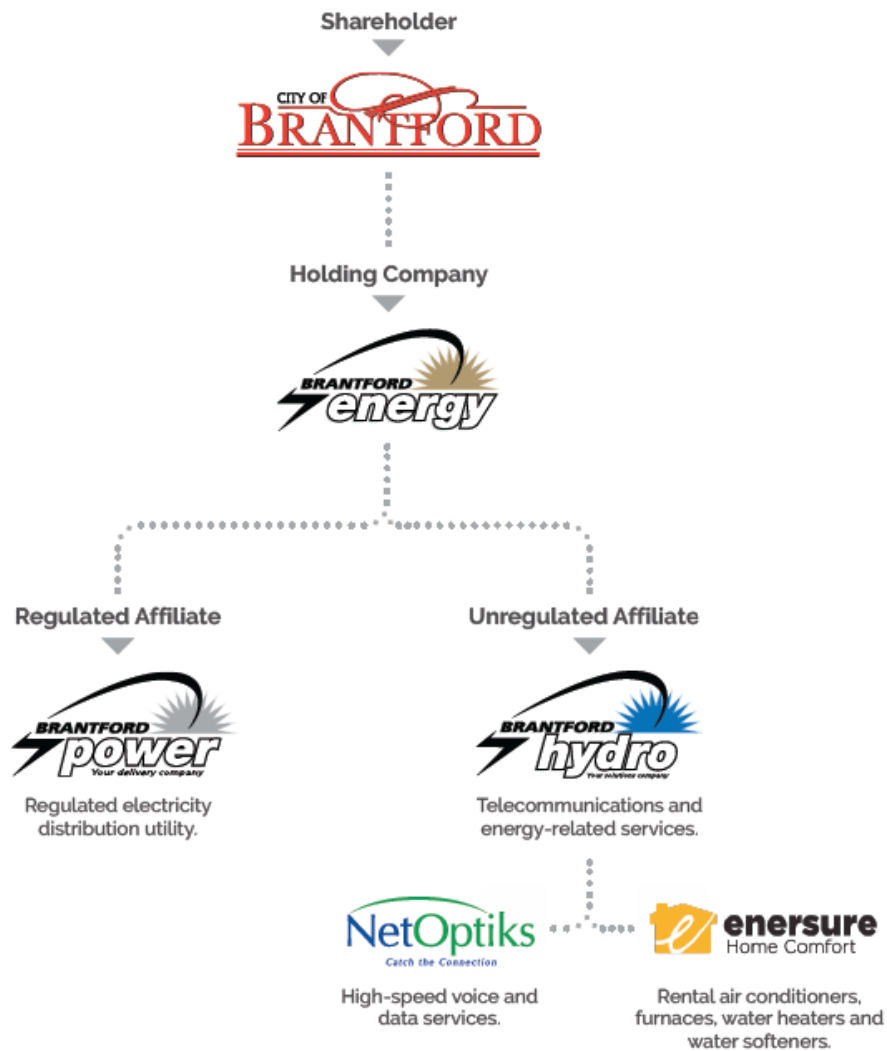


County of Brant Service Area

Schedule F

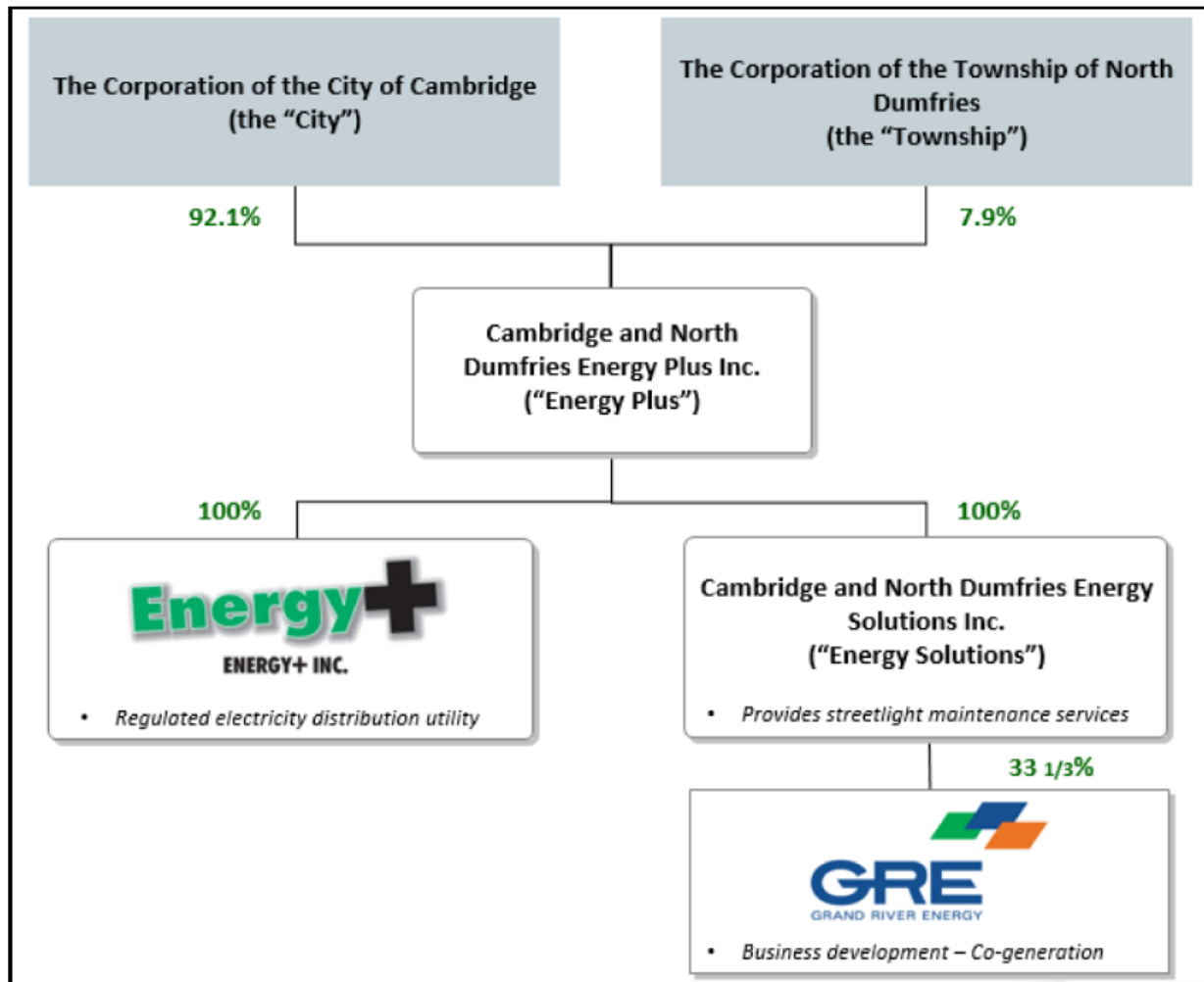
BEC Corporate Structure

## Corporate Structure



Schedule G

Energy Plus Corporate Structure



**Schedule H**

**Legal Agreement**

**Merger Participation Agreement (Redacted)**

**MERGER PARTICIPATION AGREEMENT**

**BETWEEN**

**THE CORPORATION OF THE CITY OF BRANTFORD**

**– and –**

**THE CORPORATION OF THE CITY OF CAMBRIDGE**

**– and –**

**THE CORPORATION OF THE TOWNSHIP OF NORTH DUMFRIES**

**– and –**

**BRANTFORD ENERGY CORPORATION**

**– and –**

**CAMBRIDGE AND NORTH DUMFRIES ENERGY PLUS INC.**

**– and –**

**BRANTFORD POWER INC.**

**– and –**

**ENERGY+ INC.**

**– and –**

**CAMBRIDGE AND NORTH DUMFRIES ENERGY SOLUTIONS INC.**

**– and –**

**BRANTFORD HYDRO INC.**

September 1, 2021

## TABLE OF CONTENTS

	Page
<b>ARTICLE 1 INTERPRETATION.....</b>	<b>3</b>
1.1    Definitions.....	3
1.2    Certain Rules of Interpretation.....	17
1.3    Governing Law .....	17
1.4    Entire Agreement.....	17
1.5    Schedules and Exhibits .....	18
<b>ARTICLE 2 AMALGAMATIONS.....</b>	<b>18</b>
2.1    Holdco Amalgamation .....	18
2.2    LDC Amalgamation.....	19
2.3    Target Closing Amounts .....	19
2.4    Closing Financial Statements, Contracts Valuation and Brantford Real Property Valuation .....	20
2.5    Calculation of Adjustments.....	24
2.6    Implementation of Adjustments.....	29
2.7    COVID-19 Acknowledgement Re. Target Balances .....	31
2.8    Nature and Intent of Adjustments (No Double Counting).....	31
<b>ARTICLE 3 GENERAL REPRESENTATIONS AND WARRANTIES .....</b>	<b>32</b>
3.1    Corporate Existence .....	32
3.2    Capacity to Enter Agreement.....	32
3.3    Binding Obligation.....	32
3.4    Absence of Conflict .....	32
<b>ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BRANTFORD.....</b>	<b>33</b>
4.1    Residence .....	33
4.2    Regulatory Approvals .....	33
4.3    Consents.....	33
4.4    Share Ownership, Etc.....	33
4.5    Corporate Existence of the BEC Group.....	34
4.6    Corporate Articles .....	34
4.7    Capacity and Powers of the BEC Group.....	34
4.8    Jurisdictions .....	34
4.9    Options, Etc.....	34
4.10   Corporate Records/Directors .....	35
4.11   Books and Records .....	35
4.12   Financial Statements .....	35
4.13   Tax Matters .....	36
4.14   Absence of Changes.....	37
4.15   Absence of Undisclosed Liabilities .....	38

4.16	Absence of Unusual Transactions .....	38
4.17	Title to and Condition of Assets .....	39
4.18	Real Property .....	39
4.19	Intellectual Property .....	41
4.20	Accounts Receivable .....	41
4.21	Material Contracts .....	42
4.22	Accounts and Powers of Attorney .....	42
4.23	Compliance with Laws, Permits .....	42
4.24	Environmental Conditions .....	43
4.25	Suppliers and Customers .....	44
4.26	Rights to Use Personal Information .....	45
4.27	Employees and Employment Contracts .....	45
4.28	Unions .....	46
4.29	Employee Benefits Matters .....	47
4.30	Pension Plans .....	48
4.31	Insurance Policies .....	48
4.32	Litigation .....	49
4.33	Withholding .....	49
4.34	No Expropriation .....	49
4.35	Absence of Conflict .....	49
4.36	Restrictive Covenants .....	50
4.37	BEC Group Business .....	50
4.38	Compliance with Privacy Laws .....	50

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF CAMBRIDGE AND NORTH DUMFRIES.....52**

5.1	Residence .....	52
5.2	Regulatory Approvals .....	52
5.3	Consents .....	52
5.4	Share Ownership, Etc.....	53
5.5	Corporate Existence of the Energy Plus Group .....	53
5.6	Corporate Articles .....	54
5.7	Capacity and Powers of the Energy Plus Group .....	54
5.8	Jurisdictions .....	54
5.9	Options, Etc.....	54
5.10	Corporate Records/Directors .....	54
5.11	Books and Records .....	55
5.12	Financial Statements .....	55
5.13	Tax Matters .....	55
5.14	Absence of Changes.....	57
5.15	Absence of Undisclosed Liabilities .....	57
5.16	Absence of Unusual Transactions.....	58
5.17	Title to and Condition of Assets .....	59
5.18	Real Property .....	59
5.19	Intellectual Property .....	61
5.20	Accounts Receivable.....	61

5.21	Material Contracts .....	62
5.22	Accounts and Powers of Attorney .....	62
5.23	Compliance with Laws, Permits .....	62
5.24	Environmental Conditions .....	63
5.25	Suppliers and Customers.....	65
5.26	Rights to Use Personal Information.....	65
5.27	Employees and Employment Contracts .....	65
5.28	Unions .....	66
5.29	Employee Benefits Matters .....	67
5.30	Pension Plans .....	68
5.31	Insurance Policies .....	69
5.32	Litigation.....	69
5.33	Withholding .....	70
5.34	No Expropriation .....	70
5.35	Absence of Conflict .....	70
5.36	Restrictive Covenants .....	70
5.37	Energy Plus Group Business.....	71
5.38	Compliance with Privacy Laws .....	71
5.39	Matters with Respect to GRE .....	72
<b>ARTICLE 6 COVENANTS .....</b>		<b>73</b>
6.1	Covenants of Brantford.....	73
6.2	Covenants of Cambridge and North Dumfries .....	76
6.3	Mutual Covenants .....	78
<b>ARTICLE 7 CLOSING CONDITIONS .....</b>		<b>80</b>
7.1	Conditions for the Benefit of Cambridge and North Dumfries .....	80
7.2	Waiver or Termination by Cambridge and North Dumfries.....	81
7.3	Conditions for the Benefit of Brantford.....	81
7.4	Waiver or Termination by Brantford .....	82
7.5	Condition Precedent.....	82
7.6	Termination.....	83
<b>ARTICLE 8 SURVIVAL AND INDEMNIFICATION.....</b>		<b>84</b>
8.1	Survival of Covenants and Representations and Warranties .....	84
8.2	Survival Following Termination.....	84
8.3	Mutual Indemnifications for Breaches of Warranty, etc. ....	84
8.4	Limitation on Mutual Indemnification.....	84
8.5	Cost Reimbursement and Indemnity for Excluded Assets .....	85
8.6	Notice of Claim.....	85
8.7	Time Limits for Notice .....	85
8.8	Procedure for Direct Claims .....	87
8.9	Procedure for Third Party Claims .....	87
8.10	No Delay .....	89



8.11	Set-off .....	89
8.12	Exclusive Remedy .....	89
<b>ARTICLE 9 REGULATORY APPROVAL .....</b>		<b>89</b>
9.1	OEB Approval and Competition Act Approval.....	89
9.2	Minister of Finance Notice .....	90
9.3	OEB Approval Procedure .....	90
<b>ARTICLE 10 CLOSING ARRANGEMENTS .....</b>		<b>90</b>
10.1	Closing .....	90
10.2	Closing Procedures .....	91
<b>ARTICLE 11 GENERAL.....</b>		<b>91</b>
11.1	Submission to Jurisdiction .....	91
11.2	Tender .....	91
11.3	Costs and Expenses.....	91
11.4	Time of Essence.....	92
11.5	Notices .....	92
11.6	Further Assurances.....	93
11.7	No Broker.....	94
11.8	Public Notice.....	94
11.9	Amendment and Waiver .....	94
11.10	Assignment and Enurement .....	94
11.11	Severability .....	94
11.12	Counterparts.....	95
11.13	Electronic Execution.....	95

## **MERGER PARTICIPATION AGREEMENT**

**THIS AGREEMENT** is dated as of September 1, 2021

**BETWEEN:**

**THE CORPORATION OF THE CITY OF BRANTFORD**, a  
municipal corporation incorporated under the laws of Ontario

(**“Brantford”**)

– and –

**THE CORPORATION OF THE CITY OF CAMBRIDGE**, a  
municipal corporation incorporated under the laws of Ontario

(**“Cambridge”**)

– and –

**THE CORPORATION OF THE TOWNSHIP OF NORTH  
DUMFRIES**, a municipal corporation incorporated under the laws  
of Ontario

(**“North Dumfries”**)

– and –

**BRANTFORD ENERGY CORPORATION**, a corporation  
incorporated under the laws of Ontario

(**“BEC”**)

– and –

**CAMBRIDGE AND NORTH DUMFRIES ENERGY PLUS  
INC.**, a corporation incorporated under the laws of Ontario

(**“Energy Plus Holdings”**)

– and –

**BRANTFORD POWER INC.**, a corporation incorporated under  
the laws of Ontario

(**“BPI”**)

– and –

**BRANTFORD HYDRO INC.**, a corporation incorporated under the laws of Ontario

(“**BHI**”)

– and –

**ENERGY+ INC.**, a corporation incorporated under the laws of Ontario

(“**Energy+**”)

– and –

**CAMBRIDGE AND NORTH DUMFRIES ENERGY SOLUTIONS INC.**, a corporation incorporated under the laws of Ontario

(“**Energy Plus Solutions**”)

**RECITALS:**

- A. Cambridge, North Dumfries, Brantford, BEC and Energy Plus Holdings are party to a memorandum of understanding dated December 15, 2020 (the “**MOU**”) and a confidentiality agreement dated December 15, 2020 (the “**Confidentiality Agreement**”) in connection with the transactions contemplated by this Agreement.
- B. BPI is licensed by the OEB to distribute electricity in Ontario.
- C. Energy+ is licensed by the OEB to distribute electricity in Ontario.
- D. Brantford is the beneficial and registered owner of all of the issued and outstanding shares in the capital of BEC.
- E. Cambridge is the beneficial and registered owner of 92.1% of the issued and outstanding shares in the capital of Energy Plus Holdings and North Dumfries is the beneficial and registered owner of 7.9% of the issued and outstanding shares in the capital of Energy Plus Holdings.
- F. BEC is the legal and beneficial owner of all the issued and outstanding shares in the capital of BPI and BHI.
- G. Energy Plus Holdings is the legal and beneficial owner of all the issued and outstanding shares in the capital of Energy+ and Energy Plus Solutions.
- H. The Parties wish to have BEC and Energy Plus Holdings amalgamate to form Amalco Holdco.
- I. The Parties wish to have BPI and Energy+ amalgamate to form LDC Amalco.

**NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Agreement (including the recitals, Schedules and Exhibit hereto), the following terms have the following meanings:

**“Accounts Receivable”** means the aggregate sum of all accounts receivable and other amounts due, owing or accruing due, including amounts due from Affiliates, net of an allowance for doubtful accounts calculated in accordance with IFRS.

**“Adverse Determination”** is defined in Section 9.3.

**“Affiliate”** has the meaning set forth in the OBCA.

**“Affiliate Relationships Code”** means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the OEB as amended from time to time and any replacement code or directive;

**“Agreement”** means this merger participation agreement, including all Schedules and Exhibits, as it may be confirmed, amended, modified, supplemented or restated by written agreement between the Parties.

**“Amalco Holdco”** is defined in Section 2.1(a).

**“Amalgamation Agreement”** means the forms of amalgamation agreement to be entered into by the applicable Parties together with all other documents, instruments and certificates required under the OBCA to give effect to the Holdco Amalgamation and the LDC Amalgamation, respectively.

**“Amalgamations”** means the Holdco Amalgamation and the LDC Amalgamation.

**“Anti-Spam Laws”** means CASL, together with all other Laws that are applicable to each member of the BEC Group and the Energy Plus Group relating to the delivering, sending, sharing or transmitting Electronic Messages, and/or using Electronic Addresses;

**“BEC”** is defined in the preamble to this Agreement.

**“BEC Business”** means, (a) in the case of BEC, the business of serving as a holding company for all of the issued and outstanding shares in the capital of BPI and BHI, (b) in the case of BPI, the business of distributing electricity to third parties within the geographic boundaries as permitted by its OEB distribution license and related services and activities, and (c) in the case of BHI, the NetOptiks Business and the Enersure Business.

**“BEC Environmental Approvals”** is defined in Section 4.24(b).

**“BEC Financial Statements”** means the audited, consolidated balance sheet and audited, consolidated statement of income of BEC for the financial year ended December 31, 2020 including notes to the financial statements.

**“BEC Group”** means, collectively, BEC, BPI and BHI.

**“BEC Group Adjustment Amount”** is defined in Section 2.5(a).

**“BEC Group Employees”** means all personnel employed, engaged or retained by a member of the BEC Group in connection with the BEC Business, including any that are on medical or long-term disability leave, or other statutory or authorized leave or absence, but excluding independent contractors.

**“BEC Group Systems”** means all computer software, and computer hardware, servers, networks, platforms, peripherals, data communication lines and other information technology equipment and related systems that are owned or used by each member of the BEC Group in the conduct of the BEC Business.

**“BEC Group Valuation Amount”** means the numerical value set forth in cell E10 of the spreadsheet entitled “Closing Adjustment Calc” within the excel file named “Final Financial Model – Project Phoenix\_August 13, 2021” prepared by Grant Thornton LLP.

**“BHI”** is defined in the preamble to this Agreement.

**“BHI Financial Statements”** means the audited balance sheet and audited statement of income of BHI for the financial year ended December 31, 2020 including notes to the financial statements.

**“Books and Records”** means the books, ledgers, files, lists, reports, plans, logs, deeds, surveys, correspondence, operating records, Tax Returns and other data and information, including all data and information stored on computer-related or other electronic media, maintained with respect to, as applicable, the BEC Business and the Energy Plus Business.

**“BPI”** is defined in the preamble to this Agreement.

**“BPI Financial Statements”** means the audited balance sheet and audited statement of income of BPI for the financial year ended December 31, 2020 including notes to the financial statements.

**“BPI Shareholder Declaration”** means the shareholder direction made by Brantford as sole shareholder of BEC in relation to BEC dated February 1, 2000, as amended.

**“Brantford”** is defined in the preamble to this Agreement.

**“Brantford Closing Financial Statements”** is defined in Section 2.4(a).

**“Brantford Disclosure Schedule”** is defined in Article 4.

“**Brantford Failure**” is defined in Section 8.3(b).

“**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario, and also excluding any day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.

“**Cambridge**” is defined in the preamble to this Agreement.

“**CASL**” means *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act and all of its implementing regulations, as amended from time to time.*

“**CDM**” is defined in Section 4.16(k).

“**Claim**” means any claim, demand, action, cause of action, suit, arbitration, investigation, proceeding, complaint, grievance, charge, prosecution, assessment or reassessment, including any appeal or application for review.

“**Class A Special Shares**” means the non-voting, convertible, redeemable, Class A Special shares in the capital stock of Amalco Holdco.

“**Class B Special Shares**” means the non-voting, convertible, redeemable, Class B Special shares in the capital stock of Amalco Holdco.

“**Class C Special Shares**” means the non-voting, convertible, redeemable, Class C Special shares in the capital stock of Amalco Holdco.

“**Class D Special Shares**” means the non-voting, convertible, redeemable, Class D Special shares in the capital stock of Amalco Holdco.

“**Closing**” means the completion of the Amalgamations pursuant to this Agreement.

“**Closing Date**” means the later of:

- (a) December 31, 2021, subject to receipt of the OEB Approval and Competition Act Approval; or
- (b) the first Business Day of the applicable fiscal quarter receipt of the OEB Approval and Competition Act Approval (e.g., April 1, July 2, October 1 or January 2),

provided; however, that if the OEB Approval and Competition Act Approval is received within 14 days prior to December 31, 2021 or the end of the applicable fiscal quarter, as the case may be, the Closing Date shall be the first Business Day of the subsequent fiscal quarter.

“**Closing Financial Statements**” means the Brantford Closing Financial Statements and the Energy Plus Closing Financial Statements.

“**Closing Time**” means 9:00 a.m. (Eastern time) on the Closing Date or any other time on the Closing Date as may be agreed by the Parties in writing.

“**Commissioner**” means the Commissioner of Competition under the Competition Act.

“**Common Shares**” means the voting common shares in the capital stock of Amalco Holdco.

“**Communication**” means any notice, demand, request, consent, approval or other communication which is required or permitted by this Agreement to be given or made by a Party.

“**Competition Act**” means the *Competition Act* (Canada).

“**Competition Act Approval**” means: (a) the issuance of an advance ruling certificate under section 102(1) of the Competition Act with respect to the transactions contemplated by this Agreement without such advance ruling certificate having been modified or withdrawn before Closing; (b) the Parties having given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the applicable waiting periods under section 123 of the Competition Act having expired or been terminated in accordance with the Competition Act; or (c) the obligation to give the requisite notice having been waived under section 113(c) of the Competition Act and, in the case of (b) or (c), the Parties having been advised in writing by the Commissioner that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement (a “**No-Action Letter**”) with any terms and conditions attached to such No-Action Letter being acceptable to the Parties, acting reasonably, and without such No-Action Letter having been withdrawn or modified before Closing.

“**Confidentiality Agreement**” is defined in the recitals of the Parties above.

“**Contract**” means any agreement, understanding, undertaking, commitment, licence, or lease, whether written or oral.

“**Corporate Articles**” means, as applicable, the certificate and articles of incorporation amalgamation of the applicable corporation and the certificates and articles of amendment of such corporation.

“**COVID-19**” means the global pandemic known as coronavirus disease as identified in COVID-19 Legislation and Emergency Orders.

“**COVID-19 Legislation and Emergency Orders**” means the *Reopening Ontario (A Flexible Response to COVID-19) Act, 2020*, the orders made under section 7.0.2 or 7.1 of the *Emergency Management and Civil Protection Act* and any other decrees, rules,

regulations, by-laws, published policies and guidelines enacted by a Governmental Authority in the Province of Ontario in connection with COVID-19.

“**CTA**” means the *Corporations Tax Act* (Ontario).

“**Current Assets**” means the aggregate sum of, Accounts Receivable, plus unbilled revenue, Taxes receivable, Inventories and Current Prepaid Amounts.

“**Current Liabilities**” means the aggregate sum of (a) accounts payable and accrued liabilities, owing or accruing due, and all other amounts owed that are payable within one year of the Closing Date, (b) all liabilities for Taxes, including all Taxes required to withheld and remitted to an applicable Governmental Authority in respect of any period ending prior to the Closing Date which have not been remitted, and (c) current amounts due to Affiliates.

“**Current Prepaid Amounts**” means the aggregate sum of all current prepaid expenses, other current assets of ongoing benefit and deposits, including all current prepaid Taxes, all current prepaid charges for water, gas, oil, hydro and other utilities, the current portion of all current prepaid lease payments and prepaid insurance premiums.

“**Customer Contract**” means an individual Contract in respect of which:

- (a) Energy Plus Solutions is a party (excluding any Contracts between Energy Plus Solutions and any of its Affiliates) which Contract generates gross revenue for Energy Plus Solutions in excess of \$250,000 per year;
- (b) GRE is a party (excluding any Contracts between GRE and any of its Affiliates) which Contract generates gross revenue for GRE in excess of \$750,000 per year; and
- (c) BHI is a party (excluding any Contracts between BHI and any of its Affiliates) which Contract generates gross revenue for BHI in excess of \$250,000 per year.

“**Data Room**” means the virtual data room as at the date of this Agreement managed by Grant Thornton LLP to which each Party obliged to provide documents or information for due diligence purposes has posted the same and to which each Party relying thereupon has access.

“**Direct Claim**” is defined in Section 8.6.

“**EA**” means the *Electricity Act, 1998* (Ontario).

“**Easements**” means all of the following real property interests: (a) all easements and rights of way, registered and unregistered; (b) the right to use, traverse, enjoy or have access to, over, in or under any real property, whether public or private; and (c) all permits, licences and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing.



**“Electronic Address”** has the meaning ascribed thereto in CASL;

**“Electronic Message”** has the meaning ascribed thereto in CASL;

**“Employee Benefits”** means:

- (a) bonuses, vacation entitlements, commissions, fees, stock option plans, incentive plans, deferred compensation plans, profit-sharing plans, severance plans, termination pay plans, supplementary employment insurance plans and other similar benefits, plans or arrangements; and
- (b) insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care and other similar benefits, plans or arrangements.

**“Encumbrance”** means any security interest, mortgage, charge, pledge, hypothec, lien, encumbrance, restriction, option, adverse claim, right of others or other encumbrance of any kind.

**“Energy+”** is defined in the preamble to this Agreement

**“Energy+ Financial Statements”** means the audited balance sheet and audited and statement of income of Energy+ for the financial year ended December 31, 2020 including notes to the financial statements.

**“Energy Plus Business”** (a) in the case of Energy Plus Holdings, the business of serving as a holding company for all of the issued and outstanding shares in the capital of Energy+ and Energy Plus Solutions, (b) in the case of Energy+, the business of distributing electricity to third parties within the geographic boundaries as permitted by its OEB distribution license and related services and activities, and (c) in the case of Energy Plus Solutions, streetlight maintenance, business development activities and holding securities in the capital of GRE.

**“Energy Plus Closing Financial Statements”** is defined in Section 2.4(b).

**“Energy Plus Disclosure Schedule”** is defined in Article 5.

**“Energy Plus Failure”** is defined in Section 8.3(a).

**“Energy Plus Group”** means Energy Plus Holdings, Energy+ and Energy Plus Solutions.

**“Energy Plus Group Adjustment Amount”** is defined in Section 2.5(b).

**“Energy Plus Group Employees”** means all personnel employed, engaged or retained by the Energy Plus Group in connection with the Energy Plus Business, including any that are on medical or long-term disability leave, or other statutory or authorized leave or absence, but excluding independent contractors.

**“Energy Plus Group Systems”** means all computer software, and computer hardware, servers, networks, platforms, peripherals, data communication lines and other information technology equipment and related systems that are owned or used by each member of the Energy Plus Group in the conduct of the Energy Plus Business.

**“Energy Plus Group Valuation Amount”** means the numerical value set forth in cell D10 of the spreadsheet entitled “Closing Adjustment Calc” within the excel file named “Final Financial Model – Project Phoenix\_August 13, 2021” prepared by Grant Thornton LLP.

**“Energy Plus Holdings”** is defined in the preamble to this Agreement.

**“Energy Plus Holdings Financial Statements”** means the audited, consolidated balance sheet and audited, consolidated statement of income of Energy Plus Holdings for the financial year ended December 31, 2020 including notes to the financial statements.

**“Energy Plus Shareholder Agreement”** means the shareholders agreement dated January 1, 2000 between Cambridge, North Dumfries and Energy Plus Holdings in respect of Energy Plus Holdings, as amended.

**“Energy Plus Solutions Financial Statements”** means the audited balance sheet and audited statement of income of Energy Plus Solutions for the financial year ended December 31, 2020 including notes to the financial statements.

**“Enersure Business”** means the business of renting heating, ventilation, and air conditioning systems, water softeners, water heaters, furnaces, and central air conditioning systems.

**“Environment”** means the ambient air, all layers of the atmosphere, all water including surface water and underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, living organisms and organic and inorganic matter, and includes indoor spaces.

**“Environmental Laws”** means any Laws relating to the Environment and protection of the Environment, the regulation of chemical substances or products, health and safety including occupational health and safety, and the transportation of dangerous goods.

**“ETA”** means Part IX of the *Excise Tax Act* (Canada).

**“Excluded Assets”** means the real property owned by BPI located at the municipal address designated as 130 Savannah Oaks Drive, Brantford, Ontario, N3V 1E8 and 37 Empey Street, Brantford, Ontario N3S 7R2, respectively.

**“Excluded Debt”** means the indebtedness and liabilities for borrowed money, whether contingent, unmatured or otherwise, owed by BPI to Ontario Infrastructure and Lands Corporation pursuant to financing agreement No. 7079 dated December 3, 2007, financing agreement No. 9027 dated November 18, 2009, as amended by amending agreements dated November 16, 2010 and April 20, 2017, respectively, and financing agreement No. 11070

dated November 6, 2012, as amended by amending agreements dated April 20, 2017 and May 28, 2019, respectively.

**“Expert”** is defined in Section 2.4(j).

**“Fixed Assets”** means the aggregate sum of property, plant and equipment, net of deferred revenues. Property, plant and equipment includes, but is not limited to furniture, furnishings, parts, tools, personal property fixtures, plants, land, buildings, transformer stations and equipment, right of use assets, finance lease receivables, intangible assets, structures, erections, improvements, appurtenances, machinery, equipment, substations, transformers, vaults, vehicles, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic network and electronics, water heater units, water treatment systems, devices, appliances, material, poles, pipelines, fittings, major spare parts, and any other similar or related item, including work-in-progress, but excluding the Excluded Assets.

**“Governmental Authority”** means:

- (a) any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and
- (b) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

**“GRE”** means Grand River Energy Solutions Corporation, a corporation incorporated under the laws of the Province of Ontario.

**“GRE Financial Statements”** means the audited balance sheet and audited statement of income of GRE for the financial year ended December 31, 2020 including notes to the financial statements.

**“Hazardous Substance”** means any substance, waste, liquid, gaseous or solid matter, fuel, micro-organism, sound, vibration, ray, heat, odour, radiation, energy vector, plasma, organic or inorganic matter which is or is deemed to be, alone or in any combination, hazardous, hazardous waste, solid or liquid waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination, regulated by any Environmental Laws.

**“Holdco Amalgamation”** is defined in Section 2.1(a).

[REDACTED]

“**IFRS**” means the International Financial Reporting Standards in effect from time to time, which include standards and interpretations adopted by the Canadian Accounting Standards Board.

“**Indemnified Party**” is defined in Section 8.3.

“**Indemnifying Party**” is defined in Section 8.3.

“**Indemnity Claim**” is defined in Section 8.6.

“**Indemnity Notice**” is defined in Section 8.6.

“**Insurance Policies**” means, as applicable, the insurance policies maintained with respect to the Energy Plus Business and/or the BEC Business.

“**Intellectual Property**” means trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights.

“**Inventories**” means the aggregate of all parts and supplies recorded as inventory on the audited financial statements excluding work-in-progress or other spare parts and supplies that have otherwise been capitalized as part of Fixed Assets.

“**ITA**” means the *Income Tax Act* (Canada).

“**Knowledge of Brantford**” means the knowledge that Brantford either has, or would have obtained, after having made or caused to be made all reasonable inquiries necessary to obtain informed knowledge, including inquiries of the records and management employees of Brantford or management of BEC Group who are reasonably likely to have knowledge of the relevant matter.

“**Knowledge of Cambridge and North Dumfries**” means the knowledge that Cambridge or Energy+ either has, or would have obtained, after having made or caused to be made all reasonable inquiries necessary to obtain informed knowledge, including inquiries of the records and management employees of Cambridge and North Dumfries or management of the Energy Plus Group who are reasonably likely to have knowledge of the relevant matter.

“**Law**” or “**Laws**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies and guidelines, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and the terms and conditions of any grant of approval, permission, authority or licence of any

Governmental Authority, and the term “applicable” with respect to Laws and in a context that refers to one or more Persons, means that the Laws apply to the Person or Persons, or its or their business, undertaking, property or Securities, and emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their business, undertaking, property or Securities, including COVID-19 Legislation and Emergency Orders.

“**LDC Amalco**” is defined in Section 2.2.

“**LDC Amalgamation**” is defined in Section 2.2.

“**Leased Premises**” means all of the lands and premises which are leased by any member of the BEC Group, as applicable or by any member of the Energy Plus Group, as applicable.

“**Loss**” means any loss, liability, damage, cost, expense, charge, fine, penalty or assessment including the costs and expenses of any action, suit, proceeding, demand, assessment, judgment, settlement or compromise and all interest, punitive damages, fines, penalties and reasonable professional fees and disbursements.

“**Make-Whole Payment**” means the amount of any break-fee and/or make whole payment that may be payable to Infrastructure Ontario and Lands Corporation by BPI in connection with repayment of the Excluded Debt.

“**Material Adverse Effect**” means a material adverse effect on the Energy Plus Business or the BEC Business, taken as a whole, or the operations, assets, liabilities, capital, property, condition (financial or otherwise) or results of operation of the Energy Plus Group or the BEC Group, all taken as a whole, excluding any effects of COVID-19 and/or COVID-19 Legislation and Emergency Orders.

“**Material Contract**” means a Contract in respect of the Energy Plus Business or the BEC Business, as applicable:

- (a) that involves or may result in the payment of money or money’s worth in an amount in excess of \$250,000 (excluding any collective bargaining agreements or employment agreements), including any Customer Contracts; or
- (b) the termination of which, or under which the loss of rights, would constitute a Material Adverse Effect.

“**MOU**” is defined in the recitals of the Parties above.

“**MTS Property**” means the real property owned by Energy+ described in the Energy Plus Disclosure Schedule as LRO 58 - PIN 22740-0164 LT – Block 3, Plan 58M663; together with an easement as in 1350771; subject to an easement as in WR1276173; subject to an easement for entry as in WR1291080; City of Cambridge.

**“Net Adjustment Amount”** means the numerical value set forth in cell F29 of the spreadsheet entitled “Closing Adjustment Calc” within the excel file named “Final Financial Model – Project Phoenix\_August 13, 2021” prepared by Grant Thornton LLP.

**“NetOptiks Business”** means BHI’s business of the provision of high-speed, high bandwidth telecommunications services to businesses, institutions and organizations, primarily in and around Brantford, by means of the installation operation and maintenance of a high-speed, digital, community-wide fibre-optic network, such services including:

- (a) Wholesale and Retail Business Internet Services;
- (b) Point to Point Transparent LAN Services (TLS);
- (c) Point to Multi-point Connectivity;
- (d) Wide Area Network Design;
- (e) Videoconferencing;
- (f) Voice Over IP;
- (g) Corporate domain, web, e-mail and e-commerce hosting services; and
- (h) Offsite data storage services.

**“OBCA”** means the *Business Corporations Act* (Ontario).

**“OEB”** means the Ontario Energy Board.

**“OEB Act”** means the Ontario Energy Board Act, 1998.

**“OEB Approval”** means the approval of the OEB pursuant to section 86(1)(c) of the OEB Act in respect of the LDC Amalgamation.

**“OMERS”** means the Ontario Municipal Employees Retirement System.

**“Owned Lands”** means all of the lands and premises which are owned by any member of the BEC Group, as applicable or by any member of the Energy Plus Group, as applicable.

**“Parties”** means Brantford, BEC, BHI, BPI, Cambridge, North Dumfries, Energy Plus Holdings, Energy+ and Energy Plus Solutions and **“Party”** means any one of them.

**“PCBs”** is defined in Section 4.24(k).

**“Permits”** means the authorizations, registrations, permits, certificates of approval, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to the Intellectual Property) issued or granted by any Governmental Authority to any member of the BEC Group or Energy Plus Group, as applicable.

**“Permitted Encumbrances”** means:

- (a) unregistered liens for municipal Taxes, assessments or similar charges incurred in the ordinary course of business that are not yet due and payable;
- (b) inchoate mechanic’s, construction and carrier’s liens and other similar liens arising by operation of law or statute in the ordinary course business for obligations which are not delinquent and will be paid or discharged in the ordinary course of business;
- (c) unregistered Encumbrances of any nature claimed or held by Her Majesty The Queen in Right of Canada, Her Majesty The Queen in right of the Province of Ontario or by any Governmental Authority under any applicable Law, except for unregistered liens for unpaid realty Taxes, assessments and public utilities;
- (d) title defects which are of a minor nature and in the aggregate, do not materially impair the value or use of any of the Owned Lands;
- (e) any right of expropriation conferred upon, reserved to or vested in Her Majesty The Queen in Right of Canada, Her Majesty The Queen in right of the Province of Ontario or any Governmental Authority under any applicable Law;
- (f) zoning restrictions, easements and rights of way or other similar Encumbrances or privileges in respect of real property which in the aggregate, do not materially impair the value or use of any of the Owned Lands, Leased Premises or Easements;
- (g) Encumbrances created by others upon other lands over which there are easements, rights-of-way, licences or other rights of user in favour of the Owned Lands, Leased Premises or Easements and which do not materially impede the use of the easements, rights-of-way, licences or other rights of user for the purposes for which they are held;
- (h) the reservations, limitations, provisos, conditions, restrictions and exceptions in the letters patent or grant, as the case may be, from the Crown and statutory exceptions to title; and
- (i) those instruments registered on title to the Owned Lands or against the leasehold interest in the Leased Premises and described in the Brantford Disclosure Schedule or the Energy Plus Disclosure Schedule.

**“Person”** will be broadly interpreted and includes:

- (a) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or
- (b) legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person;

- (c) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and
- (d) a Governmental Authority.

**“Personal Information”** means information about an individual who can be identified by the Person who holds that information.

**“PILs”** means payment in lieu of corporate taxes required to be made under section 93 of the EA.

**“Prime Rate”** means the annual rate of interest which the Amalco Holdco’s bank establishes as the reference rate for the determination of interest rates it will charge for loans of varying maturities in Canadian dollars, and which it may refer to as its “prime rate” or “prime lending rate”.

**“Privacy Laws”** means Laws relating to the privacy rights of individuals and/or the collection, use, disclosure and safeguarding of information about an identifiable individual including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any similar law of any jurisdiction, including without limitation, any province or territory of Canada, all findings and/or orders reached by any Governmental Authority, as well as privacy policies and privacy statements adopted and/or published by each member of the BEC Group and the Energy Plus Group, as applicable, together with all codes of conduct and/or standards to which each member of the BEC Group and the Energy Plus Group is subject or voluntarily agrees to be bound.

**“Privacy Statements”** means, collectively, any and all of privacy policies of each member of the BEC Group or the Energy Plus Group made available to Brantford, Cambridge and North Dumfries, as applicable, regarding the collection, retention, use, disclosure and distribution of the personal information of individuals.

**“Real Property Leases”** means the leases between any member of the BEC Group, as applicable, or between any member of the Energy Plus Group, as applicable, and each landlord party thereto, and all amendments to those leases, relating to the leasing of Leased Premises.

**“Release”** means to release, spill, leak, pump, pour, emit, empty, discharge, deposit, inject, leach, dispose, dump or permit to escape.

**“Remedial Order”** means any remedial order, including any notice of non-compliance, order, other complaint, direction or sanction issued, filed or imposed by any Governmental Authority pursuant to Environmental Laws, with respect to the existence of Hazardous Substances on, in or under Owned Lands or Leased Premises, or neighbouring or adjoining properties, or the Release of any Hazardous Substance from, at or on the Owned Lands or Leased Premises or with respect to any failure or neglect to comply with Environmental Laws.



**“Representatives”** means the Affiliates of any Person, and the advisors, agents, consultants, directors, officers, management, employees, subcontractors, and other representatives, including accountants, auditors, financial advisors, lenders and lawyers of any Person and of that Person’s Affiliates.

**“Securities”** has the meaning given to that term in the *Securities Act* (Ontario).

**“Shared Services Agreement”** means the Shared Services Agreement between Brantford and BPI dated January 1, 2017.

**“Shareholders Agreement”** means the unanimous shareholders agreement for Amalco Holdco to be entered into and effective on Closing and that will be substantially in the form attached as Exhibit A.

**“Special Shares”** means the Class A Special Shares, the Class B Special Shares, Class C Special Shares and Class D Special Shares, as the case may be.

**“Subsidiary”** means subsidiary within the meaning of the OBCA.

**“TA”** means the *Taxation Act, 2007* (Ontario).

**“Tallgrass Property”** means the real property of approximately 3.956 acres owned by BPI described as being located at the municipal address of 29 Tallgrass Court and depicted in the Brantford Disclosure Schedule, which, for clarity, excludes the real property described at the municipal address of 130 Savannah Oaks Dr. and 150 Savannah Oaks Dr., respectively.

**“Tax”** means PILs, Transfer Tax, and all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever, whether direct or indirect (including all income, capital gains, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers’ compensation premiums, Canada Pension Plan premiums, Employment Insurance premiums, and debt retirement charges pursuant to Part V.1 of the EA and special payments pursuant to Part VI of the EA), together with all interest, penalties, fines, additions to tax or other additional amounts, imposed by any Governmental Authority.

**“Tax Return”** means any return, report, declaration, designation, election, undertaking, waiver, notice, filing, information return, statement, form, certificate or any other document or materials relating to Taxes, including any related or supporting information with respect to any of those documents or materials listed above in this definition, filed or to be filed with any Governmental Authority in connection with the determination, assessment, collection or administration of Taxes, including those required pursuant to Parts V.1 and VI of the EA.

**“Third Party Claim”** is defined in Section 8.6.

**“Total Debt”** means for each member of the BEC Group or the Energy Plus Group, as applicable, the aggregate amount of all long and short term interest-bearing liabilities for borrowed money and long and short term amounts owing to related parties, including without limitation amounts for bank debt, short-term debt, current portion of long-term borrowings, long-term borrowings, short-term and long-term portion of capital leases, the short-term and long-term portion of lease liabilities, employee future benefit liabilities, related party loans and notes payable.

**“Transfer Tax”** means the tax payable pursuant to section 94 of the EA.

## **1.2 Certain Rules of Interpretation**

- (a) In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words “including” or “includes” in this Agreement is to be construed as meaning “including, without limitation” or “includes, without limitation”, respectively.
- (b) The division of this Agreement into Articles and Sections, the insertion of headings and the inclusion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (c) References in this Agreement to an Article, Section, Schedule or Exhibit are to be construed as references to an Article, Section, Schedule or Exhibit of or to this Agreement unless otherwise specified.
- (d) Unless otherwise specified in this Agreement, time periods within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.
- (e) Unless otherwise specified, any reference in this Agreement to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.

## **1.3 Governing Law**

This Agreement is governed by, and is to be construed and interpreted in accordance with, the Laws of the Province of Ontario and the Laws of Canada applicable in that Province.

## **1.4 Entire Agreement**

This Agreement and any other agreements and documents to be delivered pursuant to this Agreement constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersede all prior agreements, the MOU, understandings, negotiations and discussions, whether oral or written, of the Parties, but other than the provisions of the

Confidentiality Agreement, and there are no representations, warranties or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement, the Confidentiality Agreement or in any of the other agreements and documents delivered pursuant to this Agreement. No Party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or in any of the other agreements and documents delivered pursuant to this Agreement.

## **1.5 Schedules and Exhibits**

The following is a list of Schedules and Exhibits attached to and forming an integral part of this Agreement:

### **Schedules**

Schedule A	Brantford Disclosure Schedule
Schedule B	Energy Plus Disclosure Schedule
Schedule C	Share Capital Provisions
Schedule D	Illustrative Examples of the Calculations of the BEC Group Adjustment Amount and The Energy Plus Group Adjustment Amount
Schedule E	Location of Amalco Holdco Facilities & Functions

### **Exhibits**

Exhibit A	Amalco Holdco Shareholder Agreement
Exhibit B	Amended and Restated Shared Services and Obligations Agreement

## **ARTICLE 2 AMALGAMATIONS**

### **2.1 Holdco Amalgamation**

- (a) Subject to and conditional upon the terms and conditions of this Agreement, the Parties agree that BEC and Energy Plus Holdings shall amalgamate on the Closing Date (the “**Holdco Amalgamation**”) and continue as a corporation amalgamated under the laws of Ontario (and such amalgamated corporation is referred to herein as “**Amalco Holdco**”).

- (b) Amalco Holdco will issue the following fully paid and non-assessable Common Shares and Special Shares in the capital of Amalco Holdco upon completion of the Holdco Amalgamation in accordance with the terms of the Amalgamation Agreement:

Party	Amalco Holdco	Equity & Voting Percentage Interest
Brantford	41,000,000 Common Shares 1 Class B Special Shares 1 Class D Special Shares	41.000%
Cambridge	54,339,000 Common Shares 921 Class A Special Shares 921 Class C Special Shares	54.339%
North Dumfries	4,661,000 Common Shares 79 Class A Special Shares 79 Class C Special Shares	4.661%

- (c) The Common Shares and Special Shares shall contain the respective rights, privileges, restrictions and conditions set out in Schedule C.

## 2.2 LDC Amalgamation

As soon as practicable after the Holdco Amalgamation and subject to and conditional upon the terms and conditions of this Agreement, BPI and Energy+ shall amalgamate with each other on the Closing Date (the “**LDC Amalgamation**”) and continue as a corporation amalgamated under the laws of Ontario (and such amalgamated corporation is referred to herein as “**LDC Amalco**”), and shall file articles of amalgamation giving effect to the in accordance with the OBCA.

## 2.3 Target Closing Amounts

- (a) Before Closing, BEC shall take reasonable steps to ensure that on Closing it has BEC Holdco Closing Net Asset Value equal to BEC Holdco Target Closing Net Asset Value.
- (b) Before Closing, BPI shall take reasonable steps to ensure that on Closing it has:
- (i) BPI Closing Working Capital equal to BPI Target Closing Working Capital;
  - (ii) BPI Closing Net Fixed Assets equal to BPI Target Closing Net Fixed Assets;
  - (iii) BPI Closing Net Regulatory Balance equal to BPI Target Closing Net Regulatory Balance;

- (iv) BPI Closing Net Other Assets and Liabilities equal to BPI Target Closing Net Other Assets and Liabilities; and
- (v) BPI Closing Total Net Debt equal to BPI Target Closing Total Net Debt.
- (c) Before Closing, BHI shall take reasonable steps to ensure that on Closing it has BHI Adjusted Closing Net Income/(Loss) excluding Other Comprehensive Income/(Loss) equal to BHI Target Closing Adjusted Net Income/(Loss) excluding Other Comprehensive Income/(Loss).
- (d) Before Closing, Energy Plus Holdings shall take reasonable steps to ensure that on Closing it has Energy Plus Holdings Closing Net Asset Value equal to Energy Plus Holdings Target Closing Net Asset Value.
- (e) Before Closing, Energy+ shall take reasonable steps to ensure that on Closing it has:
  - (i) Energy+ Closing Working Capital equal to Energy+ Target Closing Working Capital;
  - (ii) Energy+ Closing Net Fixed Assets equal to Energy+ Target Closing Net Fixed Assets;
  - (iii) Energy+ Closing Net Regulatory Balance equal to Energy+ Target Closing Net Regulatory Balance;
  - (iv) Energy+ Closing Net Other Assets and Liabilities equal to Energy+ Target Closing Net Other Assets and Liabilities; and
  - (v) Energy+ Closing Total Net Debt equal to Energy+ Target Closing Total Net Debt.
- (f) Before Closing, Energy Plus Solutions shall take reasonable steps to ensure that on Closing it has:
  - (i) Energy Plus Solutions Closing Net Asset Value equal to Energy Plus Solutions Target Closing Net Asset Value; and
  - (ii) GRE Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss) equal to the GRE Target Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss).

## **2.4 Closing Financial Statements, Contracts Valuation and Brantford Real Property Valuation**

- (a) Brantford shall cause the auditors for the BEC Group to complete the audit procedures and distribute to Brantford, Cambridge and North Dumfries the audited financial statements for each member of the BEC Group as at the end of business

on the day immediately prior to the Closing Date (including the audited financial statements of BEC on a consolidated basis) within 120 days following the Closing Date (collectively the “**Brantford Closing Financial Statements**”).

- (b) Cambridge and North Dumfries shall cause the auditors for the Energy Plus Group to complete the audit procedures and distribute to Cambridge, North Dumfries and Brantford the audited financial statements for each member of the Energy Plus Group as at the end of business on the day immediately prior to the Closing Date (including the audited financial statements of Energy Plus Holdings on a consolidated basis) within 120 days following the Closing Date (collectively the “**Energy Plus Closing Financial Statements**”).
- (c) Brantford, Cambridge and North Dumfries shall cause a valuation by a Chartered Business Valuator (to be agreed between BEC and Energy Plus Holdings prior to the Closing Date) utilizing a discounted cash flow analysis method of the following:
  - (i) each new Customer Contract entered into and not terminated by a member of the BEC Group (excluding BPI) or by a member of the Energy Plus Group (including GRE but excluding Energy+) during the period from and including the date of this Agreement to and including the Closing Date,
  - (ii) any amendment with revenue in excess of \$250,000 or \$750,000 per year, as applicable, to any new or existing Customer Contract to which a member of the BEC Group (excluding BPI) or the Energy Plus Group (including GRE but excluding Energy+) is a party made during the period from and including the date of this Agreement to and including the Closing Date existing at the date hereof; and
  - (iii) each Customer Contract that may be terminated by a member of the BEC Group (excluding BPI) or by a member of the Energy Plus Group (including GRE but excluding Energy+) or by a counterparty to any such Material Contract during the period from and including the date of this Agreement to and including the Closing Date,(each such valuation by Brantford, on the one hand, and Cambridge and North Dumfries, on the other hand, a “**Customer Contracts Valuation**”).
- (d) Brantford shall engage an independent, accredited appraiser acceptable to Cambridge and North Dumfries, each acting reasonably, to determine the fair market value of the Tallgrass Property within 60 days prior to the Closing Date (the “**Tallgrass Appraisal**”).
- (e) Cambridge and North Dumfries shall engage an independent, accredited appraiser acceptable to Brantford, acting reasonably, to determine the fair market value of the MTS Property within 60 days prior to the Closing Date (the “**MTS Appraisal**”).
- (f) All Closing Financial Statements shall be prepared in accordance with IFRS applied on a basis consistent with the preparation of the BEC Financial Statements, the BPI

Financial Statements, BHI Financial Statements, the Energy Plus Holdings Financial Statements, Energy+ Financial Statements and the Energy Plus Solutions Financial Statements, as applicable. The Closing Financial Statements shall be accompanied by a report thereon by such auditors. For the purposes of preparing and reviewing the applicable Closing Financial Statements, each Party shall grant such auditors and the other authorized Representatives of the other Parties reasonable access to all relevant records, facilities and personnel in its possession or within its control. Brantford will pay all costs and expenses in connection with the preparation of the Brantford Closing Financial Statements in respect of the BEC Group and Cambridge and North Dumfries shall pay all costs and expenses in connection with the preparation of the Energy Plus Closing Financial Statements for the Energy Plus Group.

- (g) Brantford shall have a period of 30 days from the date it receives the Energy Plus Closing Financial Statements, the reports of the auditor thereon and the Customer Contracts Valuation in respect of each applicable member of the Energy Plus Group and the MTS Appraisal during which to review such Energy Plus Closing Financial Statements and the Customer Contracts Valuation in respect of each applicable member of the Energy Plus Group and the MTS Appraisal. For the purpose of such review, Brantford and each member of the BEC Group and their authorized Representatives shall be given full access by Cambridge, North Dumfries and each member of the Energy Plus Group to examine the working papers, schedules and other documentation used or prepared by the auditors to the Energy Plus Group or Chartered Business Valuator or appraiser in respect of the MTS Appraisal, as applicable. If no written objection to such Energy Plus Closing Financial Statements or Customer Contracts Valuation in respect of each applicable member of the Energy Plus Group or the MTS Appraisal is given to Cambridge and North Dumfries by Brantford within such 30-day period, such Energy Plus Closing Financial Statements, the Customer Contracts Valuation in respect of each applicable member of the Energy Plus Group and the MTS Appraisal shall be deemed to have been approved by Brantford as of the last day of such 30-day period.
- (h) Cambridge and North Dumfries shall have a period of 30 days from the date they receive the Brantford Closing Financial Statements, the reports of the auditor thereon, the Customer Contracts Valuation in respect of each applicable member of the BEC Group and the Tallgrass Appraisal during which to review such Brantford Closing Financial Statements, the Customer Contracts Valuation in respect of each applicable member of the BEC Group and the Tallgrass Appraisal. For the purpose of such review, Cambridge and North Dumfries and each member of the Energy Plus Group and their authorized Representatives shall be given full access by Brantford and each member of the BEC Group to examine the working papers, schedules and other documentation used or prepared by the auditors to the Energy Plus Group, Chartered Business Valuator or appraiser in respect of the Tallgrass Appraisal, as applicable. If no written objection to such Energy Plus Closing Financial Statements, the Customer Contracts Valuation in respect of each applicable member of the BEC Group or Tallgrass Appraisal is given to Brantford

by Cambridge and North Dumfries within such 30-day period, such Brantford Closing Financial Statements, the Customer Contracts Valuation in respect of each applicable member of the BEC Group and the Tallgrass Appraisal shall be deemed to have been approved by Cambridge and North Dumfries as of the last day of such 30-day period.

- (i) Brantford may object to the Energy Plus Closing Financial Statements, the Customer Contracts Valuation in respect of any applicable member of the Energy Plus Group and/or the MTS Appraisal within the 30-day period set out in Section 2.4(h) by giving written notice to Cambridge and North Dumfries setting out in reasonable detail the nature of such objection (a “**Brantford Objection**”). Cambridge and North Dumfries (acting jointly) may object to the Brantford Closing Financial Statements, the Customer Contracts Valuation in respect of the applicable member of the BEC Group and/or the Tallgrass Appraisal within the 30-day period set out in Section 2.4(h) by giving written notice to Brantford setting out in reasonable detail the nature of such objection (a “**Cambridge and North Dumfries Objection**”). Brantford, Cambridge and North Dumfries (acting jointly) agree to attempt to resolve the matters in dispute set out in a Brantford Objection and/or Cambridge and North Dumfries Objection within 15 days from the date on which such notice is given. If all matters in dispute are resolved by Brantford, Cambridge and North Dumfries, the applicable Closing Financial Statements(s), Customer Contracts Valuation, Tallgrass Appraisal and/or MTS Appraisal, as applicable, shall be modified to the extent required to give effect to such resolution and shall be deemed to have been approved as of the date of such resolution.
- (j) If Brantford and Cambridge and North Dumfries (acting jointly) cannot resolve all matters in dispute in a Brantford Objection and/or Cambridge and North Dumfries Objection within such 15-day period, all unresolved matters shall be submitted to a mutually agreed, independent, nationally recognized accounting firm (the “**Expert**”) for resolution. The Expert shall be given access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed in connection therewith shall be determined by the Expert in its discretion but the Expert shall be instructed to proceed as quickly as possible. Notwithstanding the foregoing, the final determination of the Expert shall be limited to the strict parameters of the dispute submitted to it and the Expert shall limit its review to the matters specifically set out in the Brantford Objection and/or Cambridge and North Dumfries Objection and shall not assign a value to any item that is higher than the highest value for such item or lower than the lowest value for such item claimed by any Party. The Expert’s determination of all such matters shall be final and binding on all Parties and shall not be subject to appeal by Brantford, Cambridge, North Dumfries or any other Party. The fees and expenses of the Expert shall be borne by Amalco Holdco. The applicable Closing Financial Statements, Customer Contracts Valuation in respect the applicable member(s) of the BEC Group and/or Energy Plus Group, MTS Appraisal and/or Tallgrass Appraisal shall be modified to the extent required to give effect to the Expert’s determination and shall be deemed to have been approved as of the date of such determination.



## 2.5 Calculation of Adjustments

- (a) Upon the approval or deemed approval pursuant to Section 2.4 of the Closing Financial Statements for each member of the BEC Group,
  - (i) BEC shall calculate the sum of:
    - (A) the BEC Holdco Closing Net Asset Value *less* the BEC Holdco Target Closing Net Asset Value (which sum may be positive or negative),
  - (ii) BPI shall calculate the sum of:
    - (A) the BPI Closing Working Capital *less* the BPI Target Closing Working Capital (which sum may be positive or negative), *plus*
    - (B) the BPI Closing Net Fixed Assets *less* the BPI Target Closing Net Fixed Assets (which sum may be positive or negative), *plus*
    - (C) the BPI Closing Net Regulatory Balance *less* the BPI Target Closing Net Regulatory Balance (which sum may be positive or negative), *plus*
    - (D) the BPI Closing Net Other Assets and Liabilities *less* the BPI Target Closing Net Other Assets and Liabilities; *plus*
    - (E) the BPI Closing Total Net Debt *less* the BPI Target Closing Total Net Debt (which sum may be positive or negative); *plus*
    - (F) the value of the Tallgrass Appraisal; *plus*
    - (G) the amount of the Make-Whole Payment *less* the amount of any income Tax savings on account of the repayment of the Make-Whole Payment,
  - (iii) BHI shall calculate the sum of:
    - (A) the BHI Adjusted Closing Net Income/(Loss) excluding Other Comprehensive Income/(Loss) for calendar 2021 and the period to the Closing Date *less* the BHI Target Closing Adjusted Net Income/(Loss) excluding Other Comprehensive Income/(Loss) (which sum may be positive or negative), *less*
    - (B) the BHI dividends paid during fiscal 2021 and the period to the Closing Date less the budgeted BHI dividends of \$400,000 (which sum may be positive or negative), *plus*

- (C) the value of any Customer Contracts Valuation to which BHI is a party pursuant to the applicable Customer Contracts Valuation (which sum may be positive or negative);

(the sum of all the amounts referred to in this Section 2.5(a) as the “**BEC Group Adjustment Amount**”).

- (b) Upon the approval or deemed approval pursuant to Section 2.4 of the Closing Financial Statements for each member of the Energy Plus Group,

- (i) Energy Plus Holdings shall calculate the sum of:

- (A) the Energy Plus Holdings Closing Net Asset Value *less* the Energy Plus Holdings Target Closing Net Asset Value (which sum may be positive or negative).

- (ii) Energy+ shall calculate the sum of:

- (A) the Energy+ Closing Working Capital *less* the Energy+ Target Closing Working Capital (which sum may be positive or negative), *plus*

- (B) the Energy+ Closing Net Fixed Assets *less* the Energy+ Target Closing Net Fixed Assets (which sum may be positive or negative), *plus*

- (C) the Energy+ Closing Net Regulatory Balance *less* the Energy+ Target Closing Net Regulatory Balance (which sum may be positive or negative), *plus*

- (D) the Energy+ Closing Net Other Assets and Liabilities *less* the Energy+ Target Closing Net Other Assets and Liabilities; *plus*

- (E) the Energy+ Closing Total Net Debt *less* the Energy+ Target Closing Total Net Debt (which sum may be positive or negative), *plus*

- (F) the value of the MTS Appraisal,

- (iii) Energy Plus Solutions shall calculate the sum of:

- (A) the Energy Plus Solutions Closing Net Asset Value *less* the Energy Plus Solutions Target Closing Net Asset Value (which sum may be positive or negative), *plus*

- (B) the value of any Customer Contracts Valuation to which Energy Plus Solutions or GRE is a party pursuant to the applicable

Customer Contracts Valuation (which sum may be positive or negative); *plus*

- (C) the GRE Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss) *less* the GRE Target Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss) (which sum may be positive or negative).

(the sum of all the amounts referred to in this Section 2.5(b) as the “**Energy Plus Group Adjustment Amount**”).

(c) For the purposes of this Article 2:

- (i) “**BEC Holdco Closing Net Asset Value**” means the sum of (i) total non-consolidated shareholder’s equity; (ii) less the intercompany debt owing from subsidiaries; and (iii) less investments in subsidiaries as at the Closing Date;
- (ii) “**BEC Holdco Target Closing Net Asset Value**” means [REDACTED];
- (iii) “**BHI Adjusted Closing Net Income/(Loss) excluding Other Comprehensive Income/(Loss)**” means the Net Income/(Loss) excluding Other Comprehensive Income/(Loss) as determined in accordance with IFRS consistently applied, and as shown on the BHI Financial Statements for the fiscal year ended December 31, 2021 plus the fiscal period up to the Closing Date;
- (iv) “**BHI Target Closing Adjusted Net Income/(Loss) excluding Other Comprehensive Income/(Loss)**” means [REDACTED];
- (v) “**BPI Closing Net Fixed Assets**” means the value of the Fixed Assets as defined and based on the applicable Brantford Closing Financial Statements, excluding the Excluded Assets;
- (vi) “**BPI Closing Net Other Assets and Liabilities**” means any current or long term assets or liabilities not included within the BPI Closing Working Capital, BPI Closing Net Fixed Assets, BPI Closing Net Regulatory Balance or BPI Closing Total Net Debt. For greater certainty, other assets and liabilities will: (a) include current and long-term customer deposits payable, and (b) exclude the Excluded Debt, the Excluded Assets and any derivative assets or liabilities, net of any associated deferred tax; all as determined in accordance with IFRS, consistently applied and based on the applicable Brantford Closing Financial Statements;
- (vii) “**BPI Closing Net Regulatory Balance**” means the asset regulatory balances net of deferred tax component, if any, *less* liability regulatory balances net of deferred tax component, if any, in each case as determined in accordance with IFRS, consistently applied and as shown on the

applicable Brantford Closing Financial Statements, excluding the BPI COVID-19 Deferral and Variance Amount if the whole or any portion of such BPI COVID-19 Deferral and Variance Amount is not approved by the OEB for recovery by BPI prior to the Closing Date;

- (viii) **“BPI Closing Total Net Debt”** means the sum of the Total Debt of BPI, cash and cash equivalents and net deferred tax assets (excluding the deferred tax asset relating to the derivative liability) or liabilities in each case based on the applicable Brantford Closing Financial Statements;
- (ix) **“BPI Closing Working Capital”** means the sum of the Current Assets of BPI *less* the Current Liabilities of BPI, in each case as determined in accordance with IFRS, consistently applied and as shown on the applicable Brantford Closing Financial Statements;
- (x) **“BPI COVID-19 Deferral and Variance Amount”** means the deferral and variance amounts claimed by BPI for recovery on account of the costs and expenses incurred by it related to COVID-19;
- (xi) **“BPI Target Closing Net Fixed Assets”** means [REDACTED];
- (xii) **“BPI Target Closing Net Other Assets and Liabilities”** means [REDACTED];
- (xiii) **“BPI Target Closing Net Regulatory Balance”** means [REDACTED];
- (xiv) **“BPI Target Closing Total Net Debt”** means [REDACTED];
- (xv) **“BPI Target Closing Working Capital”** means [REDACTED];
- (xvi) **“Brantford Objection”** is defined in Section 2.4(i).
- (xvii) **“Cambridge and North Dumfries Objection”** is defined in Section 2.4(i).
- (xviii) **“Customer Contracts Valuation”** is defined in Section 2.4(c).
- (xix) **“Energy Plus Holdings Closing Net Asset Value”** means the sum of (i) total non-consolidated shareholder’s equity; (ii) less the intercompany debt owing from Energy Plus Solutions; and (iii) less investments in subsidiaries as at the Closing Date;
- (xx) **“Energy Plus Holdings Target Closing Net Asset Value”** means [REDACTED];
- (xxi) **“Energy Plus Solutions Closing Net Asset Value”** means the sum of (i) total shareholder’s equity; (ii) plus the intercompany debt owing to Energy Plus Holdings; and (iii) less investments in Affiliates as at the Closing Date;

- (xxii) **“Energy Plus Solutions Target Closing Net Asset Value”** means [REDACTED];
- (xxiii) **“Energy+ Closing Net Fixed Assets”** means the value of the Fixed Assets as defined and as included on the applicable Energy Plus Closing Financial Statements;
- (xxiv) **“Energy+ Closing Net Other Assets and Liabilities”** means any current or long term assets or liabilities not included within the Energy+ Closing Working Capital, Energy+ Closing Net Fixed Assets, Energy+ Closing Net Regulatory Balance or Energy+ Closing Total Net Debt. For greater certainty, other assets and liabilities will: (a) include current and long-term customer deposits payable, (b) include goodwill, and (c) exclude any derivative assets or liabilities, net of any associated deferred tax; all as determined in accordance with IFRS, consistently applied and based on the applicable Energy Plus Closing Financial Statements;
- (xxv) **“Energy+ Closing Net Regulatory Balance”** means the asset regulatory balances net of deferred tax component, if any, *less* liability regulatory balances net of deferred tax component, if any, in each case as determined in accordance with IFRS, consistently applied and as shown on applicable Energy Plus Closing Financial Statements;
- (xxvi) **“Energy+ Closing Total Net Debt”** means the sum of the Total Debt of Energy+, cash and cash equivalents and net deferred tax assets or liabilities, based on the applicable Energy Plus Closing Financial Statements;
- (xxvii) **“Energy+ Closing Working Capital”** means the sum of the Current Assets of Energy+ *less* the Current Liabilities of Energy+, in each case as determined in accordance with IFRS, consistently applied and as shown on the applicable Energy Plus Closing Financial Statements;
- (xxviii) **“Energy+ Target Closing Net Fixed Assets”** means [REDACTED];
- (xxix) **“Energy+ Target Closing Net Other Assets and Liabilities”** means [REDACTED];
- (xxx) **“Energy+ Target Closing Net Regulatory Balance”** means [REDACTED];
- (xxxi) **“Energy+ Target Closing Total Net Debt”** means [REDACTED];
- (xxxii) **“Energy+ Target Closing Working Capital”** means [REDACTED];
- (xxxiii) **“GRE Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss)”** means: 1/3 of the aggregate of (i) the net income/(loss) and comprehensive (loss) as determined in accordance with IFRS, consistently applied, and as shown on the GRE Financial Statements for the fiscal year ended December 31, 2021 plus the fiscal period up to the Closing Date, and

(ii) adjusted to exclude any unrealized gains or losses on derivatives for the same periods, net of any related deferred taxes; and

(xxxiv) **“GRE Target Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss)”** means [REDACTED], representing one-third of the total GRE Closing Adjusted Net Income/(Loss) and Other Comprehensive Income/(Loss).

(xxxv) **“MTS Appraisal”** is defined in Section 2.4(e).

(xxxvi) **“Tallgrass Appraisal”** is defined in Section 2.4(d).

## 2.6 Implementation of Adjustments

(a) As soon as practicable following the final determination of the BEC Group Adjustment Amount and the Energy Plus Group Adjustment Amount:

(i) Brantford shall send a redemption notice to Amalco Holdco in accordance with the redemption terms attached to its Class B Special Shares (excluding its Class D Special Shares, the redemption of which shall be governed by Section 2.6(a)(iv)) if the BEC Group Adjustment Amount as a percentage of the BEC Group Valuation Amount is higher than the Energy Plus Group Adjustment Amount as a percentage of the Energy Plus Group Valuation Amount. Such redemption notice shall notify Amalco Holdco of Brantford’s intention to redeem the Class B Special Shares it holds in Amalco Holdco. Amalco Holdco, in accordance with the redemption terms applicable to the Class B Special Shares, shall pay to Brantford, and Brantford shall be entitled to receive from Amalco Holdco, the Net Adjustment Amount. In this situation, Cambridge and North Dumfries shall each send a redemption notice to Amalco Holdco in accordance with the redemption terms applicable to the Class A Special Shares, notifying Amalco Holdco of their intention to have their Class A Special Shares redeemed for the price of \$1.00, in the aggregate.

(ii) Cambridge and North Dumfries shall send a redemption notice to Amalco Holdco in accordance with the redemption terms attached to their Class A Special Shares (excluding their Class C Special Shares, the redemption of which shall be governed by Section 2.6(a)(iii)) if the Energy Plus Group Adjustment Amount as a percentage of the Energy Plus Group Valuation Amount is higher than the BEC Group Adjustment Amount as a percentage of the BEC Group Valuation Amount. Such redemption notice shall notify Amalco Holdco of Cambridge and North Dumfries’ intention to redeem the Class A Special Shares each holds in Amalco Holdco. Amalco Holdco, in accordance with the redemption terms applicable to the Class A Special Shares, shall pay to Cambridge and North Dumfries, and Cambridge and North Dumfries shall be entitled to receive from Amalco Holdco, the Net Adjustment Amount. In this situation, Brantford shall send a redemption

notice to Amalco Holdco in accordance with the redemption terms applicable to the Class B Special Shares, notifying Amalco Holdco of its intention to have its Class B Special Shares redeemed for the price of \$1.00, in the aggregate.

■

[REDACTED]

- (iv) Brantford shall send a redemption notice to Amalco Holdco in accordance with the redemption terms attached to its Class D Special Shares if the whole BPI COVID-19 Deferral and Variance Amount is approved for recovery by the OEB prior to the Closing Date notifying Amalco Holdco of its intention to have its Class D Special Shares redeemed for the price of \$1.00 in the aggregate. Brantford shall send a redemption notice to Amalco Holdco in accordance with the redemption terms attached to its Class D Special Shares if the whole or any portion of the BPI COVID-19 Deferral and Variance Amount is received by LDC Amalco at any point following the Closing Date, following which Amalco Holdco, shall in accordance with the redemption terms applicable to the Class D Special Shares, pay to Brantford the redemption amount equal to the BPI COVID-19 Deferral and Variance Amount approved for recovery by the OEB, net of taxes.
- (v) Each of Brantford, Cambridge and North Dumfries shall send a redemption notice to Amalco Holdco in accordance with the redemption terms applicable to the Class A Special Shares and Class B Special Shares held by each of them notifying Amalco Holdco of their intention to have their respective Special Shares redeemed for the price of \$1.00, in the aggregate if the Net Adjustment Amount is zero.

■

[REDACTED]

- (b) The redemption terms applicable to the Special Shares shall provide, among other things, that Amalco Holdco shall pay the aggregate redemption amount to the redeeming shareholder as follows:

- (i) up to a maximum of \$2,000,000 within 10 Business Days following receipt of the redemption notices; and
- (ii) for any amounts in excess of \$2,000,000 (the “**Unpaid Redemption Amount**”), upon the following terms:
  - (A) the Unpaid Redemption Amount will be payable in annual instalments not to exceed \$2,000,000 per year commencing on one year after the Closing Date and bear interest at the Prime Rate; and
  - (B) Amalco Holdco shall be entitled, at its option and on two Business Days’ notice, to prepay all or any portion of the Unpaid Redemption Amount and any accrued and unpaid interest without bonus or penalty.
- (c) Subject to Section 2.6(d), each of LDC Amalco, Energy Plus Solutions and BHI, as applicable, will declare dividends in such amounts as may be required by Amalco Holdco to fund the payment of the redemption of any Special Shares.
- (d) If the declaration of any dividend by LDC Amalco, Energy Plus Solutions and/or BHI pursuant to Section 2.6(c) and/or the payment of any redemption amount payable to a shareholder under Section 2.6(b) would result in a breach by Amalco Holdco, LDC Amalco, Energy Plus Solutions and/or BHI of applicable Law (including the solvency requirements of the OBCA) or would breach a covenant under Amalco Holdco, LDC Amalco, Energy Plus Solutions and/or BHI’s respective financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

## **2.7 COVID-19 Acknowledgement Re. Target Balances**

Each of the Parties acknowledges and agrees that the establishment of the target closing amounts set forth in Section 2.5 represent the good faith estimates of the Parties to account for the financial impacts to each member of the BEC Group and each member of the Energy Plus Group, as applicable, in connection with the effects of COVID-19 and COVID-19 Legislation and Emergency Orders on the BEC Business and the Energy Plus Business.

## **2.8 Nature and Intent of Adjustments (No Double Counting)**

Each of the Parties acknowledges and agrees that the calculations performed pursuant to this Article 2 including the determination of the BEC Group Adjustment Amount and the Energy Plus Group Adjustment Amount, as applicable, shall be calculated without duplication or double counting of amounts. Without limiting the generality of the foregoing, no net adjustment gains or losses are intended to be created from the conversion of the Brantford Promissory Note pursuant to Section 6.1(f).



### **ARTICLE 3**

#### **GENERAL REPRESENTATIONS AND WARRANTIES**

Each of Parties hereby severally represents and warrants as follows to each other that, the representations and warranties set out below with respect to itself are true and correct on the date hereof and acknowledge that each such other Party is relying on such representations and warranties:

##### **3.1 Corporate Existence**

It is a corporation (in the case of Cambridge, North Dumfries and Brantford, a municipal corporation), duly incorporated and validly existing under the laws of Ontario.

##### **3.2 Capacity to Enter Agreement**

It has all necessary corporate power, authority and capacity to enter into and perform its obligations under this Agreement and each of the other documents and agreements to be entered into by it pursuant to this Agreement.

##### **3.3 Binding Obligation**

The execution and delivery of this Agreement and each of the other documents and agreements to be entered into by it pursuant to this Agreement and the completion of the transactions contemplated by this Agreement and such other documents and agreements by it have been duly authorized by all necessary corporate action on its part. This Agreement has been duly executed and delivered by such entity and constitutes a valid and binding obligation of such entity, enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and other Laws of general application limiting the enforcement of creditors' rights generally and to the fact that equitable remedies, including specific performance, are discretionary and may not be ordered in respect of certain defaults.

##### **3.4 Absence of Conflict**

None of the execution and delivery of this Agreement and each of the other documents and agreements to be entered into by it pursuant to this Agreement, the performance by it of its obligations hereunder and thereunder or the completion of the transactions contemplated hereunder and thereunder will:

- (a) result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles, by-laws or other constating documents of such entity, or any Contract to which such entity is a party or by which such entity's undertakings, property or assets are bound or affected;
- (b) result in the creation or imposition of any Encumbrance on any of the assets of such entity;
- (c) subject to obtaining the regulatory approvals set forth in Article 9, contravene any applicable Law; or

- (d) contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

#### **ARTICLE 4**

### **REPRESENTATIONS AND WARRANTIES OF BRANTFORD**

Brantford represents and warrants to Cambridge and North Dumfries as follows, and acknowledges that each of Cambridge and North Dumfries are relying upon these representations and warranties in connection with the Amalgamations. Each exception to the following representations and warranties that is set out in the disclosure schedule attached as Schedule A (the “**Brantford Disclosure Schedule**”).

#### **4.1 Residence**

No member of the BEC Group is a non-resident of Canada for purposes of the ITA.

#### **4.2 Regulatory Approvals**

Except as set out in Article 9 and except as has already been obtained, no authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of Brantford or the BEC Group in connection with the execution, delivery and performance by any of them of this Agreement or any other documents and agreements to be delivered under this Agreement or in connection with the completion of the transactions contemplated hereby or thereby.

#### **4.3 Consents**

Except as disclosed in the Brantford Disclosure Schedule, there is no requirement to obtain any consent, approval or waiver of a party under any Material Contract to which Brantford or the BEC Group is a party in order to complete the transactions contemplated by this Agreement.

#### **4.4 Share Ownership, Etc.**

- (a) As at the date hereof, Brantford is the legal and beneficial owner of 2,001 common shares of BEC with good and marketable title thereto, free and clear of all Encumbrances, being in aggregate all of the issued and outstanding shares of BEC. Immediately prior to Closing, Brantford will be the legal and beneficial owner of all of the issued and outstanding common shares of BEC with good and marketable title thereto, free and clear of all Encumbrances.
- (b) Brantford is the legal and beneficial owner of a promissory note issued by BPI with the principal sum of \$24,189,168 due February 1, 2026 and an interest rate of 3.95% and a promissory note issued by BHI in the amount with the principal sum of \$1,303,335 due February 1, 2026 and an interest rate of 3.95% (together, the “**Brantford Promissory Notes**”).
- (c) BEC is the legal and beneficial owner of 1,001 common shares of BPI with good and marketable title thereto, free and clear of all Encumbrances (other than

Permitted Encumbrances), being in aggregate all of the issued and outstanding shares of BPI.

- (d) BEC is the legal and beneficial owner of 1,001 common shares of BHI with good and marketable title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances), being in aggregate all of the issued and outstanding shares of BHI.
- (e) Except as disclosed in the Brantford Disclosure Schedule, the BEC Group does not own or hold, directly or indirectly, any Securities of, or have any other interest in, any Person, and no member of the BEC Group has entered into any agreement to acquire any such interests.

#### **4.5 Corporate Existence of the BEC Group**

Each member of the BEC Group has been duly incorporated and organized and are validly existing and in good standing as a corporation under the laws of the Province of Ontario. No proceedings have been taken or authorized by any member of the BEC Group in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of such member of the BEC Group.

#### **4.6 Corporate Articles**

Their respective Corporate Articles constitute all of the charter documents of each member of the BEC Group and are in full force and effect; no action has been taken to amend any Corporate Articles and no changes to such Corporate Articles are planned other than as contemplated in this Agreement.

#### **4.7 Capacity and Powers of the BEC Group**

Each member of the BEC Group has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on the BEC Business as currently being conducted by the applicable member of the BEC Group.

#### **4.8 Jurisdictions**

Ontario is the only jurisdiction in which the members of the BEC Group are qualified to do business. Neither the character nor location of the BEC Group Owned Lands or BEC Group Leased Premises, nor the nature of the BEC Business requires qualification to do business in any other jurisdiction.

#### **4.9 Options, Etc.**

Except as provided in this Agreement, no Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for:

- (a) the purchase of any Securities of any member of the BEC Group; or

- (b) the purchase of any of the assets of any member of the BEC Group other than in the ordinary course of the BEC Business.

#### **4.10 Corporate Records/Directors**

- (a) The corporate records and minute books of the BEC Group which have been made available contain in all material respects complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of the BEC Group, held or passed since incorporation. All those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of the applicable member of the BEC Group are complete and accurate in all material respects.
- (b) The Brantford Disclosure Schedule contains the name of each director of the applicable member of the BEC Group, including the date on which each of such director was most recently elected as a director, and each such individual has been duly elected a director of the respective member of the BEC Group.

#### **4.11 Books and Records**

The Books and Records of the BEC Group fairly and correctly set out and disclose in accordance with IFRS in all material respects the financial position of the BEC Group, and all material financial transactions of the BEC Group have been accurately recorded in such Books and Records.

#### **4.12 Financial Statements**

Copies of the BEC Financial Statements, BPI Financial Statements and BHI Financial Statements are attached to the Brantford Disclosure Schedule. Such BEC Financial Statements, BPI Financial Statements and BHI Financial Statements have been prepared in accordance with IFRS and present fairly:

- (a) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of each member of the BEC Group as at the respective dates thereof; and
- (b) the sales, earnings and results of the operations of the applicable member of the BEC Group during the periods covered by such BEC Financial Statements, BPI Financial Statements and BHI Financial Statements;

but the unaudited interim financial statements:

- (c) do not contain all notes required under IFRS; and
- (d) are subject to normal year-end audit adjustments.

#### 4.13 Tax Matters

- (a) The members of the BEC Group are exempt from Tax under the ITA, CTA and TA but each of them is required to make PILs payments under the EA in an amount equal to the Tax that it would be liable to pay under the ITA, CTA and TA if it were not exempt from Tax under those statutes.
- (b) The members of the BEC Group have filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions on a timely basis. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. No member of the BEC Group has been required to file any Tax Returns with, and have never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. The BEC Group have paid all Taxes and all instalments of Taxes due on or before the date hereof. Brantford has furnished to Cambridge and North Dumfries true, complete and accurate copies of all Tax Returns and any amendments thereto filed by the members of the BEC Group since December 31, 2013 and all notices of assessment (up to December 31, 2019) and reassessment and all correspondence with Governmental Authorities relating thereto.
- (c) Assessments under the EA have been issued to the BEC Group covering all periods up to and including its fiscal year ended December 31, 2020.
- (d) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Brantford, threatened against any member of the BEC Group, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. To the Knowledge of Brantford, there is no contingent liability of any member of the BEC Group for Taxes or any grounds that could prompt an assessment or reassessment for Taxes. No member of the BEC Group has received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (e) No member of the BEC Group has entered into any transactions with any non-resident of Canada (for the purposes of the ITA) with whom such member of the BEC Group was not dealing at arm's length (within the meaning of the ITA). No member of the BEC Group has acquired property from any Person in circumstances where such member of the BEC Group did or could have become liable for any Taxes payable by that Person.
- (f) No member of the BEC Group will be required to include in a taxable period ending after the Closing Date any material taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to exclude from taxable income in a taxable period ending after the Closing Date any material deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date).

- (g) There are no circumstances existing which could result in, or which have existed and resulted in, the application of section 78 of the ITA, as it applies for purposes of the EA, in respect of an amount owing by a member of the BEC Group on the Closing Date.
- (h) No member of the BEC Group has entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of such member of the BEC Group except with respect to the 2015 Tax year in respect of BPI and BHI. Neither BEC nor BPI is party to any agreements or undertakings with respect to Taxes.
- (i) The BEC Group are registrants for purposes of the ETA and BEC's registration number is 875041329 RT0001, BPI's registration number is 865858773 RT0001 and BHI's registration number is 875041121 RT0001. All input tax credits claimed by each member of the BEC Group pursuant to the ETA have been proper, correctly calculated and documented. Each member of the BEC Group has collected, paid and remitted when due all Taxes, including goods and services tax, harmonized sales tax and retail sales tax, collectible, payable or remittable by them.
- (j) Each member of the BEC Group has remitted to the appropriate Governmental Authority when required by Law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax imposed under the ETA.
- (k) Each member of the BEC Group maintains its Books and Records in compliance with section 230 of the ITA.

#### **4.14 Absence of Changes**

Except as disclosed in the Brantford Disclosure Schedule, the transfer of the Excluded Assets and repayment of the Excluded Debt, since December 31, 2020, there has not been:

- (a) any change in the financial condition, operations, results of operations, or business of any member of the BEC Group which has had a Material Adverse Effect, nor has there been any occurrence or circumstances which, to the Knowledge of Brantford, with the passage of time might reasonably be expected to have a Material Adverse Effect; or
- (b) any Loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by the BEC Group which, to the Knowledge of Brantford, has had, or may reasonably be expected to have, a Material Adverse Effect.

#### **4.15 Absence of Undisclosed Liabilities**

Except to the extent reflected or reserved in the BEC Financial Statements, BPI Financial Statements and BHI Financial Statements, or incurred subsequent to December 31, 2020 and:

- (a) disclosed in the Brantford Disclosure Schedule; or
- (b) incurred in the ordinary course of the BEC Business;

no member of the BEC Group has any material outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt) of a nature customarily reflected or reserved against in a balance sheet (including the notes to the BEC Financial Statements, BPI Financial Statements and BHI Financial Statements) in accordance with IFRS. For the purposes of this Section 4.15 only, indebtedness, liabilities or obligations owing to any third party in excess of \$250,000 will be deemed to be material.

#### **4.16 Absence of Unusual Transactions**

Except as disclosed or referred to in the Brantford Disclosure Schedule, the transfer of the Excluded Assets and repayment of the Excluded Debt, since December 31, 2020 no member of the BEC Group has:

- (a) given any guarantee of any debt, liability or obligation of any Person;
- (b) subjected any of its assets, or permitted any of its assets to be subjected, to any Encumbrance other than the Permitted Encumbrances;
- (c) acquired, sold, leased or otherwise disposed of or transferred any assets other than in the ordinary course of the BEC Business;
- (d) made or committed to any capital expenditures other than in the ordinary course of the BEC Business;
- (e) declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature to its shareholder or any other non-arm's length Person except as set forth in Section 6.3(e) or taken any corporate proceedings for that purpose;
- (f) redeemed, purchased or otherwise retired any of its shares or otherwise reduced its stated capital;
- (g) entered into or become bound by any Contract except in the ordinary course of the BEC Business (other than this Agreement);
- (h) modified, amended or terminated any Contract (except for Contracts which expire by the passage of time) resulting in a Material Adverse Effect;
- (i) waived or released any right or rights which it has or had, or a debt or debts owed to it resulting, collectively or individually, in a Material Adverse Effect;

- (j) made any change in any compensation arrangement or agreement with any BEC Group Employee except for annual merit pay increases and incentive payments consistent with the ordinary course of the BEC Business;
- (k) made any change in any method of accounting or auditing practice (other than as disclosed in the BEC Financial Statements, BPI Financial Statements or BHI Financial Statements and/or in order to make its financial disclosure consistent with the financial disclosure of the BEC Group as regards to accrued conservation and demand management (“CDM”) bonus or as regards to loss revenue adjustment mechanism recoveries); or
- (l) agreed or offered to do any of the things described in this Section 4.16.

#### **4.17 Title to and Condition of Assets**

Each member of the BEC Group owns, possesses and has good and marketable title to all of its undertakings, property and assets not otherwise the subject of specific representations and warranties in this Article 4, including all the undertakings, property and assets reflected in the most recent balance sheet included in the BEC Financial Statements, BPI Financial Statements or the BHI Financial Statements (as applicable), free and clear of all Encumbrances other than Permitted Encumbrances. The undertakings, property and assets of each member of the BEC Group comprise all of the undertakings, property and assets necessary for it to carry on the BEC Business as it is currently operated by such member of the BEC Group. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by each member of the BEC Group are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and usable for the purposes for which they are being used.

#### **4.18 Real Property**

- (a) The Brantford Disclosure Schedule contains a complete and accurate list of the BEC Group Owned Lands, including complete legal descriptions, and the particulars of the BEC Group Leased Premises and BEC Real Property Leases. No member of the BEC Group owns any real property and does not lease and has not agreed to acquire or lease any real property other than as listed in the Brantford Disclosure Schedule.
- (b) Each member of the BEC Group has all Easements that are necessary for it to carry on the BEC Business as it is currently operated by it.
- (c) No member of the BEC Group has received any, nor to the Knowledge of Brantford are there any pending or threatened, notices of violation or alleged violation of any Laws against or affecting any BEC Group Owned Lands or BEC Group Leased Premises or BEC Group Easements.
- (d) The buildings and other structures and improvements located on the BEC Group Owned Lands or forming part of the BEC Group Leased Premises, and their operation and maintenance, comply with all applicable Laws, and none of those



buildings or structures or improvements encroaches upon any land not owned or leased by the applicable member of the BEC Group.

- (e) There are no restrictive covenants or Laws which in any way restrict or prohibit any part of the present use of the BEC Group Owned Lands or BEC Group Leased Premises or BEC Group Easements, other than the Permitted Encumbrances. Each member of the BEC Group has such rights of entry and exit to and from the BEC Group Owned Lands and the BEC Group Leased Premises and the BEC Group Easements as are reasonably necessary to carry on the BEC Business.
- (f) Except as disclosed in the Brantford Disclosure Schedule, no Person has any right to purchase any of the BEC Group Owned Lands and no Person other than BPI is using or has any right to use, is in possession or occupancy, of any part of the BEC Group Owned Lands. There exists no option, right of first refusal or other contractual rights with respect to any of the BEC Group Owned Lands.
- (g) There are no expropriation or similar proceedings, actual or threatened, of which any member of the BEC Group or Brantford have received notice, against any of the BEC Group Owned Lands or BEC Group Leased Premises or BEC Group Easements.
- (h) The BEC Group Owned Lands are owned in fee simple, free and clear of all Encumbrances, except Permitted Encumbrances. No member of the BEC Group has entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of such member of the BEC Group in and to the BEC Group Owned Lands or the air, density and easement rights relating to such BEC Group Owned Lands.
- (i) All of the BEC Real Property Leases are in full force and effect, unamended, and none of them are, to the Knowledge of Brantford, under any threat of termination.
- (j) All of the BEC Group Easements are in full force and effect and none of them are, to the Knowledge of Brantford, under any threat of termination.
- (k) Neither Brantford nor any member of the BEC Group has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on the BEC Group Owned Lands, BEC Group Leased Premises or BEC Group Easements, or of any current noncompliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with applicable statutes and regulations or building and zoning by-laws and regulations.
- (l) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets constructed on the BEC Group Owned Lands or the BEC Group Leased Premises or the BEC Group Easements have been fully paid to the extent due and no Person is entitled to claim a lien under the *Construction Act* (Ontario) or other similar legislation for such work.

- (m) To the Knowledge of Brantford, there are no matters affecting the right, title and interest of any member of the BEC Group in and to the BEC Group Owned Lands or the BEC Group Leased Premises or the BEC Group Easements (other than the Permitted Encumbrances) or which, in the aggregate, would materially and adversely affect the ability of such member of the BEC Group to carry on the BEC Business upon such BEC Group Owned Lands or the BEC Group Leased Premises or the BEC Group Easements, as applicable.

#### **4.19 Intellectual Property**

- (a) The Brantford Disclosure Schedule includes a list of all Intellectual Property that is registered with any Governmental Authority and that is used in connection with the conduct of the BEC Business, including all trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights, the jurisdictions (if any) in which that Intellectual Property is registered (or in which application for registration has been made) and the applicable expiry dates of all listed registrations.
- (b) All necessary legal steps have been taken by the BEC Group to preserve their respective rights to the Intellectual Property listed in the Brantford Disclosure Schedule. The Brantford Disclosure Schedule also includes a list of all licence agreements pursuant to which BEC Group have been granted a right to use, or otherwise exploit Intellectual Property owned by third parties, other than “off-the-shelf” software license agreements.
- (c) The Intellectual Property that is owned by the members of the BEC Group (as applicable) is owned free and clear of any Encumbrances other than Permitted Encumbrances, and no Person other than the applicable member of the BEC Group has any right to use that Intellectual Property except as disclosed in the Brantford Disclosure Schedule.
- (d) The use by the members of the BEC Group of any Intellectual Property owned by third parties is valid, and the BEC Group is not in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach.
- (e) The conduct by the members of the BEC Group of the BEC Business does not infringe the Intellectual Property of any Person.

#### **4.20 Accounts Receivable**

All Accounts Receivable reflected in the BEC Financial Statements, BPI Financial Statements and the BHI Financial Statements, as applicable, or which have come into existence since the date of the most recent BEC Financial Statements, BPI Financial Statements and BHI Financial Statements, were created in the ordinary and customary course of the BEC Business from bona

fide arm's length transactions, and, except to the extent that they have been paid in the ordinary course of such BEC Business since the date of the BEC Financial Statements, BPI Financial Statements and the BHI Financial Statements, are valid and enforceable and collectible in full, without, to the Knowledge of Brantford, any right of set-off or counterclaim or any reduction for any credit or allowance made or given, except to the extent of the allowance for doubtful accounts which will be included in the Brantford Closing Financial Statements.

#### **4.21 Material Contracts**

- (a) The Brantford Disclosure Schedule contains a list of all Material Contracts to which each member of the BEC Group is a party. Brantford has previously delivered or made available true and complete copies of such Material Contracts, all of which are in full force and effect, unamended (except for amendments which have previously been disclosed or made available).
- (b) No counterparty to any Material Contract to which any member of the BEC Group is a party is in default of any of its obligations under such Material Contract in any material respect. Each member of the BEC Group is entitled to all benefits under each Material Contract, and no member of the BEC Group has received any notice of termination of any Material Contract, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract.

#### **4.22 Accounts and Powers of Attorney**

Each member of the BEC Group has previously disclosed:

- (a) the name of each bank or other depository in which such member of the BEC Group maintains any bank account, trust account or safety deposit box and the names of all individuals authorized to draw on them or who have access to them; and
- (b) the name of each Person holding a general or special power of attorney from BEC Group and a summary of its terms.

#### **4.23 Compliance with Laws, Permits**

- (a) Each member of the BEC Group is conducting the BEC Business in compliance with all applicable Laws where the failure to do so (either individually or in the aggregate) would have a Material Adverse Effect.
- (b) All Permits held by or granted to each member of the BEC Group are listed in the Brantford Disclosure Schedule. Such Permits are the only authorizations, registrations, permits, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to Intellectual Property) required to enable each member of the BEC Group to carry on the BEC Business as currently conducted and to enable each member of the BEC Group to own, lease and operate its assets. All such Permits are valid, subsisting, in full force and effect and unamended, and no member of the BEC Group is in default or breach of any such

Permit; no proceeding is pending or, to the Knowledge of Brantford, threatened to revoke or limit any such Permit, and the completion of the transactions contemplated by this Agreement will not result in the revocation of any such Permit or the breach of any term, provision, condition or limitation affecting the ongoing validity of any such Permit.

#### 4.24 Environmental Conditions

Without limiting the generality of Section 4.23, and except as disclosed in the Brantford Disclosure Schedule:

- (a) the conduct of the BEC Business by the members of the BEC Group, and the current use and condition of each of the BEC Group Leased Premises and BEC Group Owned Lands have been and are in compliance with all applicable Environmental Laws in all material respects, and, to the Knowledge of Brantford, there are no facts which would give rise to any such non-compliance of any member of the BEC Group with any Environmental Laws either in the conduct of the BEC Business or in the current uses and condition of each of the BEC Group Leased Premises and the BEC Group Owned Lands;
- (b) each member of the BEC Group has all Permits required by all Environmental Laws for the conduct by the BEC Group of the BEC Business (“**BEC Environmental Approvals**”), which BEC Environmental Approvals are valid and in full force and effect and listed in the Brantford Disclosure Schedule. Each member of the BEC Group is in compliance with all those BEC Environmental Approvals, and there have not been and there are no proceedings commenced or threatened to revoke or amend any such BEC Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect;
- (c) each member of the BEC Group and each Person for whom such members of the BEC Group are responsible pursuant to all Environmental Laws, have imported, manufactured, processed, distributed, used, treated, stored, disposed of, transported, exported or handled Hazardous Substances in compliance with all Environmental Laws;
- (d) to the Knowledge of Brantford, no Hazardous Substances have been disposed of on any of the BEC Group Leased Premises or the BEC Group Owned Lands, and there are no underground storage tanks on the BEC Group Leased Premises or the BEC Group Owned Lands and any underground storage tanks formerly on the BEC Group Leased Premises or the BEC Group Owned Lands have been removed and any affected soil, surface water or ground water has been remediated in compliance with all applicable Laws including Environmental Laws;
- (e) no part of the BEC Group Owned Lands has ever been used as a landfill or for the disposal of waste;
- (f) there has been no Release of any Hazardous Substance in the course of the BEC Business from, at, on, or under the BEC Group Leased Premises or the BEC Group

Owned Lands or, to the Knowledge of Brantford, from or on to any other properties, except in compliance with all Environmental Laws;

- (g) no member of the BEC Group has received any notice of any kind of any Release or possible Release of any Hazardous Substance from, at, on, or under any of the BEC Group Leased Premises or BEC Group Owned Lands, or from or on to any other properties;
- (h) to the Knowledge of Brantford, there are no Hazardous Substances on any adjoining properties to any of the BEC Group Leased Premises or BEC Group Owned Lands which may adversely affect the BEC Business, or any of the BEC Group Leased Premises or BEC Group Owned Lands;
- (i) there has been no Remedial Order issued to any member of the BEC Group in respect of the BEC Business, or with respect to any of the BEC Group Leased Premises or the BEC Group Owned Lands and, to the Knowledge of Brantford, no Remedial Orders are threatened, and there are no facts which could reasonably be expected to give rise to any Remedial Orders;
- (j) no member of the BEC Group has received any notice of Claim, summons, order, direction or other communication relating to non-compliance with any Environmental Laws from any Governmental Authority or other third party, and to the Knowledge of Brantford, there is no pending or threatened matter, act or fact which could cause the members of the BEC Group, the conduct of the BEC Business, or any of the BEC Group Leased Premises or BEC Group Owned Lands to no longer be in compliance with all applicable Environmental Laws; and
- (k) no asbestos, asbestos containing materials, polychlorinated biphenyls (“PCBs”) and PCB wastes are used, stored or otherwise present in or on the BEC Group Owned Lands except for PCBs contained in the electrical transformers which are in service and which form an integral part of, and are necessary for the operation of, the BEC Business. Brantford has disclosed or made available all inspection reports received from the Ministry of the Environment in connection with the handling, transportation and storage of PCBs by the applicable members of the BEC Group.

#### **4.25 Suppliers and Customers**

The Brantford Disclosure Schedule lists the 15 largest suppliers of goods and services from whom each member of the BEC Group has purchased goods or services (other than power) during the fiscal year ended December 31, 2020. No such supplier sold goods and services to the applicable member of the BEC Group which represented more than 20% of its annual purchases during such period. None of the suppliers listed in the Brantford Disclosure Schedule has advised the BEC Group, either orally or in writing, that it is terminating or considering terminating its relationship with such member of the BEC Group, or considering negotiating its relationship with such member of the BEC Group on terms that would result in a Material Adverse Effect, whether as a result of the completion of the transactions contemplated by this Agreement or otherwise.

#### **4.26 Rights to Use Personal Information**

- (a) All Personal Information in the possession of the BEC Group has been collected, used and disclosed in compliance with all applicable Privacy Laws in those jurisdictions in which the BEC Group conducts, or is deemed by operation of law in those jurisdictions to conduct, the BEC Business.
- (b) Brantford has disclosed or made available all Contracts and facts concerning the collection, use, retention, destruction and disclosure of Personal Information by the applicable members of the BEC Group and there are no other Contracts, or facts which, on completion of the transactions contemplated by this Agreement, would restrict or interfere with the use of any Personal Information by the applicable members of the BEC Group in the continued operation of the BEC Business as conducted before the Closing.
- (c) Except as disclosed in the Brantford Disclosure Schedule, there are no Claims pending or, to the Knowledge of Brantford, threatened, with respect to the collection, use or disclosure of Personal Information by the applicable members of the BEC Group.

#### **4.27 Employees and Employment Contracts**

- (a) Brantford has made available in the Data Room the names, titles and status (active or non-active, and if not active, reason why and period of time not active) of all BEC Group Employees together with particulars of the material terms and conditions of their employment or engagement, including current rates of remuneration, perquisites, commissions, bonus or other incentive compensation (monetary or otherwise), most recent hire date, cumulative years of service, start and end dates of all previous periods of service, benefits, vacation or personal time off entitlements, current positions held and, if available, projected rates of remuneration, and whether the employee is a member of a collective bargaining union or agency and whether the employee is subject to the BEC Collective Agreement.
- (b) To the Knowledge of Brantford, no BEC Group Employee nor any consultant with whom the applicable members of the BEC Group has contracted, is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement relating to the right of that individual to be employed, engaged or retained by the applicable members of the BEC Group in any material respect, and, to the Knowledge of Brantford, the continued employment or engagement by the members of the BEC Group of the BEC Group Employees will not result in any such violation. No member of the BEC Group has received any notice alleging that any such violation has occurred.
- (c) Except as disclosed in the Data Room, all of the BEC Group Employees are employed, engaged or retained for an indefinite term and none are subject to written employment agreements, contracts of engagement or services agreements.

Brantford has made available in the Data Room true and complete copies of any written employment agreements, contracts of engagement or services agreements of all BEC Group Employees. No officer has given notice, oral or written, of an intention to cease being employed with the BEC Group (other than the pending employee retirements disclosed in the Brantford Disclosure Schedule), and no member of the BEC Group intends to terminate the employment of any officer.

- (d) The members of the BEC Group have operated in compliance with all Laws relating to employees in all material respects, including employment standards and all Laws relating in whole or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed or referred to in the Brantford Disclosure Schedule, there have been no Claims within the past three years nor, to the Knowledge of Brantford, are there any threatened complaints, under such Laws against the members of the BEC Group. To the Knowledge of Brantford, nothing has occurred which might lead to a Claim or complaint against the members of the BEC Group under any such Laws. There are no outstanding decisions or settlements or pending settlements which place any obligation upon the members of the BEC Group to do or refrain from doing any act.
- (e) There is no strike or lockout occurring or affecting, or to the Knowledge of Brantford, threatened against any member of the BEC Group.

#### 4.28 Unions

- (a) Except as disclosed in the Brantford Disclosure Schedule, there are no apparent or, to the Knowledge of Brantford, threatened union organizing activities involving BEC Group Employees.
- (b) No member of the BEC Group has any labour problems that would reasonably be expected to result in a Material Adverse Effect, or lead to any interruption of operations at any location.
- (c) No member of the BEC Group has engaged in any lay-off or other activities within the last three years in respect of the BEC Business that would violate or in any way subject the members of the BEC Group to the group termination or lay-off requirements of the Laws of any jurisdiction that apply to the members of the BEC Group.
- (d) Except as disclosed in the Brantford Disclosure Schedule, no member of the BEC Group is bound by or a party to, either directly or by operation of law, any collective bargaining agreement (the **“BEC Collective Agreement”**) with any trade union or association which might qualify as a trade union, and no trade union, association, council of trade unions, employee bargaining agency or affiliated bargaining agent:
  - (i) holds bargaining rights with respect to any of the BEC Group Employees by way of certification, interim certification, voluntary recognition, designation or successor rights;

- (ii) has, to the Knowledge of Brantford, applied to be certified or requested to be voluntarily recognized as the bargaining agent of any of the BEC Group Employees;
- (iii) has, to the Knowledge of Brantford, applied to have any member of the BEC Group declared a related or successor employer under applicable provincial labour or employment Law; or
- (iv) has, to the Knowledge of Brantford, filed a complaint or charge under applicable provincial labour or employment Law within the last three years.

#### **4.29 Employee Benefits Matters**

- (a) Except as disclosed in the Brantford Disclosure Schedule, the members of the BEC Group are not:
  - (i) a party to, bound by or subject to, and do not have any liability or contingent liability relating to, any employment agreement or any other agreement or arrangement relating to Employee Benefits;
  - (ii) in arrears in the payment of any contribution or assessment required to be made by them pursuant to any agreements or arrangements relating to Employee Benefits; or
  - (iii) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association in respect of Employee Benefits and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement in respect of Employee Benefits.
- (b) All agreements and arrangements relating to Employee Benefits in respect of BEC Group Employees set forth in the Brantford Disclosure Schedule (other than OMERS, with respect to which Brantford makes no representation under this Section 4.29(b)) are, and have been, established, registered (where required), and administered without default, in material compliance with (i) the terms thereof; and (ii) all applicable Laws; and no member of the BEC Group has received, in the last four years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor does Brantford have any Knowledge of any such notice from any Person questioning or challenging such compliance beyond the last four years. Except as disclosed in the Brantford Disclosure Schedule or the BEC Collective Agreement, there have been no improvements, increases or changes to, or promised improvements, increases or changes to, the benefits provided under any such agreement or arrangement within the last four years, nor does any such agreement or arrangement provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.



- (c) Except as disclosed in Brantford Disclosure Schedule, no BEC Group Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario).
- (d) Except as disclosed in the Brantford Disclosure Schedule, no agreement or arrangement, other than OMERS, provides benefits beyond retirement or other termination of service to employees or former employees of any member of the BEC Group or to the beneficiaries or dependants of such employees or former employees. Other than OMERS, no such agreement or arrangement requires or permits a retroactive increase in premiums or payments.
- (e) All assessments under the *Workplace Safety and Insurance Act, 1997* (Ontario) in relation to the BEC Business have been paid or accrued and no member of the BEC Group is subject to any special or penalty assessment under such legislation which has not been paid.

#### **4.30 Pension Plans**

- (a) Except as disclosed in the Brantford Disclosure Schedule, OMERS is the only pension or retirement plan or arrangement in which BEC Group Employees participate and/or to which the BEC Group contributes as a participating employer.
- (b) All obligations of the BEC Group to or under OMERS (whether pursuant to the terms thereof or any applicable Laws) have been satisfied, and there are no outstanding defaults or violations thereunder by any member of the BEC Group or by any predecessor thereof.
- (c) There are no going concerns with respect to unfunded actuarial liabilities, past service unfunded liabilities or solvency deficiencies respecting the BEC Group's participation in OMERS.
- (d) All employee data necessary to administer the BEC Group's participation in OMERS and any other agreement or arrangement listed in the Brantford Disclosure Schedule is in the possession of the BEC Group and is complete, correct and in a form which is sufficient for the proper administration of the BEC Group's participation in OMERS in accordance with the terms thereof and all applicable Laws.
- (e) All employer or employee payments, contributions or premiums required to be remitted or paid by the BEC Group to or in respect of OMERS have been paid or remitted in a timely fashion in accordance with the terms thereof and all Laws, and no Taxes, penalties or fees are owing or exigible on any member of the BEC Group under OMERS.

#### **4.31 Insurance Policies**

The Brantford Disclosure Schedule lists all Insurance Policies, and also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims with

respect to each such Insurance Policy. The Insurance Policies insure all the property and assets of the BEC Group against Loss by all insurable hazards of risk commonly insured against in the industry. All Insurance Policies are in full force and effect and no member of the BEC Group:

- (a) is in default, whether as to the payment of premiums or otherwise, under any material term or condition of any of the Insurance Policies; or
- (b) has failed to give notice or present any Claim under any of the Insurance Policies in a due and timely fashion.

#### **4.32 Litigation**

- (a) Except as disclosed or referred to in the Brantford Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of BEC Group, pending, commenced, or, to the Knowledge of Brantford, threatened, which might reasonably be expected to have a Material Adverse Effect on any member of the BEC Group or which might involve the possibility of an Encumbrance against the assets of any member of the BEC Group.
- (b) There is no outstanding judgment, decree, order, ruling or injunction involving any member of the BEC Group or relating in any way to the transactions contemplated by this Agreement.

#### **4.33 Withholding**

Each member of the BEC Group has withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper Governmental Authority within the time required under any applicable Laws.

#### **4.34 No Expropriation**

No property or asset of any member of the BEC Group has been taken or expropriated by any Governmental Authority within the last five years, and no notice or proceeding in respect of any such expropriation has been given or commenced or, to the Knowledge of Brantford, is there any intent or proposal to give any notice or commence any proceeding in respect of any such expropriation.

#### **4.35 Absence of Conflict**

None of the execution and delivery of this Agreement, the performance of any member of the BEC Group's obligations under this Agreement, or the completion of the transactions contemplated by this Agreement will:

- (a) result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles or the by-laws of such entity, or any Contract to which

such entity is a party or by which any of such entity's undertakings, property or assets is bound or affected;

- (b) subject to obtaining the third party consents contemplated by Section 7.1(c), constitute an event which would permit any party to any Material Contract with BEC Group to terminate or sue for damages with respect to that Material Contract, or to accelerate the maturity of any indebtedness of BEC Group, or other obligation of BEC Group under that Material Contract;
- (c) subject to obtaining the regulatory approvals set forth in Article 9, contravene any applicable Law; or
- (d) contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

#### **4.36 Restrictive Covenants**

No member of the BEC Group is a party to, or bound or affected by, any Contract containing any covenant expressly limiting its ability to compete in any line of business or to transfer or move any of its assets or operations, or which could reasonably be expected to have a Material Adverse Effect on the BEC Business carried on by the applicable member of the BEC Group.

#### **4.37 BEC Group Business**

The business of the BEC Group is limited to the BEC Business.

#### **4.38 Compliance with Privacy Laws**

With respect to the BEC Business:

- (a) Each member of the BEC Group has made available to Cambridge and North Dumfries the Privacy Statements contained in the Brantford Disclosure Schedule.
- (b) Each member of the BEC Group: (i) complies with the Privacy Statements with respect to all personal information collected, used and/or disclosed by each member of the BEC Group; (ii) complies with all applicable Privacy Laws; and (iii) takes appropriate measures to protect and maintain the security of the personal information in the possession of each member of the BEC Group and/or which each member of the BEC Group has access.
- (c) The change of control of each member of the BEC Group pursuant to the terms of this Agreement and the transactions contemplated hereunder (including the disclosures made by each member of the BEC Group in the course of the due diligence in anticipation of the transactions contemplated by this Agreement), is in compliance with the terms of the Privacy Statement and all applicable Privacy Laws.

- (d) All Personal Information disclosed to each member of the Energy Plus Group pursuant to the transaction contemplated by this Agreement relates directly to the part of BEC Business that is covered by the transactions contemplated by this Agreement.
- (e) No member of the BEC Group is aware of any complaint made or any audit, investigation, claim or proceeding including court proceeding against any member of the BEC Group by the Office of the Privacy Commissioner of Canada or any other Governmental Authority, or by any Person in respect of the collection, retention, use, disclosure, safeguarding or distribution of Personal Information by any Person in connection with the BEC Business, nor is any member of the BEC Group aware of any facts which may give rise to any such complaint or audit, proceeding, investigation or claim.
- (f) All Electronic Addresses have been acquired, maintained, updated (including operationalizing opt-out requests) and stored, and all Electronic Messages sent and/or delivered by or on behalf of each member of the BEC Group have been sent and/or delivered, in accordance with all applicable Laws, including but not limited to Anti-Spam Laws and Privacy Laws.
- (g) In the last five years, there has been no unauthorized access, use, intrusion or breach of security, or failure, breakdown, performance reduction or other adverse event affecting any BEC Group Systems, that has caused or could reasonably be expected to cause any: (i) substantial disruption of or interruption in or to the use of such BEC Group Systems or the conduct of the BEC Business; (ii) loss, destruction, damage or harm of or to any member of the BEC Group or its respective operations, personnel, property or other assets; or (iii) liability of any kind to the applicable member of the BEC Group. Each member of the BEC Group has taken reasonable actions, consistent with applicable industry practices, to protect the integrity and security of BEC Group Systems and the data and other information stored thereon.
- (h) Each member of the BEC Group maintains commercially reasonable back-up and data recovery, disaster recovery and business continuity plans, procedures and facilities, acts in material compliance therewith, and tests such plans and procedures on a regular basis, and such plans and procedures have been proven effective upon such testing.
- (i) Each member of the BEC Group maintains policies and procedures regarding data security and privacy that are intended to ensure that each member of the BEC Group is in compliance with all applicable Laws and that are consistent with or exceed customary industry practices. Each member of the BEC Group is, and has been, in compliance in all material respects with (i) such foregoing policies and procedures, and (ii) all applicable data protection laws or Privacy Laws governing the use, collection, storage, disclosure and transfer of any personally identifiable information of third parties collected by each member of the BEC Group. There have not been any (1) losses or thefts of data or security breaches relating to data used or stored in the BEC Business, (2) violations of any security policy regarding

any such data, (3) unauthorized access or unauthorized use of any such data, or (4) unintended or improper disclosure of any personally identifiable information in the possession, custody or control of each member of the BEC Group or a contractor or agent acting on behalf of each member of the BEC Group. There have not been any written complaints, written notices or legal proceedings or other written claims related to any of the foregoing in clauses (ii) or (1) through (4) above. Without limiting the foregoing, each member of the BEC Group and its operation of the BEC Business complies in all material respects with all Privacy Laws applicable thereto, and there is no action, suit, claim, proceeding or investigation pending, or, nor to the Knowledge of Brantford, threatened against each member of the BEC Group alleging any failure by each member of the BEC Group to comply with any such Laws.

## **ARTICLE 5**

### **REPRESENTATIONS AND WARRANTIES OF CAMBRIDGE AND NORTH DUMFRIES**

Cambridge and North Dumfries jointly and severally represent and warrant to Brantford as follows, and acknowledge that Brantford is relying upon these representations and warranties in connection with the transactions contemplated by this Agreement, despite any investigation made by or on behalf of Brantford. Each exception to the following representations and warranties that is set out in the disclosure schedule attached as Schedule B (the “**Energy Plus Disclosure Schedule**”).

#### **5.1 Residence**

No member of the Energy Plus Group is a non-resident of Canada for purposes of the ITA.

#### **5.2 Regulatory Approvals**

Except as set out in Article 9 and except as has already been obtained, no authorization, approval, order, consent of, or filing with, any Governmental Authority is required on the part of Cambridge and North Dumfries or the Energy Plus Group in connection with the execution, delivery and performance by any of them of this Agreement or any other documents and agreements to be delivered under this Agreement or in connection with the completion of the transactions contemplated hereby or thereby.

#### **5.3 Consents**

Except as disclosed in the Energy Plus Disclosure Schedule, there is no requirement to obtain any consent, approval or waiver of a party under any Material Contract to which Cambridge and North Dumfries or the Energy Plus Group is a party in order to complete the transactions contemplated by this Agreement.

#### **5.4 Share Ownership, Etc.**

- (a) As at the date hereof, Cambridge is the legal and beneficial owner of 2,763 common shares of Energy Plus Holdings with good and marketable title thereto, free and clear of all Encumbrances.
- (b) As at the date hereof, North Dumfries is the legal and beneficial owner of 237 common shares of Energy Plus Holdings with good and marketable title thereto, free and clear of all Encumbrances.
- (c) The common shares held by Cambridge and North Dumfries pursuant to Section 5.4(a) and Section 5.4(b) constitute all of the issued and outstanding shares of Energy Plus Holdings. Immediately prior to Closing, Cambridge and North Dumfries will be the legal and beneficial owner of all of the issued and outstanding common shares of Energy Plus Holdings with good and marketable title thereto, free and clear of all Encumbrances.
- (d) Energy Plus Holdings is the legal and beneficial owner of 1,001 common shares of Energy+ with good and marketable title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances), being in aggregate all of the issued and outstanding shares of Energy+.
- (e) Energy Plus Holdings is the legal and beneficial owner of 1,001 common shares of Energy Plus Solutions with good and marketable title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances), being in aggregate all of the issued and outstanding shares of Energy Plus Solutions.
- (f) Energy Plus Solutions is the legal and beneficial owner of 1,600,000 common shares in the capital of GRE with good and marketable title thereto, free and clear of all Encumbrances (other than Permitted Encumbrances), being in aggregate a 1/3 equity interest in GRE.
- (g) Except as disclosed in the Energy Plus Disclosure Schedule, the Energy Plus Group does not own or hold, directly or indirectly, any Securities of, or have any other interest in, any Person, and no member of the Energy Plus Group has entered into any agreement to acquire any such interests.

#### **5.5 Corporate Existence of the Energy Plus Group**

Each member of the Energy Plus Group has been duly incorporated and organized and are validly existing and in good standing as a corporation under the laws of the Province of Ontario. No proceedings have been taken or authorized by any member of the Energy Plus Group in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of such member of the Energy Plus Group.

## **5.6 Corporate Articles**

Their respective Corporate Articles constitute all of the charter documents of each member of the Energy Plus Group and are in full force and effect; no action has been taken to amend any Corporate Articles and no changes to such Corporate Articles are planned other than as contemplated in this Agreement.

## **5.7 Capacity and Powers of the Energy Plus Group**

Each member of the Energy Plus Group has all necessary corporate power, authority and capacity to own or lease its respective assets and to carry on the Energy Plus Business as currently being conducted by the applicable member of the Energy Plus Group.

## **5.8 Jurisdictions**

Ontario is the only jurisdiction in which the members of the Energy Plus Group are qualified to do business. Neither the character nor location of the Energy Plus Group Owned Lands or Energy Plus Group Leased Premises nor the nature of the Energy Plus Business requires qualification to do business in any other jurisdiction.

## **5.9 Options, Etc.**

Except as provided in this Agreement, no Person has any written or oral agreement or option or any right or privilege (whether by Law, pre-emptive, contractual or otherwise) capable of becoming an agreement or option, including Securities, warrants or convertible obligations of any nature, for:

- (a) the purchase of any Securities of any member of the Energy Plus Group; or
- (b) the purchase of any of the assets of any member of the Energy Plus Group other than in the ordinary course of the Energy Plus Business.

## **5.10 Corporate Records/Directors**

- (a) The corporate records and minute books of the Energy Plus Group which have been made available contain in all material respects complete and accurate minutes of all meetings of, and all written resolutions passed by, the directors and shareholders of the Energy Plus Group, held or passed since incorporation. All those meetings were held, all those resolutions were passed, and the share certificate books, registers of shareholders, registers of transfers and registers of directors of the applicable member of the Energy Plus Group are complete and accurate in all material respects.
- (b) The Energy Plus Disclosure Schedule contains the name of each director of the applicable member of the Energy Plus Group, including the date on which each of such director was most recently elected as a director, and each such individual has been duly elected a director of the respective member of the Energy Plus Group.

## **5.11 Books and Records**

The Books and Records of the Energy Plus Group fairly and correctly set out and disclose in accordance with IFRS in all material respects the financial position of the Energy Plus Group, and all material financial transactions of the Energy Plus Group have been accurately recorded in such Books and Records.

## **5.12 Financial Statements**

Copies of the Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements are attached to the Energy Plus Disclosure Schedule. Such Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements have been prepared in accordance with IFRS and present fairly:

- (a) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial condition of each member of the Energy Plus Group as at the respective dates thereof; and
- (b) the sales, earnings and results of the operations of the applicable member of the Energy Plus Group during the periods covered by such Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements;

but the unaudited interim financial statements:

- (c) do not contain all notes required under IFRS; and
- (d) are subject to normal year-end audit adjustments.

## **5.13 Tax Matters**

- (a) The members of the Energy Plus Group are exempt from Tax under the ITA, CTA and TA but each of them is required to make PILs payments under the EA in an amount equal to the Tax that it would be liable to pay under the ITA, CTA and TA if it were not exempt from Tax under those statutes.
- (b) The members of the Energy Plus Group have filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions on a timely basis. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. No member of the Energy Plus Group has been required to file any Tax Returns with, and have never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. The Energy Plus Group have paid all Taxes and all instalments of Taxes due on or before the date hereof. Cambridge and North Dumfries has furnished to Brantford true, complete and accurate copies of all Tax Returns and any amendments thereto filed by the Energy Plus Group since December 31, 2013 and all notices of assessment and reassessment and all correspondence with Governmental Authorities relating thereto.



- (c) Assessments under the EA have been issued to the Energy Plus Group covering all periods up to and including its fiscal year ended December 31, 2020.
- (d) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Cambridge and North Dumfries, threatened against any member of the Energy Plus Group, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. To the Knowledge of Cambridge and North Dumfries, there is no contingent liability of any member of the Energy Plus Group for Taxes or any grounds that could prompt an assessment or reassessment for Taxes. No member of the Energy Plus Group has received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (e) No member of the Energy Plus Group has entered into any transactions with any non-resident of Canada (for the purposes of the ITA) with whom such member of the Energy Plus Group was not dealing at arm's length (within the meaning of the ITA). No member of Energy Plus Group has acquired property from any Person in circumstances where such member of the Energy Plus Group did or could have become liable for any Taxes payable by that Person.
- (f) No member of the Energy Plus Group will be required to include in a taxable period ending after the Closing Date any material taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized for Tax purposes in such prior taxable period (or to exclude from taxable income in a taxable period ending after the Closing Date any material deduction the recognition of which was accelerated from such taxable period to a taxable period prior to the Closing Date).
- (g) There are no circumstances existing which could result in, or which have existed and resulted in, the application of section 78 of the ITA, as it applies for purposes of the EA, in respect of an amount owing by a member of the Energy Plus Group on the Closing Date.
- (h) No member of the Energy Plus Group has entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of such member of the Energy Plus Group. No member of the Energy Plus Group is party to any agreements or undertakings with respect to Taxes.
- (i) The Energy Plus Group are registrants for purposes of the ETA and Energy Plus Holdings registration number is 88102 0127 RT0001, Energy Plus Solutions' registration number is 88102 0325 RT0001 and Energy+ registration number is 86569 7585 RT0001. All input tax credits claimed by each member of the Energy Plus Group pursuant to the ETA have been proper, correctly calculated and documented. Each member of the Energy Plus Group has collected, paid and

remitted when due all Taxes, including goods and services tax, harmonized sales tax and retail sales tax, collectible, payable or remittable by them.

- (j) Each member of the Energy Plus Group has remitted to the appropriate Governmental Authority when required by Law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax imposed under the ETA.
- (k) Each member of the Energy Plus Group maintains its Books and Records in compliance with section 230 of the ITA.

#### **5.14 Absence of Changes**

Except as disclosed in the Energy Plus Disclosure Schedule, since December 31, 2020 there has not been:

- (a) any change in the financial condition, operations, results of operations, or business of any member of the Energy Plus Group which has had a Material Adverse Effect, nor has there been any occurrence or circumstances which, to the Knowledge of Cambridge and North Dumfries, with the passage of time might reasonably be expected to have a Material Adverse Effect; or
- (b) any Loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by Energy Plus Group which, to the Knowledge of Cambridge and North Dumfries, has had, or may reasonably be expected to have, a Material Adverse Effect.

#### **5.15 Absence of Undisclosed Liabilities**

Except to the extent reflected or reserved in the Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements, or incurred subsequent to December 31, 2020 and:

- (a) disclosed in the Energy Plus Disclosure Schedule; or
- (b) incurred in the ordinary course of the Energy Plus Business;

no member of the Energy Plus Group has any material outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt) of a nature customarily reflected or reserved against in a balance sheet (including the notes to the Energy Plus Holdings Financial Statements, Energy+ Financial Statements and the Energy Plus Solutions Financial Statements) in accordance with IFRS. For the purposes of this Section 5.15 only, indebtedness, liabilities or obligations owing to any third party in excess of \$250,000 will be deemed to be material.

## 5.16 Absence of Unusual Transactions

Except as disclosed or referred to in the Energy Plus Disclosure Schedule, since December 31, 2020 no member of the Energy Plus Group has:

- (a) given any guarantee of any debt, liability or obligation of any Person;
- (b) subjected any of its assets, or permitted any of its assets to be subjected, to any Encumbrance other than the Permitted Encumbrances;
- (c) acquired, sold, leased or otherwise disposed of or transferred any assets other than, in the case of Energy+, in the ordinary course of the Energy Plus Business;
- (d) made or committed to any capital expenditures, except, in the case of Energy+, in the ordinary course of the Energy Plus Business;
- (e) declared or paid any dividend or otherwise made any distribution or other payment of any kind or nature to any of its shareholders or any other non-arm's length Person except as set forth in Section 6.3(e) or taken any corporate proceedings for that purpose;
- (f) redeemed, purchased or otherwise retired any of its shares or otherwise reduced its stated capital;
- (g) entered into or become bound by any Contract, except, in the case of Energy+, in the ordinary course of the Energy Plus Business (other than this Agreement);
- (h) modified, amended or terminated any Contract (except for Contracts which expire by the passage of time) resulting in a Material Adverse Effect;
- (i) waived or released any right or rights which it has or had, or a debt or debts owed to it resulting, collectively or individually, in a Material Adverse Effect;
- (j) except for annual merit pay increases and incentive payments consistent with the ordinary course of the Energy Plus Business;
- (k) made any change in any method of accounting or auditing practice (other than as disclosed in the Energy Plus Holdings Financial Statements, Energy+ Financial Statements, or the Energy Plus Solutions Financial Statements and/or in order to make its financial disclosure consistent with the financial disclosure of Energy Plus Group as regards to accrued CDM bonus or as regards to loss revenue adjustment mechanism recoveries); or
- (l) agreed or offered to do any of the things described in this Section 5.16.

### **5.17 Title to and Condition of Assets**

Each member of the Energy Plus Group owns, possesses and has good and marketable title to all of its undertakings, property and assets not otherwise the subject of specific representations and warranties in this Article 5, including all the undertakings, property and assets reflected in the most recent balance sheet included in the Energy Plus Holdings Financial Statements, Energy+ Financial Statements, or the Energy Plus Solutions Financial Statements (as applicable), free and clear of all Encumbrances other than Permitted Encumbrances. The undertakings, property and assets of each member of the Energy Plus Group comprise all of the undertakings, property and assets necessary for it to carry on the Energy Plus Business as it is currently operated by such member of the Energy Plus Group. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by each member of the Energy Plus Group are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and usable for the purposes for which they are being used.

### **5.18 Real Property**

- (a) The Energy Plus Disclosure Schedule contains a complete and accurate list of the Energy Plus Group Owned Lands, including complete legal descriptions, and the particulars of the Energy Plus Group Leased Premises and Energy Plus Group Real Property Leases. The Energy Plus Group does not own any real property and does not lease and has not agreed to acquire or lease any real property other than as listed in the Energy Plus Disclosure Schedule.
- (b) Each member of the Energy Plus Group has all Easements that are necessary for it to carry on the Energy Plus Business as it is currently operated by such member of the Energy Plus Group.
- (c) No member of the Energy Plus Group has received any, nor to the Knowledge of Cambridge and North Dumfries are there any pending or threatened, notices of violation or alleged violation of any Laws against or affecting any Energy Plus Group Owned Lands or Energy Plus Group Leased Premises or Energy Plus Group Easements.
- (d) The buildings and other structures and improvements located on the Energy Plus Group Owned Lands or forming part of the Energy Plus Group Leased Premises, and their operation and maintenance, comply with all applicable Laws, and none of those buildings or structures or improvements encroaches upon any land not owned or leased by the applicable member of the Energy Plus Group.
- (e) There are no restrictive covenants or Laws which in any way restrict or prohibit any part of the present use of the Energy Plus Group Owned Lands or Energy Plus Group Leased Premises or Energy Plus Group Easements, other than the Permitted Encumbrances. Each member of the Energy Plus Group has such rights of entry and exit to and from the Energy Plus Group Owned Lands and the Energy Plus Group Leased Premises and the Energy Plus Group Easements as are reasonably necessary to carry on the Energy Plus Business.

- (f) Except as disclosed in the Energy Plus Disclosure Schedule, no Person has any right to purchase any of the Energy Plus Group Owned Lands and no Person other than Energy+ is using or has any right to use, is in possession or occupancy, of any part of the Energy Plus Group Owned Lands. There exists no option, right of first refusal or other contractual rights with respect to any of the Energy Plus Group Owned Lands.
- (g) There are no expropriation or similar proceedings, actual or threatened, of which any member of the Energy Plus Group or Cambridge and North Dumfries have received notice, against any of the Energy Plus Group Owned Lands or Energy Plus Group Leased Premises or Energy Plus Group Easements.
- (h) The Energy Plus Group Owned Lands are owned in fee simple, free and clear of all Encumbrances, except Permitted Encumbrances. No member of the Energy Plus Group has entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of such member of the Energy Plus Group in and to the Energy Plus Group Owned Lands or the air, density and easement rights relating to such Energy Plus Group Owned Lands.
- (i) All of the Energy Plus Group Real Property Leases are in full force and effect, unamended, and none of them are, to the Knowledge of Cambridge and North Dumfries, under any threat of termination.
- (j) All of the Energy Plus Group Easements are in full force and effect and none of them are, to the Knowledge of Cambridge and North Dumfries, under any threat of termination.
- (k) Neither Cambridge and North Dumfries nor any member of the Energy Plus Group has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on the Energy Plus Group Owned Lands, Energy Plus Group Leased Premises or Energy Plus Group Easements, or of any current noncompliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with applicable statutes and regulations or building and zoning by-laws and regulations.
- (l) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets constructed on the Energy Plus Group Owned Lands or the Energy Plus Group Leased Premises or the Energy Plus Group Easements have been fully paid to the extent due and no Person is entitled to claim a lien under the *Construction Act* (Ontario) or other similar legislation for such work.
- (m) To the Knowledge of Cambridge and North Dumfries, there are no matters affecting the right, title and interest of any member of the Energy Plus Group in and to the Energy Plus Group Owned Lands or the Energy Plus Group Leased Premises or the Energy Plus Group Easements (other than the Permitted Encumbrances) or which, in the aggregate, would materially and adversely affect the ability of such member

of the Energy Plus Group to carry on the Energy Plus Business upon such Energy Plus Group Owned Lands or the Energy Plus Group Leased Premises or the Energy Plus Group Easements, as applicable.

### **5.19 Intellectual Property**

- (a) The Energy Plus Disclosure Schedule includes a list of all Intellectual Property that is registered with any Governmental Authority and that is used in connection with the conduct of the Energy Plus Business, including all trade-marks and trade-mark applications, trade names, certification marks, patents and patent applications, copyrights, domain names, industrial designs, trade secrets, know-how, formulae, processes, inventions, technical expertise, research data and other similar property, all associated registrations and applications for registration, and all associated rights, including moral rights, the jurisdictions (if any) in which that Intellectual Property is registered (or in which application for registration has been made) and the applicable expiry dates of all listed registrations.
- (b) All necessary legal steps have been taken by the Energy Plus Group to preserve their respective rights to the Intellectual Property listed in the Energy Plus Disclosure Schedule. The Energy Plus Disclosure Schedule also includes a list of all licence agreements pursuant to which Energy Plus Group have been granted a right to use, or otherwise exploit Intellectual Property owned by third parties, other than “off-the-shelf” software license agreements.
- (c) The Intellectual Property that is owned by the members of the Energy Plus Group (as applicable) is owned free and clear of any Encumbrances other than Permitted Encumbrances, and no Person other than the applicable member of the Energy Plus Group has any right to use that Intellectual Property except as disclosed in the Energy Plus Disclosure Schedule.
- (d) The use by the members of the Energy Plus Group of any Intellectual Property owned by third parties is valid, and the Energy Plus Group is not in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach.
- (e) The conduct by the members of the Energy Plus Group of the Energy Plus Business does not infringe the Intellectual Property of any Person.

### **5.20 Accounts Receivable**

All Accounts Receivable reflected in the Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements, as applicable, or which have come into existence since the date of the most recent Energy Plus Holdings Financial Statements, Energy+ Financial Statements, and Energy Plus Solutions Financial Statements, were created in the ordinary and customary course of the Energy Plus Business from bona fide arm's length transactions, and, except to the extent that they have been paid in the ordinary course of such Energy Plus Business since the date of the Energy Plus Holdings Financial Statements,

Energy+ Financial Statements, and Energy Plus Solutions Financial Statements, are valid and enforceable and collectible in full, without, to the Knowledge of Cambridge and North Dumfries, any right of set-off or counterclaim or any reduction for any credit or allowance made or given, except to the extent of the allowance for doubtful accounts which will be included in the Closing Financial Statements for Energy Plus Holdings.

## **5.21 Material Contracts**

- (a) The Energy Plus Disclosure Schedule contains a list of all Material Contracts to which each member of the Energy Plus Group is a party. Cambridge and North Dumfries have previously delivered or made available true and complete copies of such Material Contracts, all of which are in full force and effect, unamended (except for amendments which have previously been disclosed or made available).
- (b) No counterparty to any Material Contract to which any member of the Energy Plus Group is a party is in default of any of its obligations under such Material Contract in any material respect. Each member of the Energy Plus Group is entitled to all benefits under each Material Contract, and no member of the Energy Plus Group has received any notice of termination of any Material Contract, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract.

## **5.22 Accounts and Powers of Attorney**

Each member of the Energy Plus Group has previously disclosed:

- (a) the name of each bank or other depository in which such member of the Energy Plus Group maintains any bank account, trust account or safety deposit box and the names of all individuals authorized to draw on them or who have access to them; and
- (b) the name of each Person holding a general or special power of attorney from Energy Plus Group and a summary of its terms.

## **5.23 Compliance with Laws, Permits**

- (a) Each member of the Energy Plus Group is conducting the Energy Plus Business in compliance with all applicable Laws where the failure to do so (either individually or in the aggregate) would have a Material Adverse Effect.
- (b) All Permits held by or granted to each member of the Energy Plus Group are listed in the Energy Plus Disclosure Schedule. Such Permits are the only authorizations, registrations, permits, approvals, grants, licences, quotas, consents, commitments, rights or privileges (other than those relating to Intellectual Property) required to enable each member of the Energy Plus Group to carry on the Energy Plus Business as currently conducted and to enable each member of the Energy Plus Group to own, lease and operate its assets. All such Permits are valid, subsisting, in full force and effect and unamended, and Energy+ is not in default or breach of any such

Permit; no proceeding is pending or, to the Knowledge of Cambridge and North Dumfries, threatened to revoke or limit any such Permit, and the completion of the transactions contemplated by this Agreement will not result in the revocation of any such Permit or the breach of any term, provision, condition or limitation affecting the ongoing validity of any such Permit.

## 5.24 Environmental Conditions

Without limiting the generality of Section 5.23, and except as disclosed in the Energy Plus Disclosure Schedule:

- (a) the conduct of the Energy Plus Business by the members of the Energy Plus Group, and the current use and condition of each of the Energy Plus Group Leased Premises and Energy Plus Group Owned Lands have been and are in compliance with all applicable Environmental Laws in all material respects, and, to the Knowledge of Cambridge and North Dumfries, there are no facts which would give rise to any such non-compliance of any member of the Energy Plus Group with any Environmental Laws either in the conduct of the Energy Plus Business or in the current uses and condition of each of the Energy Plus Group Leased Premises and the Energy Plus Group Owned Lands;
- (b) each member of the Energy Plus Group has all Permits required by all Environmental Laws for the conduct by the Energy Plus Group of the Energy Plus Business (“**Energy Plus Environmental Approvals**”), which Energy Plus Environmental Approvals are valid and in full force and effect and listed in the Energy Plus Disclosure Schedule. Each member of the Energy Plus Group is in compliance with all those Energy Plus Environmental Approvals, and there have not been and there are no proceedings commenced or threatened to revoke or amend any such Energy Plus Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect;
- (c) each member of the Energy Plus Group and each Person for whom such members of the Energy Plus Group are responsible pursuant to all Environmental Laws, have imported, manufactured, processed, distributed, used, treated, stored, disposed of, transported, exported or handled Hazardous Substances in compliance with all Environmental Laws;
- (d) to the Knowledge of Cambridge and North Dumfries, no Hazardous Substances have been disposed of on any of the Energy Plus Group Leased Premises or the Energy Plus Group Owned Lands, and there are no underground storage tanks on the Energy Plus Group Leased Premises or the Energy Plus Group Owned Lands and any underground storage tanks formerly on the Energy Plus Group Leased Premises or the Energy Plus Group Owned Lands have been removed and any affected soil, surface water or ground water has been remediated in compliance with all applicable Laws including Environmental Laws;



- (e) no part of the Energy Plus Group Owned Lands has ever been used as a landfill or for the disposal of waste;
- (f) there has been no Release of any Hazardous Substance in the course of the Energy Plus Business from, at, on, or under the Energy Plus Group Leased Premises or the Energy Plus Group Owned Lands or, to the Knowledge of Cambridge and North Dumfries, from or on to any other properties, except in compliance with all Environmental Laws;
- (g) Energy+ has not received any notice of any kind of any Release or possible Release of any Hazardous Substance from, at, on, or under any of the Energy Plus Group Leased Premises or Energy Plus Group Owned Lands, or from or on to any other properties;
- (h) to the Knowledge of Cambridge and North Dumfries, there are no Hazardous Substances on any adjoining properties to any of the Energy Plus Group Leased Premises or Energy Plus Group Owned Lands which may adversely affect the Energy Plus Business, or any of the Energy Plus Group Leased Premises or Energy Plus Group Owned Lands;
- (i) there has been no Remedial Order issued to any member of the Energy Plus Group in respect of the Energy Plus Business, or with respect to any of the Energy Plus Group Leased Premises or the Energy Plus Group Owned Lands and, to the Knowledge of Cambridge and North Dumfries, no Remedial Orders are threatened, and there are no facts which could reasonably be expected to give rise to any Remedial Orders;
- (j) no member of the Energy Plus Group has received any notice of Claim, summons, order, direction or other communication relating to non-compliance with any Environmental Laws from any Governmental Authority or other third party, and to the Knowledge of Cambridge and North Dumfries, there is no pending or threatened matter, act or fact which could cause the members of the Energy Plus Group, the conduct of the Energy Plus Business, or any of the Energy Plus Group Leased Premises or Energy Plus Group Owned Lands to no longer be in compliance with all applicable Environmental Laws; and
- (k) no asbestos, asbestos containing materials, PCBs and PCB wastes are used, stored or otherwise present in or on the Energy Plus Group Owned Lands except for PCBs contained in the electrical transformers which are in service and which form an integral part of, and are necessary for the operation of, the Energy Plus Business. Cambridge and North Dumfries has disclosed or made available all inspection reports received from the Ministry of the Environment in connection with the handling, transportation and storage of PCBs by the applicable members of the Energy Plus Group.

## **5.25 Suppliers and Customers**

The Energy Plus Disclosure Schedule lists the 15 largest suppliers of goods and services from whom each member of the Energy Plus Group has purchased goods or services (other than power) during the fiscal year ended December 31, 2020. No such supplier sold goods and services to the applicable member of the Energy Plus Group which represented more than 20% of its annual purchases during such period. None of the suppliers listed in the Energy Plus Disclosure Schedule has advised the Energy Plus Group, either orally or in writing, that it is terminating or considering terminating its relationship with such member of the Energy Plus Group, or considering negotiating its relationship with such member of the Energy Plus Group on terms that would result in a Material Adverse Effect, whether as a result of the completion of the transactions contemplated by this Agreement or otherwise.

## **5.26 Rights to Use Personal Information**

- (a) All Personal Information in the possession of the Energy Plus Group has been collected, used and disclosed in compliance with all applicable Privacy Laws in those jurisdictions in which the Energy Plus Group conducts, or is deemed by operation of law in those jurisdictions to conduct, the Energy Plus Business.
- (b) Cambridge and North Dumfries has disclosed or made available all Contracts and facts concerning the collection, use, retention, destruction and disclosure of Personal Information by the applicable members of the Energy Plus Group and there are no other Contracts, or facts which, on completion of the transactions contemplated by this Agreement, would restrict or interfere with the use of any Personal Information by the applicable members of the Energy Plus Group in the continued operation of the Energy Plus Business as conducted before the Closing.
- (c) Except as disclosed in the Energy Plus Disclosure Schedule, there are no Claims pending or, to the Knowledge of Cambridge and North Dumfries, threatened, with respect to the collection, use or disclosure of Personal Information by the applicable members of the Energy Plus Group.

## **5.27 Employees and Employment Contracts**

- (a) Cambridge and North Dumfries has made available in the Data Room the names, titles and status (active or non-active, and if not active, reason why and period of time not active) of all Energy Plus Group Employees together with particulars of the material terms and conditions of their employment or engagement, including current rates of remuneration, perquisites, commissions, bonus or other incentive compensation (monetary or otherwise), most recent hire date, cumulative years of service, start and end dates of all previous periods of service, benefits, vacation or personal time off entitlements, current positions held and, if available, projected rates of remuneration, and whether the employee is a member of a collective bargaining union or agency and whether the employee is subject to the Energy Plus Collective Agreement.

- (b) To the Knowledge of Cambridge and North Dumfries, no Energy Plus Group Employee nor any consultant with whom the applicable members of the Energy Plus Group has contracted, is in violation of any term of any employment contract, contract of engagement, services agreement, proprietary information agreement or any other agreement relating to the right of that individual to be employed, engaged or retained by the applicable members of the Energy Plus Group in any material respect, and, to the Knowledge of Cambridge and North Dumfries, the continued employment or engagement by the members of the Energy Plus Group of the Energy Plus Group Employees will not result in any such violation. No member of the Energy Plus Group has received any notice alleging that any such violation has occurred.
- (c) Except as disclosed in the Data Room, all of the Energy Plus Group Employees are employed, engaged or retained for an indefinite term and none are subject to written employment agreements, contracts of engagement or services agreements. Cambridge and North Dumfries has made available in the Data Room true and complete copies of any written employment agreements, contracts of engagement or services agreements of all Energy Plus Group Employees. No officer has given notice, oral or written, of an intention to cease being employed with the Energy Plus Group (other than the pending employee retirements disclosed in the Energy Plus Disclosure Schedule), and no members of the Energy Plus Group intends to terminate the employment of any officer.
- (d) The members of the Energy Plus Group have operated in compliance with all Laws relating to employees in all material respects, including employment standards and all Laws relating in whole or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed or referred to in the Energy Plus Disclosure Schedule, there have been no Claims within the past three years nor, to the Knowledge of Cambridge and North Dumfries, are there any threatened complaints, under such Laws against the members of the Energy Plus Group. To the Knowledge of Cambridge and North Dumfries, nothing has occurred which might lead to a Claim or complaint against the members of the Energy Plus Group under any such Laws. There are no outstanding decisions or settlements or pending settlements which place any obligation upon the members of the Energy Plus Group to do or refrain from doing any act.
- (e) There is no strike or lockout occurring or affecting, or to the Knowledge of Cambridge and North Dumfries, threatened against any member of the Energy Plus Group.

## 5.28 Unions

- (a) Except as disclosed in the Energy Plus Disclosure Schedule, there are no apparent or, to the Knowledge of Cambridge and North Dumfries, threatened union organizing activities involving Energy Plus Group Employees.

- (b) No member of the Energy Plus Group has any labour problems that would reasonably be expected to result in a Material Adverse Effect, or lead to any interruption of operations at any location.
- (c) No member of the Energy Plus Group has engaged in any lay-off or other activities within the last three years in respect of the Energy Plus Business that would violate or in any way subject the members of the Energy Plus Group to the group termination or lay-off requirements of the Laws of any jurisdiction that apply to the members of the Energy Plus Group.
- (d) Except as disclosed in the Energy Plus Disclosure Schedule, no member of the Energy Plus Group is bound by or a party to, either directly or by operation of law, any collective bargaining agreement (the “**Energy Plus Collective Agreement**”) with any trade union or association which might qualify as a trade union, and no trade union, association, council of trade unions, employee bargaining agency or affiliated bargaining agent:
  - (i) holds bargaining rights with respect to any of the Energy Plus Group Employees by way of certification, interim certification, voluntary recognition, designation or successor rights;
  - (ii) has, to the Knowledge of Cambridge and North Dumfries, applied to be certified or requested to be voluntarily recognized as the bargaining agent of any of the Energy Plus Group Employees;
  - (iii) has, to the Knowledge of Cambridge and North Dumfries, applied to have any member of the Energy Plus Group declared a related or successor employer under applicable provincial labour or employment Law; or
  - (iv) has, to the Knowledge of Cambridge and North Dumfries, filed a complaint or charge under applicable provincial labour or employment Law within the last three years.

## 5.29 Employee Benefits Matters

- (a) Except as disclosed in the Energy Plus Disclosure Schedule, the members of the Energy Plus Group are not:
  - (i) a party to, bound by or subject to, and do not have any liability or contingent liability relating to, any employment agreement or any other agreement or arrangement relating to Employee Benefits;
  - (ii) in arrears in the payment of any contribution or assessment required to be made by them pursuant to any agreements or arrangements relating to Employee Benefits; or
  - (iii) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association in respect of Employee Benefits and

has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement in respect of Employee Benefits.

- (b) All agreements and arrangements relating to Employee Benefits in respect of Energy Plus Group Employees set forth in the Energy Plus Disclosure Schedule (other than OMERS, with respect to which Cambridge and North Dumfries makes no representation under this Section 5.29(b)) are, and have been, established, registered (where required), and administered without default, in material compliance with (i) the terms thereof; and (ii) all applicable Laws; and no member of the Energy Plus Group has received, in the last four years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor does Cambridge and North Dumfries have any Knowledge of any such notice from any Person questioning or challenging such compliance beyond the last four years. Except as disclosed in the Energy Plus Disclosure Schedule or the Energy Plus Collective Agreement, there have been no improvements, increases or changes to, or promised improvements, increases or changes to, the benefits provided under any such agreement or arrangement within the last four years, nor does any such agreement or arrangement provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.
- (c) Except as disclosed in Energy Plus Disclosure Schedule, no Energy Plus Group Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act, 1997* (Ontario).
- (d) Except as disclosed in the Energy Plus Disclosure Schedule, no agreement or arrangement, other than OMERS, provides benefits beyond retirement or other termination of service to employees or former employees of any member of the Energy Plus Group or to the beneficiaries or dependants of such employees or former employees. Other than OMERS, no such agreement or arrangement requires or permits a retroactive increase in premiums or payments.
- (e) All assessments under the *Workplace Safety and Insurance Act, 1997* (Ontario) in relation to the Energy Plus Business have been paid or accrued and no member of the Energy Plus Group is subject to any special or penalty assessment under such legislation which has not been paid.

### **5.30 Pension Plans**

- (a) Except as disclosed in the Energy Plus Disclosure Schedule, OMERS is the only pension or retirement plan or arrangement in which Energy Plus Group Employees participate and/or to which the Energy Plus Group contributes as a participating employer.

- (b) All obligations of the Energy Plus Group to or under OMERS (whether pursuant to the terms thereof or any applicable Laws) have been satisfied, and there are no outstanding defaults or violations thereunder by any member of the Energy Plus Group or by any predecessor thereof.
- (c) There are no going concerns with respect to unfunded actuarial liabilities, past service unfunded liabilities or solvency deficiencies respecting the Energy Plus Group's participation in OMERS.
- (d) All employee data necessary to administer the Energy Plus Group's participation in OMERS and any other agreement or arrangement listed in the Energy Plus Disclosure Schedule is in the possession of the Energy Plus Group and is complete, correct and in a form which is sufficient for the proper administration of the Energy Plus Group's participation in OMERS in accordance with the terms thereof and all applicable Laws.
- (e) All employer or employee payments, contributions or premiums required to be remitted or paid by the Energy Plus Group to or in respect of OMERS have been paid or remitted in a timely fashion in accordance with the terms thereof and all Laws, and no Taxes, penalties or fees are owing or exigible on any member of the Energy Plus Group under OMERS.

### **5.31 Insurance Policies**

The Energy Plus Disclosure Schedule lists all Insurance Policies, and also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending Claims with respect to each such Insurance Policy. The Insurance Policies insure all the property and assets of the Energy Plus Group against Loss by all insurable hazards of risk commonly insured against in the industry. All Insurance Policies are in full force and effect and no member of the Energy Plus Group:

- (a) is in default, whether as to the payment of premiums or otherwise, under any material term or condition of any of the Insurance Policies; or
- (b) has failed to give notice or present any Claim under any of the Insurance Policies in a due and timely fashion.

### **5.32 Litigation**

- (a) Except as disclosed or referred to in the Energy Plus Disclosure Schedule, there are no Claims, whether or not purportedly on behalf of Energy Plus Group, pending, commenced, or, to the Knowledge of Cambridge and North Dumfries, threatened, which might reasonably be expected to have a Material Adverse Effect on any member of the Energy Plus Group or which might involve the possibility of an Encumbrance against the assets of any member of the Energy Plus Group.

- (b) There is no outstanding judgment, decree, order, ruling or injunction involving any member of the Energy Plus Group or relating in any way to the transactions contemplated by this Agreement.

### **5.33 Withholding**

Each member of the Energy Plus Group has withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper Governmental Authority within the time required under any applicable Laws.

### **5.34 No Expropriation**

No property or asset of any member of the Energy Plus Group has been taken or expropriated by any Governmental Authority within the last five years, and no notice or proceeding in respect of any such expropriation has been given or commenced or, to the Knowledge of Cambridge and North Dumfries, is there any intent or proposal to give any notice or commence any proceeding in respect of any such expropriation.

### **5.35 Absence of Conflict**

None of the execution and delivery of this Agreement, the performance of any member of the Energy Plus Group's obligations under this Agreement, or the completion of the transactions contemplated by this Agreement will:

- (a) result in or constitute a breach of any term or provision of, or constitute a default under, the Corporate Articles or the by-laws of such entity, or any Contract to which such entity is a party or by which any of such entity's undertakings, property or assets is bound or affected;
- (b) subject to obtaining the third party consents contemplated by Section 7.3(c), constitute an event which would permit any party to any Material Contract with Energy Plus Group to terminate or sue for damages with respect to that Material Contract, or to accelerate the maturity of any indebtedness of Energy Plus Group, or other obligation of Energy Plus Group under that Material Contract;
- (c) subject to obtaining the regulatory approvals set forth in Article 9, contravene any applicable Law; or
- (d) contravene any judgment, order, writ, injunction or decree of any Governmental Authority.

### **5.36 Restrictive Covenants**

No member of the Energy Plus Group is a party to, or bound or affected by, any Contract containing any covenant expressly limiting its ability to compete in any line of business or to

transfer or move any of its assets or operations, or which could reasonably be expected to have a Material Adverse Effect on the Energy Plus Business carried on by the applicable member of the Energy Plus Group.

### **5.37 Energy Plus Group Business**

The business of the Energy Plus Group is limited to the Energy Plus Business.

### **5.38 Compliance with Privacy Laws**

With respect to the Energy Plus Business:

- (a) Each member of the Energy Plus Group has made available to Brantford the Privacy Statements contained in the Energy Plus Disclosure Schedule.
- (b) Each member of the Energy Plus Group: (i) complies with the Privacy Statements with respect to all personal information collected, used and/or disclosed by each member of the Energy Plus Group; (ii) complies with all applicable Privacy Laws; and (iii) takes appropriate measures to protect and maintain the security of the personal information in the possession of each member of the Energy Plus Group and/or which each member of the Energy Plus Group has access.
- (c) The change of control of each member of the Energy Plus Group pursuant to the terms of this Agreement and the transactions contemplated hereunder (including the disclosures made by each member of the Energy Plus Group in the course of the due diligence in anticipation of the transactions contemplated by this Agreement), is in compliance with the terms of the Privacy Statement and all applicable Privacy Laws.
- (d) All Personal Information disclosed to each member of the Energy Plus Group pursuant to the transaction contemplated by this Agreement relates directly to the part of Energy Plus Business that is covered by the transactions contemplated by this Agreement.
- (e) No member of the Energy Plus Group is aware of any complaint made or any audit, investigation, claim or proceeding including court proceeding against any member of the Energy Plus Group by the Office of the Privacy Commissioner of Canada or any other Governmental Authority, or by any Person in respect of the collection, retention, use, disclosure, safeguarding or distribution of Personal Information by any Person in connection with the Energy Plus Business, nor is any member of the Energy Plus Group aware of any facts which may give rise to any such complaint or audit, proceeding, investigation or claim.
- (f) All Electronic Addresses have been acquired, maintained, updated (including operationalizing opt-out requests) and stored, and all Electronic Messages sent and/or delivered by or on behalf of each member of the Energy Plus Group have been sent and/or delivered, in accordance with all applicable Laws, including but not limited to Anti-Spam Laws and Privacy Laws.



- (g) In the last five years, there has been no unauthorized access, use, intrusion or breach of security, or failure, breakdown, performance reduction or other adverse event affecting any Energy Plus Group Systems, that has caused or could reasonably be expected to cause any: (i) substantial disruption of or interruption in or to the use of such Energy Plus Group Systems or the conduct of the Energy Plus Business; (ii) loss, destruction, damage or harm of or to any member of the Energy Plus Group or its respective operations, personnel, property or other assets; or (iii) liability of any kind to the applicable member of the Energy Plus Group. Each member of the Energy Plus Group has taken reasonable actions, consistent with applicable industry practices, to protect the integrity and security of Energy Plus Group Systems and the data and other information stored thereon.
- (h) Each member of the Energy Plus Group maintains commercially reasonable back-up and data recovery, disaster recovery and business continuity plans, procedures and facilities, acts in material compliance therewith, and tests such plans and procedures on a regular basis, and such plans and procedures have been proven effective upon such testing.
- (i) Each member of the Energy Plus Group maintains policies and procedures regarding data security and privacy that are intended to ensure that each member of the Energy Plus Group is in compliance with all applicable Laws and that are consistent with or exceed customary industry practices. Each member of the Energy Plus Group is, and has been, in compliance in all material respects with (i) such foregoing policies and procedures, and (ii) all applicable data protection laws or Privacy Laws governing the use, collection, storage, disclosure and transfer of any personally identifiable information of third parties collected by each member of the Energy Plus Group. There have not been any (1) losses or thefts of data or security breaches relating to data used or stored in the Energy Plus Business, (2) violations of any security policy regarding any such data, (3) unauthorized access or unauthorized use of any such data, or (4) unintended or improper disclosure of any personally identifiable information in the possession, custody or control of each member of the Energy Plus Group or a contractor or agent acting on behalf of each member of the Energy Plus Group. There have not been any written complaints, written notices or legal proceedings or other written claims related to any of the foregoing in clauses (ii) or (1) through (4) above. Without limiting the foregoing, each member of the Energy Plus Group and its operation of the Energy Plus Business complies in all material respects with all Privacy Laws applicable thereto, and there is no action, suit, claim, proceeding or investigation pending, or, nor to the Knowledge of Cambridge and North Dumfries, threatened against each member of the Energy Plus Group alleging any failure by each member of the Energy Plus Group to comply with any such Laws.

### **5.39 Matters with Respect to GRE**

To the actual knowledge of management of Energy Plus Solutions, without any duty of further inquiry, the representations and warranties contained in Sections 5.1 (Residence), 5.2 (Regulatory Approvals), 5.3 (Consents), 5.5 (Corporate Existence), 5.7 (Capacity and Powers), 5.8

(Jurisdictions), 5.9 (Options, Etc.), 5.13 (Tax Matters), 5.17 (Title to and Condition of Assets), 5.18(g) (Real Property), 5.23 (Compliance with Laws, Permits), 5.24 (Environmental Conditions), 5.26 (Rights to Use Personal Information), 5.32 (Litigation), 5.33 (Withholding), 5.34 (No Expropriation), 5.35(Absence of Conflict), 5.36 (Restrictive Covenants) and 5.38 (Compliance with Privacy Laws) would, if made with respect GRE, with references in such representations and warranties to the Energy Plus Business being deemed for such purpose to be references to GRE's business, *mutatis mutandis*, be true and correct.

## ARTICLE 6 COVENANTS

### 6.1 Covenants of Brantford

- (a) **Conduct of Business Before Closing.** During the period beginning on the date of this Agreement and ending at the Closing Time, Brantford will cause the BEC Group:
  - (i) to conduct the BEC Business in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement or with the prior written consent of Cambridge and North Dumfries, which shall not be unreasonably withheld);
  - (ii) except as required by the terms of and in accordance with the BEC Collective Agreement (including as may be required in connection with the renewal of the BEC Collective Agreement) or applicable Law, or with the prior written consent of Cambridge and North Dumfries, which shall not be unreasonably withheld, to refrain from:
    - (A) hiring, engaging or retaining any new employees or independent contractors to be employed, engaged or retained in connection with the BEC Business except for the engagement of new independent contractors with a term of no greater than 9 months and compensation that does not exceed an aggregate of \$75,000 per independent contractor;
    - (B) terminating any BEC Group Employees or transferring any BEC Group Employees to any other position;
    - (C) increasing remuneration of BEC Group Employees before the Closing Date, except as consistent with its past practice; and
    - (D) taking any action to materially amend any Contract with any BEC Group Employee;

- (iii) except with the prior written consent of Cambridge and North Dumfries (which shall not be unreasonably withheld), to refrain from entering into any Material Contract;
- (iv) to continue in full force the Insurance Policies;
- (v) to comply in all material respects with all Laws applicable the BEC Business; and
- (vi) to apply for, maintain in good standing and renew all Permits.

(b) **Access for Investigation**

- (i) Brantford will, and will cause the BEC Group to, permit Cambridge and North Dumfries through its authorized Representatives, until the Closing Date, to have reasonable access during normal business hours to the BEC Group Owned Lands and the BEC Group Leased Premises and to all the Books and Records of the BEC Group and to the properties and assets of the BEC Group.
- (ii) Brantford and the BEC Group will co-operate in good faith in arranging any such meetings as Cambridge and North Dumfries may reasonably request with:
  - (A) management of the BEC Group employed in the BEC Business; and
  - (B) suppliers, distributors, service providers or others who have a business relationship with the BEC Group in respect of the BEC Business.
- (iii) Brantford will also furnish to Cambridge and North Dumfries any financial and operating data and other information with respect to the BEC Business as Cambridge and North Dumfries reasonably requests to enable confirmation of the accuracy of the matters represented and warranted in Article 4.
- (iv) Cambridge and North Dumfries will be provided ample opportunity to make a full investigation of all aspects of the financial affairs of the BEC Group.
- (v) The exercise of any rights of inspection by or on behalf of Cambridge and North Dumfries under this Section 6.1(b) shall not mitigate or otherwise affect any of the representations and warranties of Brantford hereunder, which will continue in full force and effect as provided in Article 8.

(c) **Termination of BPI Shareholder Declaration.** Before Closing, Brantford shall terminate the BPI Shareholder Declaration.

- (d) **Articles of Amalgamation.** Immediately before Closing, Brantford shall cause the applicable members of the BEC Group to execute, deliver and duly file under the OBCA the articles of amalgamation that give effect to the Amalgamations.
- (e) **Disclosure Supplements.** During the period beginning on the date of this Agreement and ending at the Closing Time, Brantford will promptly notify Cambridge and North Dumfries with respect to any matter, condition or occurrence arising which, if existing at or occurring before or on the date of this Agreement, would have been required to be set out or described in the Brantford Disclosure Schedule. The Parties will use commercially reasonable efforts to resolve any issues arising from any such notification, including if necessary amending this Agreement. Where the Parties fail to resolve any such issues and where the effect of such notification would reasonably be expected to cause a Material Adverse Effect in respect of Amalco Holdco, then at the option of any Party, exercisable by written notice to each of the other Parties, this Agreement will terminate and be of no further force and effect with no liability to any of the Parties. Notification under this Section 6.1(e) will not, in any case, be deemed to cure any breach of any representation or warranty made in this Agreement or have any effect on the right of Cambridge and North Dumfries to indemnity provided for in under this Agreement or have any effect for the purpose of determining the satisfaction of the conditions set out in Article 7 or the compliance by Brantford with any covenants or agreements contained in this Agreement.
- (f) **Brantford Promissory Notes.** Immediately prior to Closing: (i) BEC will, with the approval of Brantford, and in consideration of the issuance by BPI and BHI to BEC of additional common shares in such corporations, assume BHI's and BPI's liabilities under the Brantford Promissory Notes; (ii) Brantford will commit to BEC by way of subscription agreement to invest an amount equal to all outstanding principal under the Brantford Promissory Notes in additional common shares of BEC; and (iii) the amount of Brantford's committed investment under the subscription agreement shall be set off against the outstanding principal under the Brantford Promissory Notes, and the additional common shares of BEC referred to in clause (ii) shall be issued to Brantford and the Brantford Promissory Notes shall be cancelled.
- [REDACTED]
- [REDACTED]
- [REDACTED]

- (h) **Excluded Debt.** Prior to Closing, BPI will repay all of the Excluded Debt and any Make-Whole Payment and arrange for the release and discharge of all Encumbrances held by Infrastructure Ontario and Lands Corporation as security for Excluded Debt.

## 6.2 Covenants of Cambridge and North Dumfries

- (a) **Conduct of Business Before Closing.** During the period beginning on the date of this Agreement and ending at the Closing Time, Cambridge and North Dumfries will cause the Energy Plus Group:
- (i) to conduct the Energy Plus Business in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement or with the prior written consent of Brantford, which shall not be unreasonably withheld);
  - (ii) except as required by the terms of and in accordance with the Energy Plus Collective Agreement (including as may be required in connection with the renewal of the Energy Plus Collective Agreement) or applicable Law, or with the prior written consent of Brantford, which shall not be unreasonably withheld, to refrain from:
    - (A) hiring, engaging or retaining any new employees or independent contractors to be employed, engaged or retained in connection with the Energy Plus Business except for new independent contractors with a term of no greater than 9 months and compensation that does not exceed an aggregate of \$75,000 per independent contractor;
    - (B) terminating any Energy Plus Group Employees or transferring any Energy Plus Group Employees to any other position;
    - (C) increasing remuneration of Energy Plus Group Employees before the Closing Date, except as consistent with its past practice; and
    - (D) taking any action to materially amend any Contract with any Energy Plus Group Employee;
  - (iii) except with the prior written consent of Cambridge and North Dumfries (which shall not be unreasonably withheld), to refrain from entering into any Material Contract;

- (iv) to continue in full force the Insurance Policies;
  - (v) to comply in all material respects with all Laws applicable the Energy Plus Business; and
  - (vi) to apply for, maintain in good standing and renew all Permits.
- (b) **Access for Investigation.**
- (i) Cambridge and North Dumfries will, and will cause the Energy Plus Group to, permit Brantford through its authorized Representatives, until the Closing Date, to have reasonable access during normal business hours to the Energy Plus Group Owned Lands and the Energy Plus Group Leased Premises and to all the Books and Records of the Energy Plus Group and to the properties and assets of the Energy Plus Group.
  - (ii) Cambridge and North Dumfries and the Energy Plus Group will co-operate in good faith in arranging any such meetings as Brantford may reasonably request with:
    - (A) management of the Energy Plus Group employed in the Energy Plus Business; and
    - (B) suppliers, distributors, service providers or others who have a business relationship with the Energy Plus Group in respect of the Energy Plus Business.
  - (iii) Cambridge and North Dumfries will also furnish to Brantford any financial and operating data and other information with respect to the Energy Plus Business as Brantford reasonably requests to enable confirmation of the accuracy of the matters represented and warranted in Article 5.
  - (iv) Brantford will be provided ample opportunity to make a full investigation of all aspects of the financial affairs of the Energy Plus Group.
  - (v) The exercise of any rights of inspection by or on behalf of Brantford under this Section 6.2(b) shall not mitigate or otherwise affect any of the representations and warranties of Cambridge and North Dumfries hereunder, which will continue in full force and effect as provided in Article 8.
- (c) **Termination of Energy Plus Shareholder Agreement.** Before Closing, Cambridge and North Dumfries shall terminate the Energy Plus Shareholder Agreement.
- (d) **Articles of Amalgamation.** Immediately before Closing, Cambridge and North Dumfries shall cause the applicable members of the Energy Plus Group to execute,

deliver and duly file under the OBCA the articles of amalgamation that give effect to the Amalgamations.

- (e) **Disclosure Supplements.** During the period beginning on the date of this Agreement and ending at the Closing Time, Cambridge and North Dumfries will promptly notify Brantford with respect to any matter, condition or occurrence arising which, if existing at or occurring before or on the date of this Agreement, would have been required to be set out or described in the Energy Plus Disclosure Schedule. The Parties will use commercially reasonable efforts to resolve any issues arising from any such notification, including if necessary amending this Agreement. Where the Parties fail to resolve any such issues and where the effect of such notification would reasonably be expected to cause a Material Adverse Effect in respect of Amalco Holdco, then at the option of any Party, exercisable by written notice to each of the other Parties, this Agreement will terminate and be of no further force and effect with no liability to any of the Parties. Notification under this Section 6.2(e) will not, in any case, be deemed to cure any breach of any representation or warranty made in this Agreement or have any effect on the right of Cambridge and North Dumfries to indemnity provided for in under this Agreement or have any effect for the purpose of determining the satisfaction of the conditions set out in Article 7 or the compliance by Cambridge and North Dumfries with any covenants or agreements contained in this Agreement.

### 6.3 Mutual Covenants

- (a) **Actions to Satisfy Closing Conditions.** Each Party will take or cause to be taken all actions that are within its power to control, and will make all commercially reasonable best efforts to cause other actions to be taken which are not within its power to control, so as to ensure its compliance with, and satisfaction of, all conditions in Article 7 that are for the benefit of the other Parties.
- (b) **Personal Information.** The collection, use and disclosure of Personal Information by any of the Parties before the Closing is restricted to those purposes that relate to the transactions contemplated by this Agreement or to other purposes as may be permitted by applicable Law.
- (c) **Confidentiality.**
  - (i) The Parties shall treat as confidential this Agreement, the terms and conditions set out herein and all information provided to one another in accordance with this Agreement. All such information shall be deemed received pursuant to the terms of the Confidentiality Agreement, be kept in the strictest confidence and not divulged to any unrelated third party or used by any Party other than in accordance with the Confidentiality Agreement.
  - (ii) Each Party that is not a party to or bound by the Confidentiality Agreement hereby agrees, covenants and acknowledges to be bound by the terms and conditions of the Confidentiality Agreement as if it was an original

signatory thereto and acknowledges having received a copy of the Confidentiality Agreement on or before the date of this Agreement. Notwithstanding any other provision of this Agreement, nothing shall prevent the disclosure of any agreement or information, and no party shall be held liable for the disclosure of any agreement or information, if and to the extent that any such disclosure is required by applicable Law, including the *Municipal Act, 2001* (Ontario) and the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario).

- (d) **Amalco Holdco Shareholders Agreement and Amended and Restated Shared Services and Obligations Agreement.** On Closing each of Brantford, Cambridge, North Dumfries, Amalco Holdco and LDC Amalco shall execute and deliver the Shareholders Agreement and Brantford and LDC Amalco shall enter into an Amended and Restated Shared Services and Obligations Agreement in the form of Exhibit B which shall replace and supercede the Shared Services Agreement.
- (e) **Equity Issuances/Dividends.**
- (i) Except as contemplated by Section 6.1(f), Brantford shall ensure that no member of the BEC Group issues any additional equity at any time prior to the Closing Time.
  - (ii) Cambridge and North Dumfries shall ensure that no member of the Energy Plus Group issues any additional equity at any time prior to the Closing Time.
  - (iii) Cambridge and North Dumfries shall continue to accept payment of all dividends declared by Energy Plus Holdings in the ordinary course in accordance with past practice (and shall not defer payment of same) or dividends declared for the purpose of meeting the target closing amounts set forth in Section 2.5.
  - (iv) Brantford shall continue to accept payment of all dividends declared by BEC in the ordinary course in accordance with past practice (and shall not defer payment of same) or dividends declared for the purpose of meeting the target closing amounts set forth in Section 2.5.
- (f) **Location of Facilities.** Amalco Holdco will operate in compliance with Schedule E with respect to the location of its facilities, functions and personnel for a period of seven (7) years from the date of Closing, provided that, two years from the date of Closing, Amalco Holdco shall retain an independent consultant to assess whether efficiencies might be gained for Amalco Holdco by allocating functions and locating facilities and personnel in a manner other than that provided for in Schedule E and to deliver a confidential report setting out such assessment, and conclusions relating thereto, to Amalco Holdco, Brantford, Cambridge and North Dumfries within four months following such retainer. The contents of such report shall not be disclosed to any persons other than councillors, directors, officers and



advisors of Amalco Holdco, Brantford, Cambridge and North Dumfries without the consent of all four such parties.

## ARTICLE 7 CLOSING CONDITIONS

### 7.1 Conditions for the Benefit of Cambridge and North Dumfries

The obligation of Cambridge and North Dumfries to complete the Amalgamations is subject to the fulfilment of the following conditions at or before the Closing Time:

- (a) **Representations, Warranties and Covenants.** The representations and warranties of Brantford made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Closing Time with the same force and effect as though those representations and warranties had been made as of the Closing Time. At Closing, Brantford and the members of the BEC Group will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Closing Time. In addition, each of Brantford and each of the members of the BEC Group will have delivered to Cambridge and North Dumfries a certificate of a senior officer confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Brantford or the members of the BEC Group contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Article 8, or, if Article 8 does not apply, the terms of the agreement or document in which they are made.
- (b) **No Material Adverse Effect.** Since the date of this Agreement there will not have been any change in any of the assets, financial condition, earnings, results of operations or prospects of the BEC Group, or in the BEC Business (whether or not covered by insurance) that has had, or might reasonably be expected to have, a Material Adverse Effect.
- (c) **Consents and Regulatory Approvals.** All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the BEC Group Leased Premises, will have been made, given or obtained on terms acceptable to BEC, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, BEC Real Property Lease, or Material Contract of or affecting the BEC Business, including the OEB Approval and the Competition Act Approval.

- (d) **No Transfer Tax.** No Transfer Tax shall be payable by any Party to the Ontario Electricity Financial Corporation in connection with transactions contemplated by this Agreement.

## **7.2 Waiver or Termination by Cambridge and North Dumfries**

The conditions contained in Section 7.1 are inserted for the exclusive benefit of Cambridge and North Dumfries and may be waived in whole or in part by them at any time without prejudice to any of their rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 7.1 are not fulfilled or complied with by the time that is required under this Agreement, Cambridge and North Dumfries (acting jointly) may, at or before the Closing Time, terminate this Agreement by notice in writing after that time to Brantford. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 8.3).

## **7.3 Conditions for the Benefit of Brantford**

The obligation of Brantford to complete the Amalgamations and the other transactions contemplated by this Agreement is subject to the fulfilment of the following conditions at or before the Closing Time:

- (a) **Representations, Warranties and Covenants.** The representations and warranties of Cambridge and North Dumfries made in this Agreement or in any other agreement or document delivered pursuant to this Agreement will be true and accurate at the Closing Time with the same force and effect as though those representations and warranties had been made as of the Closing Time. At Closing, Cambridge, North Dumfries and the members of the Energy Plus Group will have performed or complied with all covenants and agreements agreed to be performed or complied with by them under this Agreement and any other agreement or document delivered pursuant to this Agreement at or before the Closing Time. In addition, each of Cambridge, North Dumfries and the applicable members of the Energy Plus Group will have delivered to Brantford a certificate of a senior officer of Cambridge, North Dumfries and the members of the Energy Plus Group confirming the same. The receipt of those certificates and the completion of the Closing will not be deemed to constitute a waiver of any of the representations, warranties or covenants of Cambridge, North Dumfries or the members of the Energy Plus Group contained in this Agreement or in any other agreement or document delivered pursuant to this Agreement. Those representations, warranties and covenants will continue in full force and effect as provided in Article 8 or, if Article 8 does not apply, the terms of the agreement or document in which they are made.
- (b) **No Material Adverse Effect.** Since the date of this Agreement there will not have been any change in any of the assets, financial condition, earnings, results of operations or prospects of Cambridge, North Dumfries, the Energy Plus Group or the Energy Plus Business (whether or not covered by insurance) that has had, or might reasonably be expected to have, a Material Adverse Effect.

- (c) **Consents and Regulatory Approvals.** All filings, notifications, approvals and consents with, to or from Governmental Authorities and third parties, including the parties to the Material Contracts and the lessors of the Energy Plus Group Leased Premises, will have been made, given or obtained on terms acceptable to Brantford, acting reasonably, so that the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment or acceleration of any obligation under any Permit, Energy Plus Group Real Property Lease, or Material Contract of or affecting the Energy Plus Business, including the OEB Approval and the Competition Act Approval.
- (d) **No Transfer Tax.** No Transfer Tax shall be payable by any Party to the Ontario Electricity Financial Corporation in connection with the transactions contemplated by this Agreement.

#### **7.4 Waiver or Termination by Brantford**

The conditions contained in Section 7.3 are inserted for the exclusive benefit of Brantford and may be waived in whole or in part by it at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 7.3 are not fulfilled or complied with by the time that is required under this Agreement, Brantford may, at or before the Closing Time, terminate this Agreement by notice in writing after that time to Cambridge and North Dumfries. In that event, all Parties will be released from all obligations under this Agreement (except as set out in Section 8.3).

#### **7.5 Condition Precedent**

The Amalgamations are subject to the following condition to be fulfilled at or before the Closing Time, which condition is a true condition precedent to the completion of the transactions contemplated by this Agreement:

- (a) No order of any Governmental Authority will be in force, and no action or proceeding will be pending or threatened by any Person:
  - (i) to restrain or prohibit the completion of the transactions contemplated in this Agreement, including the Amalgamations;
  - (ii) to restrain or prohibit the carrying on of the Energy Plus Business or the BEC Business, respectively; or
  - (iii) which would have a Material Adverse Effect (taken as a whole) on the BEC Group or on the Energy Plus Group (taken as a whole).

If this condition precedent has not been fulfilled at or before the Closing Time, unless otherwise agreed by the Parties in writing, this Agreement will be terminated and the Parties will be released from all obligations under this Agreement (except as set out in Section 8.3).

## 7.6 Termination

- (a) This Agreement may be terminated at any time prior to Closing by mutual written consent of Brantford, Cambridge and North Dumfries.
- (b) This Agreement may be terminated by Cambridge and North Dumfries or Energy Plus Holdings, on the one hand, or Brantford or BEC, on the other hand, by written notice to the other Parties if the Closing contemplated by this Agreement shall have not occurred on or before the earlier of (a) the second anniversary of the date of this Agreement, (b) 90 days following OEB Approval and (c) within 60 days following an Adverse Determination if the Parties cannot agree on any amendments to this Agreement. Upon such termination the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3, 11.3 and 11.8 provided that the right to terminate this Agreement under this Section 7.6(b) shall not be available to a Party if the acts or omissions of that Party or any of its Affiliates have been the cause of, or result in, the failure of the Closing to occur on or before such date.
- (c) If any condition in Section 7.1 or 7.5 is not satisfied on or before the Closing Date, Cambridge and North Dumfries or Energy Plus Holdings may, by notice to the other Parties, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3, 11.3 and 11.8; provided that Cambridge and North Dumfries, Energy Plus Holdings or Energy+ may also bring a Direct Claims against Brantford, BEC, BPI and BHI in accordance with Section 8.8 for Losses asserted against or suffered by Cambridge and North Dumfries, Energy Plus Holdings and Energy+, or any of them, as a result of the failure to complete the Amalgamations, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Brantford, BEC, BPI or BHI.
- (d) If any condition in Section 7.3 or 7.5 is not satisfied on or before the Closing Date, Brantford or BEC may, by notice to the other Parties, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3, 11.3 and 11.8; provided that Brantford, BEC BPI or BHI may also bring a Direct Claim against Cambridge and North Dumfries, Energy Plus Holdings and Energy + in accordance with Section 8.8 for Losses asserted against or suffered by Brantford, BEC, BPI, BHI or any of them, as a result of the failure to complete the Amalgamations, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Cambridge, North Dumfries, Energy Plus Holdings or Energy +.

## ARTICLE 8 SURVIVAL AND INDEMNIFICATION

### 8.1 Survival of Covenants and Representations and Warranties

All of the covenants and representations and warranties contained in this Agreement and in any other agreement or document delivered pursuant to this Agreement, including this Article 8, will survive the Closing.

### 8.2 Survival Following Termination

If this Agreement is terminated at or before the Closing Time pursuant to Sections 6.1(e)6.1(f), 7.2, 7.4 or 7.5, the provisions of Section 6.3(c) will remain in full force and effect.

### 8.3 Mutual Indemnifications for Breaches of Warranty, etc.

Subject to the remaining provisions of this Article 8:

- (a) Cambridge and North Dumfries agree that if Cambridge, North Dumfries or any member of the Energy Plus Group fails to observe or perform any covenant or obligation to be complied with or performed by them in this Agreement, or breach any of their representations and warranties contained in this Agreement (an **“Energy Plus Failure”**), Cambridge and North Dumfries will jointly and severally indemnify and hold harmless Brantford from and against the full amount of any Loss which Brantford may suffer as a result of such Energy Plus Failure; and
- (b) Brantford agrees that if Brantford or any member of the BEC Group fails to observe or perform any covenant or obligation to be complied with or performed by them in this Agreement, or breach any of their representations and warranties contained in this Agreement (a **“Brantford Failure”**), Brantford will indemnify and hold harmless Cambridge and North Dumfries from and against the full amount of any Loss which it/they may suffer as a result of such Brantford Failure;

(the Party or Parties making a Claim for indemnification under any provision of this Article 8 being the **“Indemnified Party”**, and the Party or Parties providing indemnification being the **“Indemnifying Party”** for the purposes of this Article 8).

### 8.4 Limitation on Mutual Indemnification

The indemnification obligations of Cambridge and North Dumfries (on the one hand) and Brantford (on the other hand) pursuant to Section 8.3 are:

- (a) limited to the sum of \$15,000,000, in the aggregate, in the case of all Brantford Failures, but there will be no limit with respect to any indemnification arising as a consequence of fraud, wilful misrepresentation or gross negligence on the part of Brantford or any member of the BEC Group;

- (b) limited to the sum of \$15,000,000, in the aggregate, in the case of all Energy Plus Failures, but there will be no limit with respect to any indemnification arising as a consequence of fraud, wilful misrepresentation or gross negligence on the part of Cambridge, North Dumfries or any member of the Energy Plus Group; and
- (c) not applicable to indemnify an Indemnified Party unless and until the aggregate of all of its Indemnity Claims exceeds \$250,000, in which case, the Indemnifying Party will be obligated to pay the entire amount owing in respect of those Claims without a deductible.



## 8.6 Notice of Claim

If an Indemnified Party becomes aware of a Loss or potential Loss in respect of which the Indemnifying Party has agreed to indemnify it under this Agreement, the Indemnified Party will promptly give written notice (an **“Indemnity Notice”**) of its Claim or potential Claim for indemnification (an **“Indemnity Claim”**) to the Indemnifying Party. An Indemnity Notice must specify whether the Indemnity Claim arises as the result of a Claim made against the Indemnified Party by a person who is not a Party (a **“Third Party Claim”**) or as a result of a Loss that was suffered directly by an Indemnified Party (a **“Direct Claim”**), and must also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Indemnity Claim; and
- (b) the amount of the Indemnity Claim, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive an Indemnity Notice of an Indemnity Claim in time to effectively contest the determination of any liability capable of being contested, the Indemnifying Party will be entitled to set off against the amount claimed by the Indemnified Party the amount of any Loss incurred by the Indemnifying Party resulting from the Indemnified Party’s failure to give an Indemnity Notice on a timely basis.

## 8.7 Time Limits for Notice

- (a) Subject to, and other than for Indemnity Claims in respect of which a different time period is expressly set out in the remaining provisions of this Section 8.7, no Indemnity Claim may be made under Section 8.3 unless an Indemnity Notice of

that Indemnity Claim is delivered to the Indemnifying Party within 18 months after the Closing Date or, in respect of an Indemnity Claim.

- (b) No Indemnity Claim arising out of a breach by Brantford of Section 4.13, or the indemnity obligations of Brantford under Section 8.5, may be made unless an Indemnity Notice of that Indemnity Claim is delivered to Brantford within 180 days after the last day upon which any of the relevant Governmental Authorities is entitled to assess or reassess the BEC Group with respect to any Tax, having regard to any waivers given by the BEC Group in respect of Tax, and any entitlement of a Governmental Authority to assess or reassess in the event of fraud or misrepresentation or attributable to neglect, carelessness or wilful default.
- (c) No Indemnity Claim arising out of a breach by Cambridge and North Dumfries of Section 5.13 may be made unless an Indemnity Notice of that Indemnity Claim is delivered to Cambridge and North Dumfries within 180 days after the last day upon which any of the relevant Governmental Authorities is entitled to assess or reassess the Energy Plus Group with respect to any Tax, having regard to any waivers given by the Energy Plus Group in respect of Tax, and any entitlement of a Governmental Authority to assess or reassess in the event of fraud or misrepresentation or attributable to neglect, carelessness or wilful default.
- (d) An Indemnity Notice of an Indemnity Claim may be delivered to the Indemnifying Party at any time with respect to the following (subject to the applicable statute of limitations):
  - (i) a breach of the representations and warranties contained in Sections 3.1 (Corporate Existence), 3.2 (Capacity to Enter Agreement), 3.3 (Binding Obligation) or 3.4 (Absence of Conflict);
  - (ii) a breach of the representations and warranties of Brantford contained in Sections 4.4 (Share Ownership, Etc.), 4.5 (Corporate Existence of the BEC Group), 4.7 (Capacity and Powers of the BEC Group), 4.9 (Options, Etc.) or 4.35 (Absence of Conflict);
  - (iii) a breach of the representations and warranties of Cambridge and North Dumfries contained in Section 5.4 (Share Ownership, Etc.), 5.5 (Corporate Existence of the Energy Plus Group), 5.7 (Capacity and Powers of the Energy Plus Group), 5.9 (Options, Etc.) or 5.35 (Absence of Conflict);
  - (iv) a breach of any of the Indemnifying Party's covenants or representations and warranties, if that breach is attributable to fraud, wilful misrepresentation or gross negligence; and
  - (v) a breach of the covenants contained in Section 6.3(c) (as limited by the provisions of such Section).

## **8.8 Procedure for Direct Claims**

Following receipt of an Indemnity Notice from the Indemnified Party of a Direct Claim, the Indemnifying Party will have 20 Business Days to make any investigations it considers necessary or desirable. For the purpose of those investigations, the Indemnified Party will make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Direct Claim, together with all other information that the Indemnifying Party may reasonably request. If both Parties agree at or before the expiration of such period (or any mutually agreed upon extension) to the validity and amount of the Direct Claim, the Indemnifying Party will pay immediately to the Indemnified Party the full agreed upon amount of the Loss for which the Direct Claim is made, and no subsequent proceeding will be brought in any court of law concerning that Direct Claim.

## **8.9 Procedure for Third Party Claims**

- (a) Despite any other provision of this Agreement, if the Indemnified Party is required by applicable Law to make a payment into court, into escrow, or to any third party, with respect to a Third Party Claim before the completion of related settlement negotiations or legal proceedings, the Indemnified Party may make the required payment and the Indemnifying Party will, promptly after demand by the Indemnified Party, reimburse the Indemnified Party for the required payment made. If the Indemnifying Party makes that reimbursement in full, and if the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which the required payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party will, promptly after recovery of the surplus amount left over from the required payment, pay that surplus amount to the Indemnifying Party.
- (b) The Indemnified Party will promptly deliver to the Indemnifying Party copies of all correspondence, notices, assessments or other written Communication received by the Indemnified Party in respect of any Third Party Claim.
- (c) The Indemnified Party will not negotiate, settle, compromise or pay any Third Party Claim with respect to which it has asserted or proposes to assert an Indemnity Claim, without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld.
- (d) The Indemnified Party will not cause or permit the termination of any right of appeal in respect of any Third Party Claim which is or might become the basis of an Indemnity Claim without giving the Indemnifying Party written notice of the contemplated or potential termination in time to grant the Indemnifying Party an opportunity to contest the Third Party Claim.
- (e) If the Indemnifying Party first acknowledges in writing its obligation to satisfy an Indemnity Claim to the extent of any binding determination or settlement in connection with a Third Party Claim (or enters into arrangements otherwise satisfactory to the Indemnified Party), in any legal or administrative proceeding in



connection with the matters forming the basis of a Third Party Claim, the following will apply:

- (i) the Indemnifying Party will have the right, subject to the rights of any Person having potential liability for it, by written notice delivered to the Indemnified Party within ten Business Days of receipt by the Indemnifying Party of an Indemnity Notice, to assume carriage and control of the negotiation, defence or settlement of a Third Party Claim and the conduct of any related legal or administrative proceedings at the expense of the Indemnifying Party and by its own counsel;
  - (ii) if the Indemnifying Party elects to assume carriage and control, the Indemnified Party will have the right to participate at its own expense in the negotiation, defence or settlement of a Third Party Claim assisted by counsel of its own choosing;
  - (iii) each of the Indemnified Party and the Indemnifying Party will make all reasonable efforts to make available to the Party, who has assumed carriage and control of the negotiation, defence or settlement of a Third Party Claim, those employees whose assistance or evidence is necessary to assist that Party in evaluating and defending that Third Party Claim and all documents, records and other materials in the possession or control of that Party required for use in the negotiation, defence or settlement of that Third Party Claim;
  - (iv) despite Sections 8.9(e)(i), 8.9(e)(ii) and 8.9(e)(iii), the Indemnifying Party will not settle a Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse effect on the Indemnified Party except with the Indemnified Party's prior written consent; and
  - (v) subject to Section 8.9(e)(ii), the Indemnifying Party will indemnify and hold harmless the Indemnified Party from and against any Loss incurred or suffered as a result of the Indemnifying Party's settlement of the Third Party Claim or conduct of any related legal or administrative proceeding.
- (f) When the amount of the Loss with respect to a Third Party Claim is finally determined in accordance with this Section 8.9, including any amount described in Section 8.9(e)(v), the Indemnifying Party will immediately pay the full amount of that Loss to the Indemnified Party.
- (g) If the Indemnified Party has been permitted by the Indemnifying Party to assume the carriage and control of the negotiation, defence, or settlement of the Third Party Claim, the Indemnifying Party will not contest the amount of that Loss.

- (h) The Indemnifying Party will have no obligation to make any payment with respect to any Third Party Claim that is settled or contested in violation of the terms of this Section 8.9.

#### **8.10 No Delay**

Each Indemnifying Party will pursue any Indemnity Claim made by an Indemnified Party under this Agreement with reasonable diligence and dispatch, and without unnecessary delay, once the circumstances that give rise to that Indemnity Claim are known to it.

#### **8.11 Set-off**

Each Indemnified Party will be entitled to set-off the amount of any Loss for which it seeks indemnification under this Article 8 once, if applicable, finally determined in accordance with Section 8.8 or Section 8.9, as the case may be, as damages or by way of indemnification against any other amounts payable by it to the Indemnifying Party whether under this Agreement or otherwise.

#### **8.12 Exclusive Remedy**

- (a) Subject to Sections 2.4 and 8.12(b), the rights of indemnity in this Article 8 are the sole and exclusive remedy of each Party for any Loss suffered in connection with the transactions contemplated by this Agreement.
- (b) Nothing in this Section 8.12 will prevent a Party from seeking equitable remedies with respect to a breach of the confidentiality covenants contained in this Agreement.
- (c) Unless otherwise specifically agreed by the Parties, this Section 8.12 will remain in full force and effect in all circumstances and will not be terminated by any breach (fundamental, negligent or otherwise) by any Party of its covenants, representations or warranties in this Agreement or under any agreement or other document delivered pursuant to this Agreement, or by any termination or rescission of this Agreement.

### **ARTICLE 9 REGULATORY APPROVAL**

#### **9.1 OEB Approval and Competition Act Approval**

- (a) Each of BPI and Energy+ will, as promptly as practicable after the execution of this Agreement (but in no event later than 60 days after the execution of this Agreement), file or caused to be filed with the OEB an application under the OEB Act for the OEB Approval.
- (b) The Parties will, as promptly as possible after the execution of this Agreement (but in no event later than 5 days after the execution of this Agreement), file with the Commissioner an application for an advance ruling certificate under section 102 of

the Competition Act or, alternatively, a No-Action Letter, in respect of the transactions contemplated by this Agreement. If an advance ruling certificate or No-Action Letter has not been obtained by the 45<sup>th</sup> day following such application, the Parties will prepare and file with the Commissioner a pre-merger notification in respect of the transactions contemplated by this Agreement under section 114 of the Competition Act.

- (c) BPI and Brantford and Cambridge, North Dumfries and Energy+ will share equally the cost of the filing fees in respect of the applications for the OEB Approval and the Competition Act Approval. Each of BPI and Brantford and Cambridge, North Dumfries and Energy+ will use its best efforts (which shall not be less than commercially reasonable efforts) to co-operate and assist the other, so that the OEB Approval and the Competition Act Approval can be obtained on or prior to December 31, 2021. To the extent the Parties incur costs from their own advisors, such costs shall be borne by the party incurring them.

## 9.2 Minister of Finance Notice

- (a) BPI and Energy+ will as promptly as practicable after the execution of this Agreement (but in no event later than 60 days prior to the Closing Date), jointly file or cause to be filed with the Ontario Minister of Finance the notification required under subsection 4(2) of Ontario Regulation 124/99 made under the EA.
- (b) Each Party will be responsible for the costs incurred by it in connection with the Minister of Finance Notice.

## 9.3 OEB Approval Procedure

In the event that the BEC Group or Energy Plus Group, as applicable, is of the opinion, acting reasonably, that the OEB Approval will be obtained in whole or in part on terms that will (i) reduce the maximum allowable time and/or maximum amount of savings that may be allocated the shareholder of LDC Amalco pursuant to the policies of the OEB, and/or (ii) result in a material adverse change to the proposed rate structure and rate harmonization of LDC Amalco proposed in the application under the OEB Act for the OEB Approval pursuant to Section 9.1(a) following Closing (in each case, an “**Adverse Determination**”), either the BEC Group or Energy Plus Group, as applicable, may provide written notice to the other parties of such potential Adverse Determination. The Parties agree to cooperate and negotiate to reach agreement with respect to any desirable or required amendments to this Agreement to address a potential Adverse Determination.

# ARTICLE 10 CLOSING ARRANGEMENTS

## 10.1 Closing

The Closing will take place at the Closing Time on the Closing Date at such place or places as the Parties may agree.

## **10.2 Closing Procedures**

At the Closing Time, upon fulfilment of all the conditions set out in Article 7 that have not been waived in writing, each Party shall deliver or cause to be delivered to certificates, agreements, documents and instruments as required by the terms of the this Agreement.

## **ARTICLE 11 GENERAL**

### **11.1 Submission to Jurisdiction**

Each of the Parties irrevocably and unconditionally submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity, arising from this Agreement. To the extent permitted by applicable Law, each of the Parties:

- (a) irrevocably waives any objection, including any Claim of inconvenient forum, that it may now or in the future have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of that Province, or that the subject matter of this Agreement may not be enforced in those courts;
- (b) irrevocably agrees not to seek, and waives any right to, judicial review by any court which may be called upon to enforce the judgment of the courts referred to in this Section 11.1, of the substantive merits of any suit, action or proceeding; and
- (c) to the extent a Party has or may acquire any immunity from the jurisdiction of any court or from any legal process, whether through service or notice, attachment before judgment, attachment in aid of execution, execution or otherwise, with respect to itself or its property, that Party irrevocably waives that immunity in respect of its obligations under this Agreement.

### **11.2 Tender**

Any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel.

### **11.3 Costs and Expenses**

Except as otherwise specified in this Agreement, including Section 9.1(c) and Section 9.2(b), all costs and expenses (including the fees and disbursements of accountants, financial advisors, legal counsel and other professional advisers) incurred in connection with this Agreement, the obligations under this Agreement and the completion of the transactions contemplated by this Agreement, are to be paid by the Party incurring those costs and expenses, provided that any integration and transition costs and expenses incurred by the members of the BEC Group and the members of the Energy Plus Group after the effective date of this Agreement will be borne by the applicable members of the BEC Group and the Energy Plus Group in proportion to the number of Common Shares to be issued the capital of Amalco Holdco as set forth in Section 2.1(b). If there is a breach of this Agreement or this Agreement is terminated, the obligation of each Party to pay

its own costs and expenses is subject to each Party's respective rights arising from such breach or termination.

#### **11.4 Time of Essence**

Time is of the essence in all respects of this Agreement.

#### **11.5 Notices**

Any Communication must be in writing and either:

- (a) delivered personally or by courier;
- (b) sent by prepaid registered mail; or
- (c) transmitted by e-mail.

Any Communication must be sent to the intended recipient at its address as follows:

in the case of Brantford:

c/o The Corporation of the City of Brantford  
100 Wellington Square  
PO Box 818  
Brantford, Ontario N3T 5R7

Attention: Brian Hutchings, Chief Administrative Officer  
E-mail: [bhutchings@brantford.ca](mailto:bhutchings@brantford.ca)

in the case of each member of the BEC Group:

c/o Brantford Energy Corporation  
150 Savannah Oaks Dr.  
Brantford, Ontario  
N3V 1E8

Attention: Paul Kwasnik, President and Chief Executive Officer  
E-mail: [PKwasnik@brantford.ca](mailto:PKwasnik@brantford.ca)

in the case of Cambridge:

c/o City of Cambridge  
50 Dickson Street  
P.O. Box 669  
Cambridge, Ontario N1R 5W8

Attention: David Calder, City Manager  
E-mail: [calderd@cambridge.ca](mailto:calderd@cambridge.ca)

in the case of North Dumfries:

c/o The Corporation of the Township of North Dumfries  
North Dumfries Community Complex  
2958 Greenfield Road  
P.O. Box 1060  
Ayr, Ontario N0B 1E0

Attention: Andrew McNeely, Chief Administrative Officer  
E-mail: [amcneely@northdumfries.ca](mailto:amcneely@northdumfries.ca)

in the case of each member of the Energy Plus Group:

c/o Cambridge and North Dumfries Energy Plus Inc.  
1500 Bishop Street North  
Cambridge, Ontario N1R 5X6

Attention: Ian Miles, President and Chief Executive Officer  
E-mail: [imiles@energyplus.ca](mailto:imiles@energyplus.ca)

or at any other address as any Party may at any time advise the other Parties by Communication given or made in accordance with this Section 11.5. Any Communication delivered to the Party to whom it is addressed will be deemed to have been given or made and received on the day it is delivered at that Party's address, provided that if that day is not a Business Day then the Communication will be deemed to have been given or made and received on the next Business Day. Any Communication sent by prepaid registered mail will be deemed to have been given or made and received on the fifth Business Day after which it is mailed. If a strike or lockout of postal employees is then in effect, or generally known to be impending, every Communication must be delivered personally or by courier or transmitted by e-mail. Any Communication transmitted by e-mail will be deemed to have been given or made and received on the day on which it is transmitted; but if the Communication is transmitted on a day which is not a Business Day or after 5:00 p.m. (local time of the recipient), the Communication will be deemed to have been given or made and received on the next Business Day.

## **11.6 Further Assurances**

Each Party will, at that Party's own cost and expense, execute and deliver any further agreements and documents and provide any further assurances, undertakings and information as may be reasonably required by the requesting Party to give effect to this Agreement and, without limiting the generality of this Section 11.6, will do or cause to be done all acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide any assurances, undertakings and information as may be required at any time by all Governmental Authorities.

### **11.7 No Broker**

Each Party represents and warrants to the other Parties that all negotiations relating to this Agreement and the transactions contemplated by this Agreement have been carried on between them directly, without the intervention of any other Person on behalf of any Party in such manner as to give rise to any valid Claim against the BEC Group or the Energy Plus Group for a brokerage commission, finder's fee or other similar payment.

### **11.8 Public Notice**

All public notices to third parties and all other announcements, press releases and publicity concerning this Agreement or the transactions contemplated by this Agreement, must be jointly planned and co-ordinated by each member of the BEC Group and Brantford, on the one hand, and the Energy Plus Group and Cambridge and North Dumfries, on the other hand, and no Party will act unilaterally in this regard without the prior consent of the other Parties.

### **11.9 Amendment and Waiver**

No amendment, discharge, modification, restatement, supplement, termination or waiver of this Agreement or any Section of this Agreement is binding unless it is in writing and executed by the Party to be bound. No waiver of, failure to exercise or delay in exercising, any Section of this Agreement constitutes a waiver of any other Section (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided.

### **11.10 Assignment and Enurement**

Neither this Agreement nor any right or obligation under this Agreement may be assigned by any Party without the prior written consent of the other Parties, which consent will be within their sole discretion. This Agreement enures to the benefit of and is binding upon the Parties and their respective successors (including any successor by amalgamation or operation of law) and permitted assigns.

### **11.11 Severability**

Each Section of this Agreement is distinct and severable. If any Section of this Agreement, in whole or in part, is or becomes illegal, invalid, void, voidable or unenforceable in any jurisdiction by any court of competent jurisdiction, the illegality, invalidity or unenforceability of that Section, in whole or in part, will not affect:

- (a) the legality, validity or enforceability of the remaining Sections of this Agreement, in whole or in part; or
- (b) the legality, validity or enforceability of that Section, in whole or in part, in any other jurisdiction.

### **11.12 Counterparts**

This Agreement may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and those counterparts will together constitute one and the same instrument.

### **11.13 Electronic Execution**

Delivery of this Agreement may be effected by one or more Parties by e-mail or other electronic transmission of the execution pages hereof to the other Parties. A Party or Parties so delivering this Agreement will thereafter forthwith deliver to the other Parties original execution pages hereof with its/their original signature(s) located thereon, provided, however, that any failure by a Party or Parties to so deliver such original execution pages will not affect the validity or enforceability hereof against that Party or Parties.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



Each Party has executed and delivered this Agreement as of the date noted at the beginning of the Agreement.

**THE CORPORATION OF THE CITY OF  
BRANTFORD**

Per: \_\_\_\_\_

Name: Kevin Davis

Title: Mayor

Per: \_\_\_\_\_

Name: ~~Tanya Daniels~~ Chris Gauthier

Title: City Clerk

Deputy

**THE CORPORATION OF THE CITY OF  
CAMBRIDGE**

Per: \_\_\_\_\_

Name: Kathryn McGarry

Title: Mayor

Per: \_\_\_\_\_

Name: Danielle Manton

Title: City Clerk

**THE CORPORATION OF THE TOWNSHIP  
OF NORTH DUMFRIES**

Per: \_\_\_\_\_

Name: Sue Foxton

Title: Mayor

Per: \_\_\_\_\_

Name: Ashley Sage

Title: Clerk

S-1

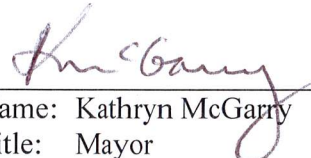
Each Party has executed and delivered this Agreement as of the date noted at the beginning of the Agreement.

**THE CORPORATION OF THE CITY OF  
BRANTFORD**

Per: \_\_\_\_\_  
Name: Kevin Davis  
Title: Mayor

Per: \_\_\_\_\_  
Name: Tanya Daniels  
Title: City Clerk

**THE CORPORATION OF THE CITY OF  
CAMBRIDGE**

Per:  \_\_\_\_\_  
Name: Kathryn McGarry  
Title: Mayor

Per:  \_\_\_\_\_  
Name: Danielle Manton  
Title: City Clerk

**THE CORPORATION OF THE TOWNSHIP  
OF NORTH DUMFRIES**

Per: \_\_\_\_\_  
Name: Sue Foxton  
Title: Mayor

Per: \_\_\_\_\_  
Name: Ashley Sage  
Title: Clerk

S-1

Each Party has executed and delivered this Agreement as of the date noted at the beginning of the Agreement.

**THE CORPORATION OF THE CITY OF  
BRANTFORD**

Per: \_\_\_\_\_

Name: Kevin Davis

Title: Mayor

Per: \_\_\_\_\_

Name: Tanya Daniels

Title: City Clerk

**THE CORPORATION OF THE CITY OF  
CAMBRIDGE**

Per: \_\_\_\_\_

Name: Kathryn McGarry

Title: Mayor

Per: \_\_\_\_\_

Name: Danielle Manton

Title: City Clerk

**THE CORPORATION OF THE TOWNSHIP  
OF NORTH DUMFRIES**

Per: \_\_\_\_\_

Name: Sue Foxton

Title: Mayor

Per: \_\_\_\_\_

Name: Ashley Sage

Title: Clerk

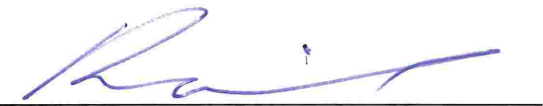
**BRANTFORD ENERGY CORPORATION**

Per:

  
Name: Scott Saint

Title: Chair

Per:

  
Name: Paul Kwasnik

Title: President and Chief Executive  
Officer

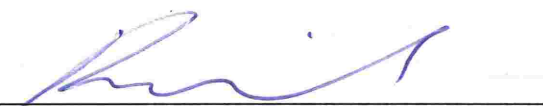
**BRANTFORD HYDRO INC.**

Per:

  
Name: Craig Mann

Title: Chair

Per:

  
Name: Paul Kwasnik

Title: President and Chief Executive  
Officer

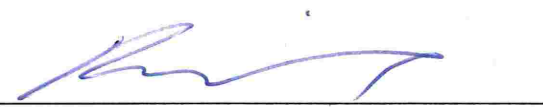
**BRANTFORD POWER INC.**

Per:

  
Name: Scott Saint

Title: Chair


Per:

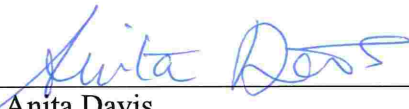
  
Name: Paul Kwasnik

Title: President and Chief Executive  
Officer


S-3

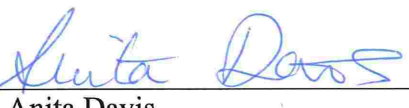
**CAMBRIDGE AND NORTH DUMFRIES  
ENERGY PLUS INC.**

Per:   
Name: Ian Miles  
Title: President and Chief Executive  
Officer

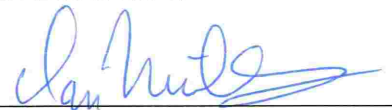
Per:   
Name: Anita Davis  
Title: Chair of the Board


**ENERGY + INC.**

Per:   
Name: Ian Miles  
Title: President and Chief Executive  
Officer

Per:   
Name: Anita Davis  
Title: Chair of the Board

**CAMBRIDGE AND NORTH DUMFRIES  
ENERGY SOLUTIONS INC.**

Per:   
Name: Ian Miles  
Title: President and Chief Executive  
Officer

Per:   
Name: Anita Davis  
Title: Chair of the Board

**SCHEDULE A**  
**BRANTFORD DISCLOSURE SCHEDULE**

See attached.

**SCHEDULE B**  
**BRANTFORD DISCLOSURE SCHEDULE**

See attached.

## SCHEDULE C SHARE CAPITAL

### A. COMMON SHARES

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares:

1. **Voting Rights:** The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and shall be entitled to one (1) vote per Common Share held, except meetings at which only holders of another class of shares are entitled to vote.
2. **Dividends:** The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine.
3. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to participate rateably in any distribution of the assets of the Corporation remaining after payment of the Total Class A Redemption Amount to the holders of the Class A Special Shares or the payment of the Class B Redemption Amount to the holders of the Class B Special Shares, as applicable.

### B. CLASS A SPECIAL SHARES.

The following are the rights, privileges, restrictions and conditions attaching to the Class A Special Shares:

1. **Voting Rights:** The holders of Class A Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.
2. **No Dividends:** The holders of the Class A Special Shares shall not be entitled to receive any dividend payable by the Corporation.
3. **Redemption at the Option of the Holder:** Subject to the terms of the Merger Participation Agreement, any registered holder of Class A Special Shares may, at their option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class A Special Shares held by such holder, and the Corporation shall pay to such holder for each Class A Special Share an amount equal to the Class A Redemption Amount (as defined below). The redemption right provided for herein may be exercised by notice in writing given by any Class A Special Shares shareholder to the Corporation within 30 days following the determination of the Net Adjustment Amount at the registered office of the Corporation or to any transfer agent or registrar for the Class A Special Shares, and such



notice shall be executed by the person registered on the books of the Corporation as the holder of the Class A Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify that the holder desires to have all such Class A Special Shares redeemed. The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the aggregate of all Class A Redemption Amounts payable to the holders of Class A Special Shares ("**Total Class A Redemption Amount**") is less than or equal to \$2,000,000, then all such Class A Redemption Amounts shall be paid no later than 60 days following the determination of the Net Adjustment Amount. If the Total Class A Redemption Amount is greater than \$2,000,000 but less than or equal to \$4,000,000, then each such holder shall receive its Pro Rata Portion of \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, and shall receive the balance of its Class A Redemption Amount no later than 10 days following the commencement of the second fiscal year of the Corporation. If the Total Class A Redemption Amount is greater than \$4,000,000, then each such holder shall receive its Pro Rata Portion of \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, its Pro Rata Portion of \$2,000,000 no later than 10 days following the commencement of the second fiscal year of the Corporation, and its Pro Rata Portion of up to \$2,000,000 no later than 10 days following the commencement of each fiscal year thereafter until all Class A Redemption Amounts have been paid in full. If the payment of any Class A Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the *Business Corporations Act* (Ontario)) or would breach a covenant under the Corporation's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

"**Class A Redemption Amount**", for each Class A Special Share, means an amount equal to the aggregate Net Adjustment Amount payable to the holders of Class A Special Shares, if any, divided by the aggregate number of Class A Special Shares issued to all holders of Class A Special Shares pursuant to section 2.1 of the Merger Participation Agreement, provided that if there is no Net Adjustment Amount payable to the holders of Class A Special Shares, then the Class A Redemption Amount for each Class A Special Share shall be an amount equal to \$1.00 divided by the aggregate number of Class A Special Shares issued to all holders of Class A Special Shares pursuant to section 2.1 of the Merger Participation Agreement.

"**Merger Participation Agreement**" means the merger participation agreement dated September 1, 2021 among The Corporation of the City of Brantford, The Corporation of the City of Cambridge, The Corporation of the Township of North Dumfries, Brantford Energy Corporation, Cambridge and North Dumfries Energy Plus Inc., Brantford Power Inc., Energy+ Inc. and Cambridge and North Dumfries Energy Solutions Inc.

"**Net Adjustment Amount**" has the meaning given to it in the Merger Participation Agreement.

"**Pro Rata Portion**" means in respect of any holder of Class A Special Shares, such holder's ownership percentage of Class A Special Shares reflected by a fraction the

numerator of which is the number of Class A Special Shares owned by such holder and the denominator of which is the total number of issued and outstanding Class A Special Shares.

“**Total Class A Redemption Amount**” is defined in Section B.3 above.

4. **Redemption by Corporation:** If any holder of Class A Special Shares fails to deliver a redemption notice as specified in Section B.3 above within 30 days following the determination of the Net Adjustment Amount then the Corporation may, upon giving notice as hereinafter provided, redeem at any time and from time to time all of the then outstanding Class A Special Shares on payment of the Class A Redemption Amount for each share to be redeemed.

Idem: In the case of redemption of Class A Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to each person who at the date of mailing is a holder of the Class A Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class A Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class A Special Shares to be redeemed the aggregate Class A Redemption Amount for the Class A Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holders of the Class A Special Shares called for redemption shall cease to be entitled to any of the rights of holders of Class A Special Shares in respect thereof, unless payment of the Class A Redemption Amount for each Class A Special Share to be redeemed is not made, in which case the rights of the holders of the said Class A Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class A Special Shares to deposit the aggregate Class A Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the respective holders of such Class A Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class A Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the Total Class A Redemption Amount and any interest allowed on such amount shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.
6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of

the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class A Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class A Special Shares.

### C. CLASS B SPECIAL SHARES

The following are the rights, privileges, restrictions and conditions attaching to the Class B Special Shares:

1. **Voting Rights:** The holders of Class B Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.
2. **No Dividends:** The holders of the Class B Special Shares shall not be entitled to receive any dividend payable by the Corporation.
3. **Redemption at the Option of the Holder:** Subject to the terms of the Merger Participation Agreement, the registered holder of Class B Special Shares may, at its option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class B Special Shares held it, and the Corporation shall pay to such holder for each such Class B Special Share an amount equal to the Class B Redemption Amount (as defined below). The redemption right provided for herein may be exercised by notice in writing given by any Class B Special Shares shareholder to the Corporation within 30 days following the determination of the Net Adjustment Amount at the registered office of the Corporation or to any transfer agent or registrar for the Class B Special Shares, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class B Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify that the holder desires to have all such Class B Special Shares redeemed. The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the Class B Redemption Amount payable to the holder of Class B Special Shares is less than or equal to \$2,000,000, then such Class B Redemption Amount shall be paid no later than 60 days following the determination of the Net Adjustment Amount. If the Class B Redemption Amount is greater than \$2,000,000 but less than or equal to \$4,000,000, then such holder shall receive \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, and shall receive the balance of its Class B Redemption Amount no later than 10 days following the commencement of the second fiscal year of the Corporation. If the Class B Redemption Amount is greater than \$4,000,000, then such holder shall receive \$4,000,000 no later than 60 days following the determination of the Net Adjustment Amount, \$2,000,000 no later than 10 days following the commencement of the second fiscal year of the Corporation, and up to \$2,000,000 no later than 10 days following the commencement of each fiscal year thereafter until the Class B Redemption Amount has been paid in full. If the payment of the Class B Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the *Business Corporations Act* (Ontario)) or would breach a covenant under the Corporation's

financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

**“Class B Redemption Amount”**, for each Class B Special Share, means an amount equal to the Net Adjustment Amount payable to the holder of Class B Special Shares, if any, divided by the aggregate number of Class B Special Shares issued to the holder of Class B Special Shares pursuant to section 2.1 of the Merger Participation Agreement, provided that if there is no Net Adjustment Amount payable to the holder of Class B Special Shares, then the Class B Redemption Amount for each Class B Special Share shall be an amount equal to \$1.00 divided by the aggregate number of Class B Special Shares issued to the holder of Class B Special Shares pursuant to section 2.1 of the Merger Participation Agreement.

4. **Redemption by Corporation:** If the holder of Class B Special Shares fails to deliver a redemption notice as specified in Section C.3 above within 30 days following the determination of the Net Adjustment Amount then the Corporation may, upon giving notice as hereinafter provided, redeem at any time and from time to time all of the then outstanding Class B Special Shares on payment of the Class B Redemption Amount for each share to be redeemed.

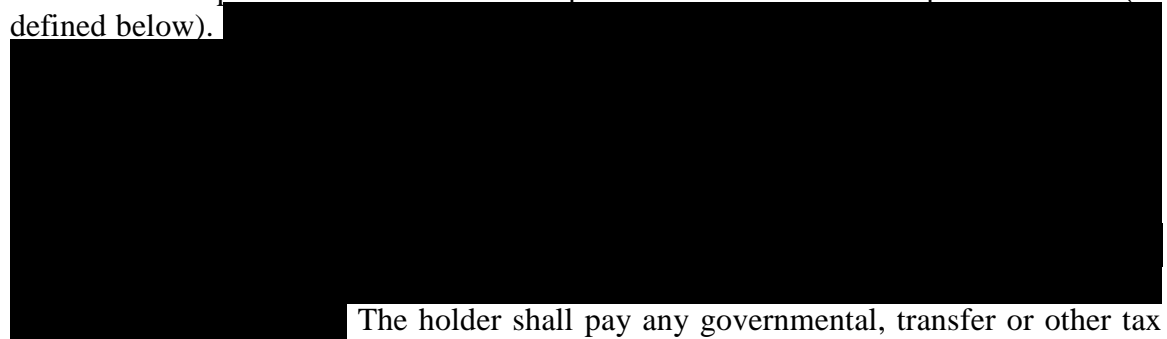
Idem: In the case of redemption of Class B Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to the holder of the Class B Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class B Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class B Special Shares to be redeemed the aggregate Class B Redemption Amount for the Class B Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holder of the Class B Special Shares called for redemption shall cease to be entitled to any of the rights of a holder of Class B Special Shares in respect thereof, unless payment of the Class B Redemption Amount for each Class B Special Share to be redeemed is not made, in which case the rights of the holder of the said Class B Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class B Special Shares to deposit the aggregate Class B Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the holder of such Class B Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class B Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the total Class B Redemption Amount so deposited and any interest allowed on such deposit shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice of the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.
6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class B Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class B Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class B Special Shares.

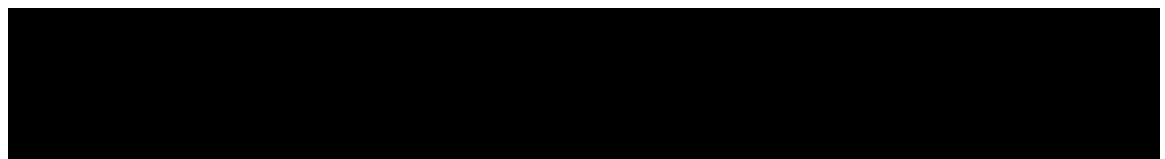
#### D. CLASS C SPECIAL SHARES

The following are the rights, privileges, restrictions and conditions attaching to the Class C Special Shares:

1. **Voting Rights:** The holders of Class C Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.
2. **No Dividends:** The holders of the Class C Special Shares shall not be entitled to receive any dividend payable by the Corporation.
3. **Redemption at the Option of the Holder:** Subject to the terms of the Merger Participation Agreement, the registered holder of Class C Special Shares may, at its option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class C Special Shares held it, and the Corporation shall pay to such holder for each such Class C Special Share an amount equal to the Class C Redemption Amount (as defined below).



The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the payment of the Class C Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the *Business Corporations Act* (Ontario)) or would breach a covenant under the Corporation's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.



[REDACTED]

[REDACTED]

Idem: In the case of redemption of Class C Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to the holder of the Class C Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class C Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class C Special Shares to be redeemed the aggregate Class C Redemption Amount for the Class C Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holder of the Class C Special Shares called for redemption shall cease to be entitled to any of the rights of a holder of Class C Special Shares in respect thereof, unless payment of the Class C Redemption Amount for each Class C Special Share to be redeemed is not made, in which case the rights of the holder of the said Class C Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class C Special Shares to deposit the aggregate Class C Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the holder of such Class C Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class C Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the total Class C Redemption Amount so deposited and any interest allowed on such deposit shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice of the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.
6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the

holders of the Class C Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class C Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class C Special Shares.

#### **E. CLASS D SPECIAL SHARES**

The following are the rights, privileges, restrictions and conditions attaching to the Class D Special Shares:

1. **Voting Rights:** The holders of Class D Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.
2. **No Dividends:** The holders of the Class D Special Shares shall not be entitled to receive any dividend payable by the Corporation.
3. **Redemption at the Option of the Holder:** Subject to the terms of the Merger Participation Agreement, the registered holder of Class D Special Shares may, at its option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class D Special Shares held it, and the Corporation shall pay to such holder for each such Class D Special Share an amount equal to the Class D Redemption Amount (as defined below). The redemption right provided for herein may be exercised by notice in writing given by any Class D Special Shares shareholder to the Corporation within 30 days following the Closing Date (as such term is defined the Merger Participation Agreement) at the registered office of the Corporation or to any transfer agent or registrar for the Class D Special Shares, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class D Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify that the holder desires to have all such Class D Special Shares redeemed. The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the payment of the Class D Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the *Business Corporations Act* (Ontario)) or would breach a covenant under the Corporation's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

**"Class D Redemption Amount"**, for each Class D Special Share, means an amount equal to the BPI COVID-19 Deferral and Variance Amount (as such term is defined in the Merger Participation Agreement) approved for recovery by the OEB, if any, divided by the aggregate number of Class D Special Shares issued to the holder of Class D Special Shares pursuant to section 2.1 of the Merger Participation Agreement, provided that if there is no BPI COVID-19 Deferral and Variance Amount the Class D Redemption Amount for each Class D Special Share shall be an amount equal to \$1.00 divided by the aggregate number of Class D Special Shares issued to the holder of Class D Special Shares pursuant to section 2.1 of the Merger Participation Agreement.

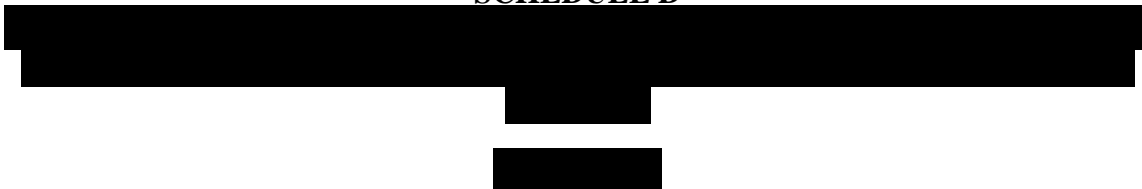
4. **Redemption by Corporation:** If the holder of Class D Special Shares fails to deliver a redemption notice as specified in Section E.3 above within 30 days following the Closing Date then the Corporation may, upon giving notice as hereinafter provided, redeem at any time and from time to time all of the then outstanding Class D Special Shares on payment of the Class D Redemption Amount for each share to be redeemed.

Idem: In the case of redemption of Class D Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to the holder of the Class D Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class D Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class D Special Shares to be redeemed the aggregate Class D Redemption Amount for the Class D Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holder of the Class D Special Shares called for redemption shall cease to be entitled to any of the rights of a holder of Class D Special Shares in respect thereof, unless payment of the Class D Redemption Amount for each Class D Special Share to be redeemed is not made, in which case the rights of the holder of the said Class D Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class D Special Shares to deposit the aggregate Class D Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the holder of such Class D Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class D Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the total Class D Redemption Amount so deposited and any interest allowed on such deposit shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice of the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.
6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class D Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class D Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class D Special Shares.



**SCHEDULE D**



**SCHEDULE E**  
**LOCATION OF AMALCO HOLDCO FACILITIES & FUNCTIONS**

**Facilities & functions to be located in Cambridge**

39 Glebe Street

- Executive Functions (CEO, CFO, HR, Corporate Development)
- Finance Department
- Regulatory Department
- Engineering Services
- HR Department
- Billing Department

1500 Bishop Street

- Cambridge and North Dumfries Operations Department
- Vehicle garage, inventory, outdoor storage yard

**Facilities & functions to be located in Brantford**

150 Savannah Oaks Drive

- Executive Functions (COO, IT)
- Customer Service Department
- Engineering Services
- IT Department
- System Control Room
- Brantford and Brant County Operations Department
- Vehicle garage, inventory, outdoor storage yard
- Fibre optics affiliate
- Water heater rental affiliate

**EXHIBIT A**  
**AMALCO HOLDCO SHAREHOLDER AGREEMENT**

See attached.

**EXHIBIT B**  
**AMENDED AND RESTATED SHARED SERVICES AND OBLIGATIONS AGREEMENT**

See attached.

**Schedule I**

**Resolutions**

- a) Brantford Energy Corporation
- b) Brantford Power Inc.
- c) City of Brantford
- d) Cambridge and North Dumfries Energy Plus Inc.
- e) Energy+ Inc.
- f) City of Cambridge
- g) Township of North Dumfries



October 18, 2021

To whom it may concern:

The following is a true and correct copy of a resolution passed by the Brantford Energy Corporation Board of Directors at their meeting held August 24, 2021.

**THE BOARD OF DIRECTORS  
VOTED**

**WHEREAS:**

- A. The Board has had extensive engagement with respect to proposed merger transactions between the Brantford Energy Corporation and Cambridge and North Dumfries Energy Plus Inc. ("Project Phoenix");**
- B. The Board has received and considered the final business case and due diligence reports with respect to Project Phoenix;**
- C. The Board has received and considered the final drafts of the Merger Participation Agreement ("MPA") and Unanimous Shareholders' Agreement ("USA") with respect to Project Phoenix.**

**BE IT RESOLVED THAT:**

- 1. The Board approves the MPA and USA as presented, subject to minor modifications as counsel may advise.**

Sincerely,

Brian G. D'Amboise, CPA, CA  
CFO, VP Corporate Services & Corporate Secretary



October 18, 2021

To whom it may concern:

The following is a true and correct copy of a resolution passed by the Brantford Power Inc. Board of Directors at their meeting of August 24, 2021.

**THE BOARD OF DIRECTORS  
VOTED**

**WHEREAS:**

- A. The Board has had extensive engagement with respect to proposed merger transactions between the Brantford Energy Corporation and Cambridge and North Dumfries Energy Plus Inc. ("Project Phoenix");
- B. The Board has received and considered the final business case and due diligence reports with respect to Project Phoenix;
- C. The Board has received and considered the final drafts of the Merger Participation Agreement ("MPA") and Unanimous Shareholders' Agreement ("USA") with respect to Project Phoenix.

**BE IT RESOLVED THAT:**

- 1. The Board approves the MPA and USA as presented, subject to minor modifications as counsel may advise.
- 2. The Board instructs Borden Ladner Gervais LLP to complete and file the Mergers, Amalgamations, Acquisitions and Divestitures (MADDs) Application with the Ontario Energy Board at its earliest opportunity after all municipal shareholder approvals with respect to Project Phoenix have been obtained and the MPA and USA have been duly executed.

Sincerely,

Brian G. D'Amboise, CPA, CA  
CFO, Vice President Corporate Services & Corporate Secretary



**Date:** August 30, 2021

**To:** Brian Hutchings, Chief Administrative Officer  
and Senior Management Team

**From:** Tanya Daniels  
City Clerk

**Re:** Decisions of City Council – Special Meeting held August 30, 2021

---

Subjoined for your review and action is a listing of the Items adopted by City Council at the Special City Council meeting, both held August 30, 2021:

**ITEMS FOR CONSIDERATION**

**5.1. Brantford Energy Task Force Report #2021-08-26**

**5.1.1. Brantford Energy Corporation Business Case for Merger with Cambridge/North Dumfries Energy Plus, 2021-570**

- A. THAT Report 2021-570 titled Brantford Energy Corporation Business Case for Merger with Cambridge/North Dumfries Energy+ BE RECEIVED; and
- B. THAT the Brantford Energy Task Force BE DISBANDED having achieved its mandate.

**RESOLUTIONS**

**6.1. Resolution from Special City Council In-Camera Meeting held on August 30, 2021 at 2:00p.m. Brantford Energy Task Force Report 2021-08-26**

**6.1.1. Brantford Energy Corporation Potential Merger with Cambridge and North Dumfries Energy Plus - 2021-568**

WHEREAS The Corporation of the City of Brantford (the "City") is the sole shareholder of BEC;  
AND WHEREAS BEC is the sole shareholder of BPI;  
AND WHEREAS BEC and CNDE+ are recommending amalgamation of their companies to their respective shareholders (the "Holdco Amalgamation") pursuant to section 174 of the Business Corporations Act (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");



AND WHEREAS subsequent to the Holdco Amalgamation, BEC and CNDE+ also recommend that BPI and Energy+ "(E+)" amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation"), and together with the Holdco Amalgamation, (the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

AND WHEREAS in order to facilitate the Amalgamations, CNDE+, BEC, E+, BPI, the City, the Corporation of the City of Cambridge and the Corporation of the Township of North Dumfries, would be required to enter into a merger participation agreement (the "Merger Participation Agreement"), and the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously present to the Council of the Municipality for review is recommended;

AND WHEREAS pursuant to section 2.1 of the Merger Participation Agreement, BEC would be required to enter into an amalgamation agreement with CNDE+ (the "Holdco Amalgamation Agreement");

AND WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

AND WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

AND WHEREAS BEC is subject to a Shareholder Declaration dated February 21, 2000 and revised on August 25, 2014 requiring shareholder approval of a transaction such as the Amalgamations;

AND WHEREAS if the Amalgamations are to take place, the City, The Corporation of the Township of North Dumfries and the Corporation of the City of Cambridge have received recommendations to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to Council for review;

AND WHEREAS if the Amalgamations are to take place, BEFT recommends that the City enter into an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco (the "Shared Services Agreement"), substantially in the form of an amended and restated shared services and obligations agreement (the "Draft Shared Services Agreement") previously presented to Council for review.

NOW THEREFORE BE IT RESOLVED THAT:

- A. The Amalgamations BE APPROVED;
- B. The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement, the Shared Services Agreement and the transactions contemplated BE APPROVED;
- C. BEC is authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation;
- D. BPI is authorized to carry out the LDC Amalgamation;
- E. The City is not exercising such right of dissent, as provided for in section 185 of the OBCA, in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

- F. The City Clerk BE DIRECTED to place the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the Shared Services Agreement on the Signing By-law for execution by the Mayor and Clerk;
- G. The Chief Administrative Officer IS DELEGATED AUTHORITY to approve any minor deletions, amendments or additions to the Merger Participation Agreement, the Unanimous Shareholder Agreement and the Shared Services Agreement, attached hereto at Schedules D, E, and F, as the Chief Administrative Office and legal counsel may determine are necessary to give effect the agreement of the parties;
- H. The Chief Administrative Officer IS DELEGATED AUTHORITY to execute and deliver all such other agreements, amendments, instruments, certificates, and other documents as may be necessary or advisable in connection with the Merger Participation Agreement, the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement, or to carry out the intention of the foregoing resolutions, and That the necessary by-law to approve the merger, provide the necessary authorization to BEC and BPI, and the delegate authority to the CAO as set out above be presented to Council for approval.

## **BY-LAWS**

THAT By-law 178-2021 through to and including 180-2021 BE TAKEN as read a third time, be finally passed and signed by the Mayor and Clerk:

### **BY-LAW PREAMBLE**

- 178-2021      By-law to authorize the execution of AGREEMENTS individually dated and listed on Schedule 'A' attached hereto:
- 1. Merger Participation Agreement between The Corporation of the City of Brantford, the Corporation of the City of Cambridge, the Township of North Dumfries, Brantford Energy Corporation, Cambridge and North Dumfries Energy Plus Inc., Brantford Power Inc., Energy + Inc., Cambridge and North Dumfries Energy Solution Inc. and Brantford Hydro Inc. (Special City Council – August 30, 2021)
  - 2. Unanimous Shareholders' Agreement between The Corporation of the City of Brantford, the Corporation of the City of Cambridge, the Township of North Dumfries, Mergco Holding Corp., and LDC Amalco (Special City Council – August 30, 2021)
  - 3. Amended and Restated Shared Services Agreement between The Corporation of the City of Brantford and LDC Amalco (Special City Council – August 30, 2021)
- 179-2021      A By-law to approve the Amalgamation of Brantford Energy Corp. and Cambridge North Dumfries Energy Plus, to approve the Amalgamation of Brantford Power Inc. and Energy +, and to delegate authority in relation to the amalgamation. (Special City Council – August 30, 2021)

180-2021 By-law to Confirm the Proceedings of the Council of The Corporation of the City of Brantford with respect to the Special Meeting held on August 30, 2021.

**BY-LAW NUMBER 178-2021**  
**OF**  
**THE CORPORATION OF THE CITY OF BRANTFORD**

***To authorize the execution of AGREEMENTS or OTHER DOCUMENTS  
individually listed on Schedule “A”  
attached hereto and forming part of this By-law***

**WHEREAS** The Corporation of the City of Brantford (the “City”) is, from time to time, required to execute agreements or other documents within the powers and authorities given to the municipality in governing its affairs;

**AND WHEREAS** subsection 5(3) of the *Municipal Act, 2001*, as amended (the “Act”), provides that a municipal power, including a municipality’s capacity, rights, powers and privileges under section 9 of the Act shall be exercised by by-law unless the municipality is specifically authorized to do otherwise;

**AND WHEREAS** subsection 15.11.3(d) of Chapter 15 of the City of Brantford Municipal Code regarding Procedure provides that every by-law and agreement referenced under section 15.11.3 shall be under the seal of the corporation and filed by the City Clerk;


**AND WHEREAS** the City has established a process whereby agreements or other documents to be executed by the Mayor and the City Clerk or any other officers of the City, where said authority has not been previously delegated by By-law and forming part of the Execution of Routine Documents (Corporate Policy – 010), will form part of a by-law, for presentation to City Council;

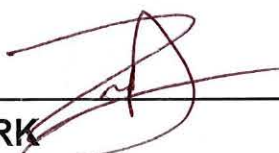
**AND WHEREAS** reports or resolutions presented to City Council for adoption may refer to a “Signing By-law” for ease of reference in compiling Schedule “A” attached hereto and forming part of this By-law;

**NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE  
CITY OF BRANTFORD HEREBY ENACTS AS FOLLOWS:**

1. The Mayor and the City Clerk of the City are hereby authorized, empowered and directed to execute the agreements or other documents individually listed on Schedule "A" attached hereto and forming part of this By-law and to affix the corporate seal to each said agreement or document.
2. Notwithstanding paragraph 1 of this By-law, other officers of the City are hereby authorized, empowered and directed to execute the agreements or other documents in addition to, or in the place and stead of, the City Clerk, only if such distinction is included in Schedule "A" attached hereto and forming part of this By-law.
3. This By-law comes into force and effect upon the date of passing hereof.


**READ A FIRST TIME:        AUGUST 30, 2021**  
**READ A SECOND TIME:    AUGUST 30, 2021**  
**PASSED:                    AUGUST 30, 2021**

  
\_\_\_\_\_  
**MAYOR**

  
\_\_\_\_\_  
**CLERK**

**SCHEDULE "A" TO BY-LAW 178-2021      DATE: AUGUST 30, 2021**

  
\_\_\_\_\_  
MAYOR

  
\_\_\_\_\_  
CLERK

THAT THE MAYOR AND THE CITY CLERK BE AUTHORIZED AND HEREBY EMPOWERED AND DIRECTED TO EXECUTE THE FOLLOWING:

1. Merger Participation Agreement between The Corporation of the City of Brantford, the Corporation of the City of Cambridge, the Township of North Dumfries, Brantford Energy Corporation, Cambridge and North Dumfries Energy Plus Inc., Brantford Power Inc., Energy + Inc., Cambridge and North Dumfries Energy Solution Inc. and Brantford Hydro Inc. (Special City Council – August 30, 2021)
2. Unanimous Shareholders' Agreement between The Corporation of the City of Brantford, the Corporation of the City of Cambridge, the Township of North Dumfries, Mergco Holding Corp., and LDC Amalco (Special City Council – August 30, 2021)
3. Amended and Restated Shared Services Agreement between The Corporation of the City of Brantford and LDC Amalco (Special City Council – August 30, 2021)



**BY-LAW NUMBER 179-2021  
OF  
THE CORPORATION OF THE CITY OF BRANTFORD**

*A By-law to approve the Amalgamation of Brantford Energy Corp. and Cambridge North Dumfries Energy Plus, to approve the Amalgamation of Brantford Power Inc. and Energy + and to delegate authority in relation to the amalgamation.*

WHEREAS The Corporation of the City of Brantford (the "City") is the sole shareholder of Brantford Energy Corporation ("BEC"); and

WHEREAS BEC is the sole shareholder of Brantford Power Inc. ("BPI"); and

WHEREAS BEC and Cambridge North Dumfries Energy Plus (CNDE+) are recommending amalgamation of their companies to their respective shareholders (the "Holdco Amalgamation") pursuant to section 174 of the Business Corporations Act (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco"); and

WHEREAS subsequent to the Holdco Amalgamation, BEC and CNDE+ also recommend that BPI and Energy+ ("E+") amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation"), and together with the Holdco Amalgamation, (the "Amalgamations") to form an amalgamated entity ("LDC Mergeco"); and

WHEREAS in order to facilitate the Amalgamations, CNDE+, BEC, E+, BPI, the City, the Corporation of the City of Cambridge and the Corporation of the Township of North Dumfries, are required to enter into a merger participation agreement (the "Merger Participation Agreement"); and

WHEREAS pursuant to section 2.1 of the Merger Participation Agreement, BEC would be required to enter into an amalgamation agreement with CNDE+ (the "Holdco Amalgamation Agreement"); and

WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon; and

WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in

which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA; and

WHEREAS BEC is subject to a Shareholder Declaration dated February 21, 2000 and revised on August 25, 2014 requiring shareholder approval of a transaction such as the Amalgamations; and

WHEREAS the City, The Corporation of the Township of North Dumfries and the Corporation of the City of Cambridge have received recommendations to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"); and

WHEREAS upon amalgamating an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco (the "Shared Services Agreement") is required.

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF BRANTFORD HEREBY ENACTS AS FOLLOWS:

1. The Corporation of the City of Brantford hereby approves the Amalgamations.
2. The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement, the Shared Services Agreement and the transactions contemplated are hereby approved.
3. BEC is hereby authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation.
4. BPI is hereby authorized to carry out the LDC Amalgamation.
5. The City hereby confirms it is not exercising such right of dissent, as provided for in section 185 of the OBCA, in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations.
6. The Chief Administrative Officer is hereby delegated authority to approve any minor deletions, amendments or additions to the Merger Participation Agreement, the Unanimous Shareholder Agreement and the Shared




Services Agreement, as the Chief Administrative Officer and legal counsel may determine are necessary to give effect the agreement of the parties.

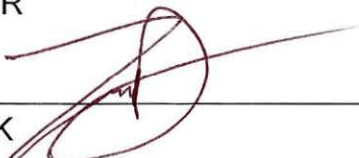
7. The Chief Administrative Officer is hereby delegated authority to execute and deliver all such other agreements, amendments, instruments, certificates, and other documents as may be necessary or advisable in connection with the Merger Participation Agreement, the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement, or to carry out the intention of the foregoing resolutions.
8. This by-law shall come into effect immediately upon the passing thereof.

READ A FIRST TIME: AUGUST 30, 2021

READ A SECOND TIME: AUGUST 30, 2021

PASSED: AUGUST 30, 2021

  
\_\_\_\_\_  
MAYOR

  
\_\_\_\_\_  
CLERK

**BY-LAW NUMBER 180-2021  
OF  
THE CORPORATION OF THE CITY OF BRANTFORD**

***Being a By-law to Confirm the Proceedings  
of the Council of The Corporation of the City of Brantford  
with respect to the Special Meeting held on August 30, 2021***

WHEREAS section 5 of the *Municipal Act, 2001*, as amended, provides that the powers of a municipality shall be exercised by its Council and that, except where it is specifically authorized to do otherwise, a municipal power shall be exercised by by-law; and

WHEREAS in many cases action that is taken or authorized to be taken by Council does not lend itself to the passage of an individual by-law; and

WHEREAS it is deemed expedient that the proceedings of the Council of The Corporation of the City of Brantford at the Special Meeting held on August 30, 2021 be adopted, ratified and confirmed by by-law;

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF BRANTFORD enacts as follows:

1. That the actions of the Council of The Corporation of the City of Brantford at its Special Meeting held on August 30, 2021 in respect of each motion, resolution and other action passed and taken by the Council at its said meeting is, except where the prior or subsequent approval of another approval authority or review body, including without limitation a tribunal, board or court, is by law required, hereby adopted, ratified and confirmed as if all such proceedings were expressly embodied in this By-law.
2. That where no individual by-law has been or is passed with respect to the taking of any action authorized at the above-mentioned meeting or with respect to the exercise of any powers by the Council at the above-mentioned meeting, then this By-law shall be deemed for all purposes to be the by-law required for approving, authorizing and the taking of any action authorized therein or thereby, or required for the exercise of any powers therein by the Council.
3. That the Mayor and the appropriate officials of The Corporation of the City of Brantford are hereby authorized and directed to do all things necessary to give effect to the actions of the Council referred to in the preceding section(s) or to obtain approvals where required.

## Confirming By-law – August 30, 2021

Energy+ Inc. and Brantford Power Inc.

Page 2  
Regulation Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 197 of 498

4. That, except where otherwise provided, the Mayor and City Clerk are hereby authorized and directed to execute all documents necessary in that behalf and to affix thereto the corporate seal of The Corporation of the City of Brantford.

READ A FIRST TIME:	AUGUST 30, 2021
READ A SECOND TIME:	AUGUST 30, 2021
PASSED:	AUGUST 30, 2021

MAYOR

CLERK



**Cambridge and North Dumfries Energy Plus Inc.**

1500 Bishop Street, P.O. Box 1060, Cambridge, ON N1R 5X6  
Telephone 519-621-3530 Website [www.energyplus.ca](http://www.energyplus.ca)

The following resolution was approved at the Cambridge and North Dumfries Energy Plus Board Meeting August 17, 2021.

**MOVED by M. Champ, seconded by K. McGarry**

**WHEREAS:**

- A. The Board has had extensive engagement with respect to proposed merger transactions between the Corporation and Brantford Enterprise Corporation ("Project Phoenix);
- B. The Board has received and considered the final business case and due diligence reports with respect to Project Phoenix;
- C. The Board has received and considered the final drafts of the Merger Participation Agreement ("MPA) and Unanimous Shareholders' Agreement ("USA") with respect to Project Phoenix.

**BE IT RESOLVED THAT:**

- 1. The Board approves the MPA and USA as presented, subject to minor modifications as counsel may advise; and
- 2. The Board instructs Borden Ladner Gervais LLP to complete and file the MAAD's Application with the Ontario Energy Board at its earliest opportunity after all municipal shareholder approvals with respect to Project Phoenix have been obtained and the MPA and USA have been duly executed.

**CARRIED**

A handwritten signature in blue ink that reads "Anita Davis".

---

Board Chair  
Anita Davis

A handwritten signature in blue ink that reads "Ian Miles".

---

President & CEO  
Ian Miles



1500 Bishop Street, P.O. Box 1060, Cambridge, ON N1R 5X6  
Telephone 519-621-3530 Website [www.energyplus.ca](http://www.energyplus.ca)

The following resolution was approved by the Energy+ Inc. Board with an effective date of August 17, 2021.

**MOVED by K. McGarry, seconded by P. Ferraro**

**WHEREAS:**

- A. The Board has had extensive engagement with respect to proposed merger transactions between the Corporation and Brantford Enterprise Corporation ("Project Phoenix");
- B. The Board has received and considered the final business case and due diligence reports with respect to Project Phoenix;
- C. The Board has received and considered the final drafts of the Merger Participation Agreement ("MPA") and Unanimous Shareholders' Agreement ("USA") with respect to Project Phoenix.

**BE IT RESOLVED THAT:**

- 1. The Board approves the MPA and USA as presented, subject to minor modifications as counsel may advise; and
- 2. The Board instructs Borden Ladner Gervais LLP to complete and file the MAAD's Application with the Ontario Energy Board at its earliest opportunity after all municipal shareholder approvals with respect to Project Phoenix have been obtained and the MPA and USA have been duly executed.

**CARRIED**

A handwritten signature in blue ink, appearing to read "Anita Davis", written over a horizontal line.

Board Chair

Anita Davis

A handwritten signature in blue ink, appearing to read "Ian Miles", written over a horizontal line.

President & CEO

Ian Miles





**MINUTES**  
**Joint Council Meeting with**  
**the City of Cambridge and**  
**Township of North Dumfries**

**Monday, August 30, 2021**  
**Virtual Meeting**

Energy+ Inc. and Brantford Power Inc.  
MAADs Application  
File Number: EB-2021-0280  
Date Filed: November 1, 2021  
Page 200 of 498



*The TOWNSHIP of*  
**NORTH DUMFRIES**

---

**City of Cambridge Council Members in Attendance:** Councillors Reid (Ward 1); Devine (Ward 2); Mann (Ward 3); Liggett (Ward 4); Adshade (Ward 6); and Hamilton (Ward 7) with Mayor McGarry as Co-Chair

**Regrets:** Councillors Wolf (Ward 5) and Ermeta (Ward 8)

**Township of North Dumfries Council Members in Attendance:** Councillors Ostner (Ward 2); McCreery (Ward 3); Gillespie (Ward 4) with Mayor Foxton as Co-Chair

**Regrets:** Councillor Rolleman (Ward 1)

**City of Cambridge Staff Members in Attendance:** David Calder - City Manager; Sheryl Ayres – Chief Financial Officer, Danielle Manton - City Clerk and Jennifer Shaw – Deputy City Clerk

**Township of North Dumfries Staff Members in Attendance:** Andrew McNeely - Chief Administrative Officer; Christina Brox - Treasurer/Director of Corporate Services and Ashley Sage - Clerk

**Others in Attendance:** John Rockx - KPMP, LLP and Ron Clark - Aird & Berlis LLP


---

**Meeting Called to Order**

The joint meeting of the Councils of the Corporations of the City of Cambridge and the Township of North Dumfries was held virtually. Mayor McGarry and Mayor Foxton welcomed everyone present and called the meeting to order at 6:20 p.m. and adjourned the meeting at 9:33 p.m.

**Disclosure of Pecuniary Interest**

There are no disclosures of pecuniary interest.

**CERTIFIED TRUE COPY**  
  
CITY CLERK  
**CITY OF CAMBRIDGE**

**1. Motion to Move into Closed Session**

Motion: 21-158  
Moved By: Councillor Mann  
Seconded By: Councillor Ostner

THAT in accordance with Section s.239 of the Municipal Act, 2001, this Joint Council convene in Closed Session at 6:20 p.m. to consider the following subject matters:

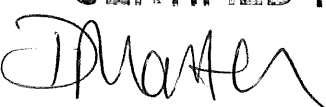
- i. Advice that is subject to solicitor-client privilege, including communications necessary for that purpose; (Shareholders of Energy Plus to Receive and Consider Information from Legal Counsel)
- ii. A trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization; (Shareholders of Energy Plus to Receive and Consider Information from Legal Counsel)
- iii. A position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.  
(Shareholders of Energy Plus to Receive and Consider Information from Legal Counsel)

**Councillor Devine left the meeting at this time.**

CARRIED, on a recorded vote 10-0

**Cambridge Vote**

In Favour: Councillors Reid, Mann, Liggett, Adshade, Hamilton, and Mayor McGarry  
Opposed: None  
Absent: Councillors Devine, Wolf and Ermeta

**CERTIFIED TRUE COPY**  
  
CITY CLERK  
**CITY OF CAMBRIDGE**

### **North Dumfries Vote**

In Favour: Councillors Ostner, McCreery, Gillespie, and Mayor Foxton  
Opposed: None  
Absent: Councillor Rolleman

**Councillor Devine rejoined the meeting at this time.**

### **2. Motion to Reconvene in Open Session**

Motion: 21-159  
Moved By: Councillor McCreery  
Seconded By: Councillor Adshade

THAT this Closed Session adjourn at 8:22 p.m. and reconvene in Open Session.

CARRIED, on a recorded vote 11-0

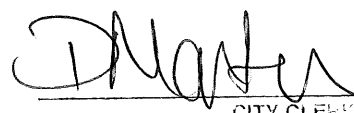
### **Cambridge Vote**

In Favour: Councillors Reid, Devine, Mann, Liggett, Adshade, Hamilton, and Mayor McGarry  
Opposed: None  
Absent: Councillors Wolf and Ermeta

### **North Dumfries Vote**

In Favour: Councillors Ostner, McCreery, Gillespie, and Mayor Foxton  
Opposed: None  
Absent: Councillor Rolleman

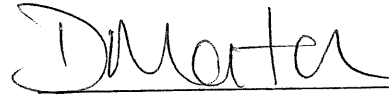
**CERTIFIED TRUE COPY**

  
CITY CLERK  
**CITY OF CAMBRIDGE**



**3. City of Cambridge Resolution to Approve Merge** **CERTIFIED TRUE COPY**

Motion: 21-160  
Moved By: Councillor Mann  
Seconded By: Councillor Liggett

  
CITY CLERK  
**CITY OF CAMBRIDGE**

**WHEREAS** The Corporation of the City of Cambridge ("Cambridge") is, together with Township of North Dumfries (the "Municipality"), a shareholder of CNDE+;

**AND WHEREAS** CNDE+ is the sole shareholder of E+;

**AND WHEREAS** CNDE+ and BEC intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the Business Corporations Act (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

**AND WHEREAS** subsequent to the Holdco Amalgamation, E+ and BPI intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

**AND WHEREAS** in order to facilitate the Amalgamations, CDNE+, BEC, E+, BPI, Cambridge, the Municipality, and The Corporation of the City of Brantford ("Brantford") intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Council of Cambridge for review;

**AND WHEREAS** pursuant to section 2.1 of the Merger Participation Agreement, CNDE+ would be required to enter into an amalgamation agreement with BEC (the "Holdco Amalgamation Agreement");

**AND WHEREAS** subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

**AND WHEREAS** pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

**AND WHEREAS** the Cambridge declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

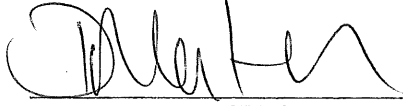
**AND WHEREAS** CNDE+ and E+ are subject to a Shareholders' Agreement among Cambridge, the Municipality and CNDE+ (as successor to Cambridge and North Dumfries Hydro Inc.) dated January 1, 2000 (the "CNDE+ USA") requiring shareholder approval of transactions such as the Amalgamations;

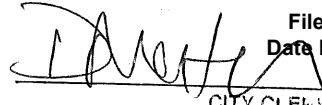
**AND WHEREAS** after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, Cambridge, the Municipality and Brantford intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to Council for review;

**AND WHEREAS** after the Amalgamations have taken place Brantford intends to enter into an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco and Brantford Hydro Inc. (the "Shared Services Agreement"), substantially in the form of an amended and restated shared services and obligations agreement (the "Draft Shared Services Agreement") previously presented to Council for review the entry into which would require shareholder approval under the Unanimous Shareholder Agreement.

**NOW THEREFORE BE IT RESOLVED THAT:**

- (a) Cambridge approves the Amalgamations;

CERTIFIED TRUE COPY  
  
CITY CLERK  
CITY OF CAMBRIDGE

  
CITY CLERK  
**CITY OF CAMBRIDGE**

- (b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to Cambridge;
- (c) CNDE+ is authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation;
- (d) E+ is authorized to carry out the LDC Amalgamation;
- (e) Cambridge is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;
- (f) Cambridge is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;
- (g) The entry by LDC Mergeco and Brantford Hydro Inc. into the Shared Services Agreement, substantially in the form of the Draft Shared Services Agreement is approved;
- (h) The execution and delivery by Cambridge of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Chief Administrative Officer, or other duly authorized representative, of Cambridge (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- (i) The Authorized Representative is authorized and directed, for and in the name of and on behalf of Cambridge, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or

additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and

- (j) The Authorized Representative is authorized and directed, for and in the name of and on behalf of Cambridge, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of CNDE+ approving the Amalgamations, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

CARRIED, on a recorded vote 7-0

In Favour: Councillors Reid, Devine, Mann, Liggett, Adshade, Hamilton, and Mayor McGarry

Opposed: None

Absent: Councillors Wolf and Ermeta

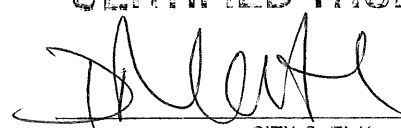
#### 4. Township of North Dumfries Resolution to Approve Merger

Motion: 21-161

Moved By: Councillor McCreery

Seconded By: Councillor Gillespie

CERTIFIED TRUE COPY



CITY CLERK

CITY OF CAMBRIDGE

**WHEREAS** The Corporation of the Township of North Dumfries (the “Municipality”) is, together with The Corporation of the City Cambridge (“Cambridge”), a shareholder of CNDE+;

**AND WHEREAS** CNDE+ is the sole shareholder of E+;

**AND WHEREAS** CNDE+ and BEC intend to amalgamate (the “Holdco Amalgamation”) pursuant to section 174 of the Business Corporations Act (Ontario) (the “OBCA”) to form an amalgamated entity (“Merged Holdco”);

**AND WHEREAS** subsequent to the Holdco Amalgamation, E+ and BPI intend to amalgamate pursuant to section 174 of the OBCA (the “LDC Amalgamation”, and together with the Holdco Amalgamation, the “Amalgamations”) to form an amalgamated entity (“LDC Mergeco”);

**AND WHEREAS** in order to facilitate the Amalgamations, CDNE+, BEC, E+, BPI, the Municipality, Cambridge, and The Corporation of the City of Brantford (“Brantford”) intend to enter into a merger participation agreement (the “Merger Participation Agreement”), substantially in the form of a draft merger participation agreement (the “Draft Merger Participation Agreement”) previously presented to the Council of the Municipality for review;

**AND WHEREAS** pursuant to section 2.1 of the Merger Participation Agreement, CNDE+ would be required to enter into an amalgamation agreement with BEC (the “Holdco Amalgamation Agreement”);

**AND WHEREAS** subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

**AND WHEREAS** pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled

to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

**AND WHEREAS** the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

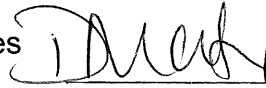
**AND WHEREAS** CNDE+ and E+ are subject to a Shareholders' Agreement among the Municipality, Cambridge and CNDE+ (as successor to Cambridge and North Dumfries Hydro Inc.) dated January 1, 2000 (the "CNDE+ USA") requiring shareholder approval of transactions such as the Amalgamations;

**AND WHEREAS** after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, the Municipality, Cambridge and Brantford intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to Council for review;

**AND WHEREAS** after the Amalgamations have taken place Brantford intends to enter into an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco and Brantford Hydro Inc. (the "Shared Services Agreement"), substantially in the form of an amended and restated shared services and obligations agreement (the "Draft Shared Services Agreement") previously presented to Council for review the entry into which would require shareholder approval under the Unanimous Shareholder Agreement.

**NOW THEREFORE BE IT RESOLVED THAT:**

- (a) The Municipality approves the Amalgamations;
- (b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality;



CITY CLERK

**CITY OF CAMBRIDGE**

- (c) CNDE+ is authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation;
- (d) E+ is authorized to carry out the LDC Amalgamation;
- (e) The Municipality is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;
- (f) The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;
- (g) The entry by LDC Mergeco and Brantford Hydro Inc. into the Shared Services Agreement, substantially in the form of the Draft Shared Services Agreement is approved;
- (h) The execution and delivery by the Municipality of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Chief Administrative Officer, or other duly authorized representative, of the Municipality (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- (i) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and

- (j) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of CNDE+ approving the Amalgamations, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

CARRIED, on a recorded vote 4-0

In Favour: Councillors Ostner, McCreery, Gillespie, and Mayor Foxton

Opposed: None

Absent: Councillor Rolleman

## 5. City of Cambridge Confirmatory By-law

Motion: 21-162

Moved By: Councillor Hamilton

Seconded By: Councillor Reid

21-062 Being a by-law of the City of Cambridge and the Township of North Dumfries to confirm the proceedings of the Councils of the City of Cambridge and Township of North Dumfries at its joint meeting held in Cambridge on the 30<sup>th</sup> day of August, 2021.

CARRIED, on a recorded vote 7-0

In Favour: Councillors Reid, Devine, Mann, Liggett, Adshade, Hamilton, and Mayor McGarry



CERTIFIED TRUE COPY

  
CITY CLERK  
CITY OF CAMBRIDGE

Opposed: None

Absent: Councillors Wolf and Ermeta

## 6. Township of North Dumfries Confirmatory By-law

Motion: 21-163

Moved By: Councillor Gillespie

Seconded By: Councillor McCreery

3272-21 Being a by-law of the City of Cambridge and the Township of North Dumfries to confirm the proceedings of the Councils of the City of Cambridge and Township of North Dumfries at its joint meeting held in Cambridge on the 30th day of August, 2021.

CARRIED, on a recorded vote 4-0

In Favour: Councillors Ostner, McCreery, Gillespie, and Mayor Foxton

Opposed: None

Absent: Councillor Rolleman

## 7. Adjournment

Motion: 21-164

Moved By: Councillor Devine

Seconded By: Councillor Ostner

THAT this Joint Council meeting does now adjourn at 9:33 p.m.

CARRIED, on a recorded vote 11-0

## Cambridge Vote

In Favour: Councillors Reid, Devine, Mann, Liggett, Adshade, Hamilton, and Mayor McGarry

Opposed: None

Absent: Councillors Wolf and Ermeta

**North Dumfries Vote**

In Favour: Councillors Ostner, McCreery, Gillespie, and Mayor Foxton

Opposed: None

Absent: Councillor Rolleman

---

MAYOR



---

CLERK

**CERTIFIED TRUE COPY**

---

CITY CLERK  
**CITY OF CAMBRIDGE**

BY-LAW 21-162

Being a by-law to confirm the proceedings of the Council of the Corporation of the City of Cambridge at its Joint Meeting with the Corporation of the Town of North Dumfries

**WHEREAS** the Municipal Act, 2001 S.O. 2001, c.25, Section 5, provides that the powers of a municipal corporation shall be exercised by its Council;

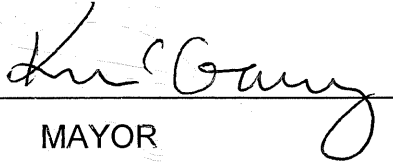
**AND WHEREAS** the Municipal Act, 2001 S.O. 2001, c.25, Section 9 and 11, provides that except where otherwise provided the powers of any Council shall be exercised by by-law;

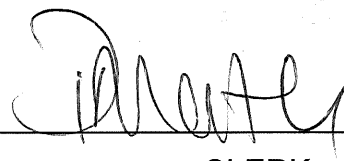
**AND WHEREAS** in many cases action which is taken or authorized to be taken by Council does not lend itself to the passage of an individual by-law;

**NOW THEREFORE BE IT RESOLVED THAT the Corporation of the City of Cambridge enacts as follows:**

1. THAT the action of the Council at its meeting held on the 30<sup>th</sup> day of August, 2021, in respect of each motion, resolution and other action taken by the Council, and its Committees, at its said meeting is, except where the prior approval of the Local Planning Appeal Tribunal or other authority is by law required, hereby adopted, ratified and confirmed as if all such proceedings were expressly embodied in this by-law.
2. THAT where no individual by-law has been or is passed with respect to the taking of any action authorized in or by the above mentioned Minutes or with respect to the exercise of any powers by the Council in the above mentioned Minutes, then this by-law shall be deemed for all purposes to be the by-law required for approving and authorizing and taking of any action authorized therein or thereby, or required for the exercise of any powers therein by the Council.
3. THAT the Mayor and the proper officers of The Corporation of the City of Cambridge are hereby authorized and directed to do all things necessary to give effect to the said action of the Council or to obtain approvals where required and, except where otherwise provided, the Mayor, the Clerk and the Treasurer are hereby directed to execute all documents necessary on behalf of The Corporation of the City Cambridge and to affix thereto the corporate seal of The Corporation of the City of Cambridge.
4. THAT this by-law shall come into full force on the day it is passed.

ENACTED AND PASSED this 30<sup>th</sup> day of August, 2021.

  
\_\_\_\_\_  
MAYOR

  
\_\_\_\_\_  
CLERK



The TOWNSHIP of  
**NORTH DUMFRIES**

2958 Greenfield Road  
PO Box 1060  
Ayr, ON N0B 1E0

October 14, 2021

Sent Via Email:

J. Mark Rodgers  
Borden Ladner Gervais  
Bay Adelaide Centre, East Tower  
22 Adelaide St. W,  
Toronto, ON M5H 4E3  
[mrodger@blg.com](mailto:mrodger@blg.com)

**RE: Resolution related to Brantford-Energy+ Ontario Energy Board Merger**

Attention: J. Mark Rodger

This letter is to advise you that the Township of North Dumfries Council, at the Joint Council Meeting held on August 30, 2021 with the City of Cambridge, adopted the following resolution:

*“WHEREAS The Corporation of the Township of North Dumfries (the “Municipality”) is, together with The Corporation of the City of Cambridge (“Cambridge”), a shareholder of CNDE+;*

*AND WHEREAS CNDE+ is the sole shareholder of E+;*

*AND WHEREAS CNDE+ and BEC intend to amalgamate (the “Holdco Amalgamation”) pursuant to section 174 of the Business Corporations Act (Ontario) (the “OBCA”) to form an amalgamated entity (“Merged Holdco”);*

*AND WHEREAS subsequent to the Holdco Amalgamation, E+ and BPI intend to amalgamate pursuant to section 174 of the OBCA (the “LDC Amalgamation”, and together with the Holdco Amalgamation, the “Amalgamations”) to form an amalgamated entity (“LDC Mergeco”);*

*AND WHEREAS in order to facilitate the Amalgamations, CDNE+, BEC, E+, BPI, the Municipality, Cambridge, and The Corporation of the City of Brantford (“Brantford”) intend to enter into a merger participation agreement (the “Merger Participation Agreement”), substantially in the form of a draft merger participation agreement (the “Draft Merger Participation Agreement”) previously presented to the Council of the Municipality for review;*

*AND WHEREAS pursuant to section 2.1 of the Merger Participation Agreement, CNDE+ would be required to enter into an amalgamation agreement with BEC (the “Holdco Amalgamation Agreement”);*

*AND WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;*

*AND WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;*

*AND WHEREAS the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;*

*AND WHEREAS CNDE+ and E+ are subject to a Shareholders' Agreement among the Municipality, Cambridge and CNDE+ (as successor to Cambridge and North Dumfries Hydro Inc.) dated January 1, 2000 (the "CNDE+ USA") requiring shareholder approval of transactions such as the Amalgamations;*

*AND WHEREAS after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, the Municipality, Cambridge and Brantford intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to Council for review;*

*AND WHEREAS after the Amalgamations have taken place Brantford intends to enter into an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco and Brantford Hydro Inc. (the "Shared Services Agreement"), substantially in the form of an amended and restated shared services and obligations agreement (the "Draft Shared Services Agreement") previously presented to Council for review the entry into which would require shareholder approval under the Unanimous Shareholder Agreement.*

*NOW THEREFORE BE IT RESOLVED THAT:*

- (a) The Municipality approves the Amalgamations;*
- (b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality;*
- (c) CNDE+ is authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation;*
- (d) E+ is authorized to carry out the LDC Amalgamation;*

- (e) *The Municipality is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;*
- (f) *The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;*
- (g) *The entry by LDC Mergeco and Brantford Hydro Inc. into the Shared Services Agreement, substantially in the form of the Draft Shared Services Agreement is approved;*
- (h) *The execution and delivery by the Municipality of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Chief Administrative Officer, or other duly authorized representative, of the Municipality (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;*
- (i) *The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and*
- (j) *The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of CNDE+ approving the Amalgamations, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination."*

Please find enclosed a certified true copy of the signed resolution adopted by Township Council for your records.

Please contact the undersigned should you require anything further.

Sincerely,



Ashley Sage, Clerk  
Township of North Dumfries

cc. Andrew McNeely, Chief Administrative Officer

Encl.

**THE CORPORATION OF THE TOWNSHIP OF NORTH DUMFRIES  
SPECIAL JOINT COUNCIL MEETING**

August 30, 2021 Session

No: C- 376-21

Moved by: Councillor McCreery

*Cambridge motion*

Seconded by: Councillor Gillespie

*# 21-161*

**WHEREAS** The Corporation of the Township of North Dumfries (the "Municipality") is, together with The Corporation of the City Cambridge ("Cambridge"), a shareholder of CNDE+;

**AND WHEREAS** CNDE+ is the sole shareholder of E+;

**AND WHEREAS** CNDE+ and BEC intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the Business Corporations Act (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

**AND WHEREAS** subsequent to the Holdco Amalgamation, E+ and BPI intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

**AND WHEREAS** in order to facilitate the Amalgamations, CDNE+, BEC, E+, BPI, the Municipality, Cambridge, and The Corporation of the City of Brantford ("Brantford") intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Council of the Municipality for review;

**AND WHEREAS** pursuant to section 2.1 of the Merger Participation Agreement, CNDE+ would be required to enter into an amalgamation agreement with BEC (the "Holdco Amalgamation Agreement");

**AND WHEREAS** subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

**TRUE CERTIFIED COPY**

*Osley Lage*

Clerk

Township of North Dumfries



**AND WHEREAS** pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

**AND WHEREAS** the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

**AND WHEREAS** CNDE+ and E+ are subject to a Shareholders' Agreement among the Municipality, Cambridge and CNDE+ (as successor to Cambridge and North Dumfries Hydro Inc.) dated January 1, 2000 (the "CNDE+ USA") requiring shareholder approval of transactions such as the Amalgamations; **AND WHEREAS** after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, the Municipality, Cambridge and Brantford intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to Council for review;

**AND WHEREAS** after the Amalgamations have taken place Brantford intends to enter into an Amended and Restated Shared Services and Obligations Agreement with LDC Mergeco and Brantford Hydro Inc. (the "Shared Services Agreement"), substantially in the form of an amended and restated shared services and obligations agreement (the "Draft Shared Services Agreement") previously presented to Council for review the entry into which would require shareholder approval under the Unanimous Shareholder Agreement.

**NOW THEREFORE BE IT RESOLVED THAT:**

- (a) The Municipality approves the Amalgamations;
- (b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality;
- (c) CNDE+ is authorized to enter into the Holdco Amalgamation Agreement and to approve the LDC Amalgamation;
- (d) E+ is authorized to carry out the LDC Amalgamation;
- (e) The Municipality is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;

**TRUE CERTIFIED COPY**




Clerk  
Township of North Dumfries

- (f) The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;
- (g) The entry by LDC Mergeco and Brantford Hydro Inc. into the Shared Services Agreement, substantially in the form of the Draft Shared Services Agreement is approved;
- (h) The execution and delivery by the Municipality of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Chief Administrative Officer, or other duly authorized representative, of the Municipality (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- (i) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such minor deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and
- (j) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of CNDE+ approving the Amalgamations, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, the Shared Services Agreement and/or the Holdco Amalgamation Agreement or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

TRUE CERTIFIED COPY


  
Clerk  
Township of North Dumfries

☒ Carried  
☐ Lost  
☐ Deferred

  
\_\_\_\_\_  
Susan Foxton  
Co-Chair  
Township of North Dumfries

Item #5.1

TRUE CERTIFIED COPY

  
\_\_\_\_\_  
Clerk  
Township of North Dumfries

**Schedule J**

**BPI 2020 Scorecard**

Scorecard - Brantford Power Inc.										Energy+ Inc. and Brantford Power Inc. 10/7/2021	
										MAADs Application	
										File Number: EB-2021-0280	
										Date Filed	Target
										Score	Rating
Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Industry	Distributor	
Customer Focus  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	99.70%	99.59%	99.52%	100.00%	100.00%	⬆️	90.00%		
		Scheduled Appointments Met On Time	99.80%	100.00%	100.00%	99.82%	99.88%	⬇️	90.00%		
		Telephone Calls Answered On Time	67.10%	73.18%	85.24%	71.54%	81.10%	⬆️	65.00%		
	Customer Satisfaction	First Contact Resolution	84.20%	86.5	86.84	79.5%	79				
		Billing Accuracy	99.89%	99.89%	99.84%	99.92%	99.88%	➡️	98.00%		
		Customer Satisfaction Survey Results	94%	95	95%	97%	97				
Operational Effectiveness  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	81.00%	84.00%	84.00%	85.00%	85.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C	➡️		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡️		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡️		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.45	0.29	0.68	0.62	0.26	⬇️		0.40	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.24	1.07	0.89	1.10	1.12	⬇️		0.86	
	Asset Management	Distribution System Plan Implementation Progress	85.1%	100.2	101.9%	115.9%	119.6				
	Cost Control	Efficiency Assessment	3	3	3	3	3				
		Total Cost per Customer <sup>3</sup>	\$528	\$504	\$527	\$543	\$576				
		Total Cost per Km of Line <sup>3</sup>	\$41,385	\$39,369	\$41,221	\$42,273	\$43,868				
	Public Policy Responsiveness  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	100.00%	85.71%	100.00%	66.67%				
New Micro-embedded Generation Facilities Connected On Time			100.00%	100.00%	100.00%			➡️	90.00%		
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.16	2.14	2.17	1.60	1.62				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.96	0.89	0.83	1.07	1.38				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.98%	8.78%	8.78%		8.78%			
			Achieved	6.53%	11.38%	7.90%		3.76%			
1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC). 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability. 3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.							Legend:	5-year trend ⬆️ up ⬇️ down ➡️ flat Current year 🟢 target met 🟡 target not met			

## 2020 Scorecard Management Discussion and Analysis (“2020 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2020 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2020, Brantford Power Inc. (“Brantford Power”) exceeded all performance targets with the exception of the measure for “Average Number of Times that Power to a customer is interrupted”. Despite missing this specific measure, Brantford Power’s performance compared favorably to the industry average for 2020 outage statistics.

Brantford Power strives to maintain or improve its overall scorecard performance by monitoring key performance measures throughout the year and addressing issues as they arise. Brantford Power plans to undertake initiatives which will mitigate risks, allowing continued delivery of the current performance levels.

Customers are encouraged to review the specific commentary on each of the reported performance categories outlined on the Scorecard in order to obtain further information on the particular measures. Brantford Power welcomes any customer feedback regarding its 2020 Scorecard.

### Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2020, Brantford Power connected 515 or 100% of eligible low-voltage customers, those utilizing connections under 750 volts, to its local distribution system within the five-day timeline prescribed by the Ontario Energy Board (OEB). The result exceeds the industry target of 90% and this is the eighth year that Brantford Power has achieved over 99%. Brantford Power continues to focus on maintaining and coordinating the appropriate engineering, construction, and operations resources in order to meet the expectations of its customers.

- **Scheduled Appointments Met On Time**

Brantford Power scheduled 804 appointments in 2020 to complete work requested by its customers including the connection and reconnection of services, inspections, and collection of meter data. The vast majority of those commitments 803 or 99.88% were completed within the required timelines and in keeping with customer expectations. Brantford Power exceeded the industry target of 90% and has been above 99% for eight consecutive years.

- **Telephone Calls Answered On Time**

Brantford Power's Customer Care team handled 34,404 calls in 2020 with 27,903 of those calls, or 81.10%, answered within 30 seconds. The outcome exceeds the prescribed target of 65%. The 2019 results represent an increase of 9.56% from the previous year, despite the Government-mandated introduction of the Customer Choice Initiative, the COVID-19 emergency Time-of-Use rate changes and the COVID-19 Emergency Assistance Program, all of which contributed to spikes in call volumes.

## Customer Satisfaction

### • First Contact Resolution

At Brantford Power, First Contact Resolution is normally captured through the Customer Service Transactional Survey, which surveys a random sample of 600 customers who had contact with Brantford Power between January and December each year. Due to the changes and impacts of the global pandemic on our customers during 2020, Brantford Power ceased this outbound calling activity in May 2020. The result of 79% for 2020 is based on 200 calls and indicates that the majority of customers responded favorably when asked whether their specific question or issue was resolved during their initial contact with Brantford Power's customer care team. The result aligns with the previous year, with only a 0.5% decrease over the 2019 outcome of the equivalent survey. The full Customer Service Transactional survey has been reintroduced in 2021.

### • Billing Accuracy

The OEB prescribed a measurement and target for billing accuracy which has applied to all electricity distributors since October 1, 2014. For the period of January 1 to December 31, 2020, Brantford Power issued 488,010 bills and achieved a billing accuracy result of 99.88%. This result is consistent with previous years' outcomes and exceeds the OEB's target of 98%.

### • Customer Satisfaction Survey Results

In 2019, and in keeping with the OEB's requirement to measure and report customer satisfaction results every other year, Brantford Power used a leading market research organization to conduct a survey, which included questions focused on the key areas of: power quality and reliability; price; billing and payment; communications; customer service experience; and brand image.

Brantford Power's "Top 3-Box" overall satisfaction result of 97% was derived from the input of 500 residential and 100 business customers who were asked to provide a rating ranging from 1 (not at all satisfied) to a rating of 5 (very satisfied) for each key area. The same methodology has been used consistently since 2015, and has proven valuable in identifying both customer preferences and opportunities for improvement, many of which have been incorporated into determining Brantford Power's operational priorities. For the purpose of meeting the OEB deliverable, Brantford Power will complete its next survey in 2021. Brantford Power will also maintain its regular practice of annually surveying 600 customers who have made contact with the distributor to monitor satisfaction on an ongoing basis.



## Safety

### Public Safety

The Ontario Energy Board (OEB) introduced the Safety measure in 2015. This measure looks at safety from a customer's point of view as safety of the distribution system is a high priority. The safety measure is generated by the Electrical Safety Authority (ESA) and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

The Public Awareness of Electrical Safety component of this measure was introduced in 2015, with an OEB requirement to measure and report the result every two years. In early 2020, Brantford Power completed the prescribed and standardized survey of randomly selected residents in its service territory. These individuals scored 85% on their awareness of electrical safety, an improvement over the last reported result of 84%. Brantford Power remains committed to improving the public's awareness of electrical safety through a number of channels, including sponsoring electrical safety sessions for all elementary schools in our service territory, the continued sponsorship of events at the Children's Safety Village of Brant, and the promotion of electrical safety practices through our website, social media and as host of an annual powerline safety seminar for local contractors, businesses and first responders. BPI notes that in 2020, any of the related in-person safety outreach programs were paused, consistent with the public health measures resulting from the COVID-19 pandemic.

- **Component B – Compliance with Ontario Regulation 22/04**

Ontario Regulation 22/04 Electrical Distribution Safety establishes objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service. Brantford Power was found to be fully compliant with Ontario Regulation 22/04 (Electrical Distribution Safety) over the past seven (7) years. This was achieved through a strong commitment to safety, and adherence to company procedures and policies.

- **Component C – Serious Electrical Incident Index**

For the past seven years, Brantford Power has recorded zero serious electrical incidents. Brantford Power owns and maintains over 534 km of distribution lines in the City of Brantford. Brantford Power actively promotes public safety through a number of channels including the company's website, its social media account, the sponsorship of electrical safety sessions for all elementary schools in our service territory, an ongoing partnership with the Children's Safety Village of Brant and at community safety events. Brantford Power also hosts an annual powerline safety seminar for local contractors, businesses and first responders.

## System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

Brantford Power customers experienced on average an outage duration of 0.26 hours or 15.6 minutes during 2020. This represents a 58% decrease in outage



minutes compared to 2019. In 2020, system reliability became an increased customer priority as a result of several COVID-19 stay home orders which resulted in unprecedented proportions of the population working from home, learning from home, or otherwise remaining in their homes for long periods of time.

Brantford Power continues to view reliability of electricity service as a high priority for its customers and, as such, has identified a number of initiatives and programs targeted at reducing the number of interruption hours in the coming years. Specifically, Brantford Power will continue to deploy smart fault indicators remotely reporting to our SCADA system to reduce the time required to locate faults. Brantford Power also plans to install additional automated reclosers switches to enable automatic isolation of faulted sections of feeders and inter-tie its feeders. Lastly, Brantford Power is proactively utilizing its inspection data and continuously executing its maintenance activities (including vegetation management).

- **Average Number of Times that Power to a Customer is Interrupted**

Compared to 2019, the average number of times that power was interrupted increased slightly from 1.10 to an average of 1.12 outages per customer in 2020.

The scorecard target for outage interruptions is based on Brantford Power's own average performance from 2012 to 2016. The average number of interruptions to a customer during this time period was 0.86. Brantford Power's 2020 results represent an increase over that target average of 0.26 outages per customer.

Brantford Power has identified initiatives that are expected to reduce the frequency of outages experienced by its customers. Specifically, Brantford Power will continue to install equipment on its longer feeders to improve voltage characteristics and outage restoration. BPI will, deploy additional automated recloser switches to reduce the frequency of sustained power interruptions, reduces the number of customers impacted by faults on a feeder and enable automatic fault isolation and restoration. This technology will support the development of outage management system and help improve internal and external communications during outages.

## Asset Management

- **Distribution System Plan Implementation Progress**

Brantford Power filed an application with the OEB for a full review of its rates effective January 1, 2017. As part of this application, Brantford Power filed a Distribution System Plan (DSP) covering the five-year forecast period of 2017 to 2021.

For 2020 BPI spent 119.6% of its cumulative planned DSP spending (\$19,577,232 actual spending in to date/\$16,374,394 DSP spending projected to date from 2017 to 2020). The basis for this statistic is the cost of in-service capital additions, net of capital contributions.

As a note, BPI has excluded \$12.7M from the spending from 2020 in order to allow comparability with BPI's Distribution System Plan, which excluded the building spending. The Facility was addressed in a separate regulatory proceeding (an Incremental Capital Module "ICM" application).

This is the fourth year that Brantford Power is reporting against its DSP as 2017 was the first year available to measure the Distribution System Plan Implementation Progress. The annual targets for DSP implementation represent the cumulative spending for each year in the DSP. Brantford Power compares the actual cumulative spending during our DSP period against these annual targets.

Brantford Power is also aware of the OEB's intent to create a uniform methodology for distributors to measure their Distribution System Plan Implementation, and will apply this methodology when it is available.

## Cost Control

- **Efficiency Assessment**

Electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2020, consistent with past years, Brantford Power was placed in Group 3. A Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered “average efficiency” – in other words, Brantford Power’s costs are within the average cost range for distributors in the Province of Ontario. In the 2020 report (based on 2020 efficiency levels), 46% (27 distributors) of Ontario distributors were ranked as “average efficiency”; 44 % (26 distributors) were ranked as “more efficient”; and 10 % (2 distributors) were ranked as “least efficient”.

Over the last three years Brantford Power has been trending towards the more efficient group by realizing favourable variances of 9.4%, 10.2%, and 4.8% **lower** than predicted cost for 2018, 2019 and 2020, respectively.

- **Total Cost per Customer**

Total cost per customer is calculated by dividing Brantford Power’s total cost by the total number of customers that Brantford Power serves. The total cost is the sum of Brantford Power’s capital and operating costs.

The per-customer cost result for 2020 is \$576, which is a 6.1% or \$33 per customer increase over 2019. The total cost of \$23,425,667 in 2020 was higher by \$1,875,164 or 8.7% than the level reported in 2019. When comparing the 2020 level to the per customer costs reported five years ago (\$528 – 2016), the 2020 level reflects the accumulated impact of average annual cost increase of approximately 1.8% per year during this period. The increase in 2020 is partly related to an increase in capital expenditures including the purchase and construction of Brantford Power’s new Operations and Administration facility at 150 Savannah Oaks Drive. Additionally Brantford Power saw increases to its operating costs, associated with costs to prepare a regulatory application, General and Administrative increased costs (including filling vacant positions and costs to respond to the COVID-19 Pandemic), and increased Billing costs.

Brantford Power is continually looking for ways to improve its business processes to enable it to comply with increasing responsibilities for local distribution companies without negatively impacting overall costs to the customers where possible. In the coming years, changing demographics introduce a risk in the area of resources to perform core operational functions. Brantford Power’s planning indicates that staffing levels required to maintain performance levels and meet future demands, along with the business systems necessary to support them, will mark a departure from the trend in headcount and compensation costs seen in previous years

- **Total Cost per km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that Brantford Power operates to serve its customers. The result of \$43,868 represents a 3.77% or \$1,595 increase compared to 2019. A discussion of the cost drivers can be found in the section above.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Brantford Power did not receive any Connection Impact Assessments (CIAs) in 2020.

- **New Micro-embedded Generation Facilities Connected on Time**

Brantford Power did not connect any micro-embedded generation facilities in 2020.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations. Brantford Power’s current ratio increased from 1.60 to 1.62 in 2020. Brantford Power continues to report a strong liquidity position.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40). A debt to equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt to equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Brantford Power’s leverage position has increased to 1.38 indicating that the current outstanding debt is more than the equity level. During 2019 and 2020, Brantford Power secured a total of \$25,000,000 in additional long-term borrowings to finance the capital program necessary to acquire its new facility and refurbish it, as well as constructing a new addition.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Brantford Power's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.78%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor's revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

Brantford Power's return achieved in 2020 was 3.76% which is outside the +/-3% range considered by the OEB to reflect a healthy level of financial performance. Consistent with the results reporting in Total Cost, BPI experienced cost increases in 2020 which contributed to the reduced ROE performance, these include the costs to purchase, construct, and relocate to BPI's new facility at 150 Savannah Oaks Drive. Brantford Power's 2020 profitability reflects a decrease from the previous years' trend. The decrease is attributable to increases in total costs including capital projects such as those discussed in the *Total Cost per Customer* section above.

**Schedule K**

**Energy+ 2020 Scorecards**

Scorecard - Energy Plus Inc.										Energy+ Inc. and Brantford Power Inc.	
										MAADs Application	
										File Number: EB-2021-0280	
										Date Filed	Target
										5-year trend	Current year
Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Industry	Distributor	
Customer Focus  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	99.10%	97.19%	95.94%		90.00%		
		Scheduled Appointments Met On Time	100.00%	98.90%	99.94%	99.94%	99.94%		90.00%		
		Telephone Calls Answered On Time	71.50%	80.12%	88.89%	84.89%	87.11%		65.00%		
	Customer Satisfaction	First Contact Resolution	99.99%	99.7%	99.75%	99.55%	99.60%				
		Billing Accuracy	99.98%	99.99%	99.99%	99.99%	99.99%		98.00%		
		Customer Satisfaction Survey Results	B	A	A	A	A				
Operational Effectiveness  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	85.00%	82.00%	82.00%	82.00%	82.00%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	C	C	C	C	C			C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	1	0	3			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.672	0.000	1.970			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.63	1.53	0.46	0.92	0.71			0.87	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	1.27	2.18	1.19	1.53	1.38			1.46	
	Asset Management	Distribution System Plan Implementation Progress	On Plan	On plan	ON Plan	On Plan	80.6%				
	Cost Control	Efficiency Assessment	3	3	2	2	2				
		Total Cost per Customer <sup>3</sup>	\$639	\$640	\$662	\$677	\$657				
		Total Cost per Km of Line <sup>3</sup>	\$23,739	\$27,874	\$28,689	\$29,569	\$28,895				
Public Policy Responsiveness  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time	80.00%	100.00%	100.00%	100.00%	100.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	100.00%			90.00%		
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.99	1.58	1.45	0.60	1.55				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.10	1.06	1.01	0.99	1.15				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.36%	9.36%	9.36%	8.98%	8.98%			
			Achieved	9.49%	7.75%	8.68%	9.06%	8.34%			
1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC). 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability. 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.						Legend:	5-year trend up  down  flat Current year target met  target not met				

# 2020 Scorecard Management Discussion and Analysis (“2020 Scorecard MD&A”)

Energy+ Inc. and Brantford Power Inc.  
AAA's Application  
File Number: EB-2021-0280  
Date Filed: November 1, 2021  
Page 233 of 498

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2020 Scorecard MD&A:

[http://www.oeb.ca/OEB/Documents/scorecard/Scorecard\\_Performance\\_Measure\\_Descriptions.pdf](http://www.oeb.ca/OEB/Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf)

## Scorecard MD&A - General Overview

Energy+ Inc. delivers electricity to approximately 67,000 customers in the City of Cambridge, Township of North Dumfries, the County of Brant and rural areas around Brantford. Energy+’s mission is to deliver ideas, solutions and value-added services that benefit our customers, stakeholders and communities.<sup>1</sup>

2020 was a challenging year, but despite the uncertainties caused by the COVID-19 pandemic Energy+ met or exceeded the performance targets as set out by the Ontario Energy Board (“OEB”) for Service Quality, and Customer Satisfaction, and accomplished a number of key objectives aligned to our vision “Be the energy company most admired for its innovative people, reliable service, and outstanding performance”. Energy+ is proud of its performance and the team’s achievements, which include:

- Achieving net income of \$6.25MM, representing a regulated rate of return of 8.34% to our shareholders, the City of Cambridge and the Township of North Dumfries.
- Achieving a cost performance rating of Cohort II in the OEB’s benchmark analysis, resulting from Energy+’s cost performance being 14.4% lower than predicted cost and placing Energy+ in the top 42% of all distributors in the province.
- Deployment of a joint operations facility with Brantford Power Inc. (“BPI”) and development of a shared services agreement that will enable cost efficiencies and improve service quality in the Brant County service territory.
- Executing the capital expenditure investment plan, as outlined in the long-term Distribution System Capital Plan, which ensures the continued reliability of our distribution system.
- Sustaining an ‘A Stable’ corporate credit rating from Standard & Poor’s (“S&P”) Rating Services, demonstrating Energy+’s strong

<sup>1</sup> In January 2016, Cambridge and North Dumfries Hydro Inc. (“CND”) and Brant County Power Inc. (“BCP”) amalgamated pursuant to the provisions of the Business Corporations Act (Ontario), to continue as one corporation under the name Energy+ Inc. (“Energy+”). The comparative results included on the Scorecard for the years 2014 and 2015 are for the former CND only.

financial performance.

In response to the COVID-19 pandemic, Energy+ took action to support its customers, ensure the safety of its employees, and maintain its financial viability, including:

- Administering the COVID-19 Emergency Assistance Program (“CEAP”) which provided \$436,428 in funding to its Residential and Small Commercial customers throughout 2020 and 2021.
- Provided socially distant work environments and personal protective equipment for the team to maintain the safety and reliability of the distribution system.
- Employed cost avoidance measures on capital and operating expenditures, and increased capacity on credit facilities to strengthen liquidity and financial viability.

Looking ahead, the risks and uncertainty from COVID-19 will continue to be managed and Energy+ will focus efforts on achieving operating efficiencies and demonstrating continuous improvement in its performance measures.

The key objective in 2021 will be the exploring a merger with BPI including due diligence review and integration planning. The proposed merger with BPI was approved by the Energy+ and BPI shareholders on August 30, 2021. Approval from the Ontario Energy Board (“OEB”) through a Mergers, Amalgamations, Acquisitions and Divestitures (“MAADs”) Application will be required to complete the merger which is anticipated for Q2 2022.



A core value for Energy+ and its employees is to be Customer Focused. Energy+ is committed to providing excellent services and solutions for our customers, both anticipating and responding to their needs. Energy+ proved its commitment to customer service by exceeding the industry standards in all three of the service quality measures.

- **New Residential/Small Business Services Connected on Time**

In 2020, Energy+ connected 715 new services for our customers, with 95.94% of the connections completed within 5 working days. This compares to 1,071 new services and 97.19% of connections completed within 5 working days in 2019. Energy+ has consistently exceeded the OEB's guideline of 90% completion within 5 working days of the request being made.

- **Scheduled Appointments Met On Time**

Energy+ scheduled 1,740 appointments that involved meeting a customer or the customer's representative to complete work requested by customers. This was an increase of 150 appointments compared to 1,590 in 2019. Energy+ met 99.94% of these appointments on time, which was consistent with the percentage of scheduled appointments met on time in 2019. Energy+ has consistently exceeded the industry target of 90%.

- **Telephone Calls Answered On Time**

Energy+ received 45,904 telephone calls in 2020, an average of 182 calls per day. This compares to 48,862 telephone calls in 2019. The monthly average number of calls answered in 2020 was 3,825; from a high of 4,049 answered in October to a low of 2,717 in February. In 2020, 87.11% of telephone calls were answered within 30 seconds, which is an improvement over the 84.89% achieved in 2019. Energy+ has consistently exceeded the industry standard of 65%.

Telephone response times fluctuate based on a number of factors including number of calls, weather related calls, high electricity bills due to extreme weather, available call centre resources, events in the news that drive calls to the call centre, regulatory and rate changes displayed on customer bills, and payment arrangements. All of these factors can result in an increase or a decrease in call volumes and increased or decreased time spent on each call with our customers. Energy+ is committed to providing continuous excellent customer service and this is one indication of achievement.

- **First Contact Resolution**

Energy+ measures First Contact Resolution as the percentage of customer calls answered whereby the customer's initial request has been satisfied by the Customer Service Representative, as the first point of contact. Customer telephone calls that are not satisfied with the first contact are elevated to a second point of contact for resolution. All customer calls are logged through our telephone software, which allows Energy+ to identify the calls that required a second point of contact.

Energy+ is pleased to report that in 2020, 99.60% of calls received by our Customer Care department were resolved by the first telephone contact, which was consistent with 99.55% in 2019. The OEB does not provide for a specific measure for First Contact Resolution. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for this area in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding the commonly defined measure.

- **Billing Accuracy**

The OEB has prescribed a measurement of billing accuracy that is defined as the number of accurate bills issued expressed as a percentage of total bills issued. In 2020, Energy+ issued 806,776 bills and achieved a billing accuracy of 99.99%, compared to 796,130 bills and a billing accuracy of 99.99% in 2019. This compared favourably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

Electricity distributors are required to measure, and report customer satisfaction results every other year at minimum. A standard survey has not been implemented for the industry and at this time the OEB is allowing electricity distributors discretion as to how they implement this measure. In consultation with electric utilities and other stakeholders, the OEB has been evaluating a Customer Satisfaction Survey to be used by all electricity distributors as the basis of measuring customer satisfaction, which would align to the OEB defined principles, namely, Power Quality and Reliability, Price, Billing and Payment, Customer Service Experience and Communications.

Energy+ has a formal policy and procedure in place that outlines the processes for seeking feedback from customers, methods used to gather customer feedback, and guidelines for how Energy+ responds to the information obtained from customers. Energy+ obtains customer feedback using various methods, including: (i) engaging the services of an external third-party research organization; (ii) using internal survey tools; (iii) collecting and evaluating suggestions made by customers when they interact with employees; (iv) participating in community events; (v) meeting with customers directly; and (vi) obtaining feedback through various media channels including social media.

Energy+ conducted a Customer Satisfaction Survey of a representative sample of residential and small commercial customers during 2019 for the 2019-2020 reporting period. The survey feedback was gathered through one-on-one telephone interviews and questions aligned with the OEB defined principles.

Energy+ achieved a satisfaction score of “A”, with approximately 88% of customers responding that they were very satisfied or somewhat satisfied with the services provided by Energy+. The results indicated high levels of customer satisfaction with the services provided by Energy+ and the results were an improvement over the score of 80% from the survey for the 2017-2018 reporting period. Energy+ believes that the improvement in customer satisfaction levels can, in part, be attributed to the implementation of an online Outage Map and extended System Control Room services across the service territory. The survey also provided the opportunity to give feedback on areas that the customer believed Energy+ could change or make improvements upon. Delivering reasonable electricity distribution rates, improved communication and ensuring reliable day-to-day electrical service were identified as the most significant customer priorities.

Energy+ is committed to customer engagement and satisfaction and will continue to communicate and solicit feedback from our customers to ensure we are achieving our mission of delivering solutions and value-added services to our customers.

Public safety, and the health and safety of our employees is a core value. Energy+ is dedicated to pursuing excellence in safety and wellness and takes responsibility for our personal safety, the safety of each other and the safety of our customers and communities. We continuously work to strengthen our safety culture. Our employees and contractors are trained and equipped for the hazards that may be encountered while performing their duties. We encourage and promote safety and wellness at work, at home, and in the communities we serve.

- **Public Safety**

The public safety measures were implemented by the OEB in 2014, based upon recommendations provided by the Electrical Safety Association (“ESA”), the agency overseeing electrical safety and inspections in Ontario. The public safety measure includes three components: (i) Public Awareness of Electrical Safety; (ii) Compliance with Ontario Regulation 22/04; and (iii) Serious Electrical Incident Index.

- **Component A – Public Awareness of Electrical Safety**

The public safety measure is intended to measure the level of awareness of key electrical safety precautions among the public within the electricity distributor’s service territory. It measures the degree of effectiveness for distributor’s activities on preventing electrical accidents and is based upon a biennial survey (i.e., every second year) developed by the ESA in consultation with electricity distributors and the Electricity Distributors Association. Included in the survey are six core measurement questions which correspond to the six most frequent accidents involving utility equipment in Ontario over the last decade: (1) Likelihood to “call before your dig”; (2) Impact of touching a powerline; (3) Proximity to overhead powerline; (4) Danger of tampering with electrical equipment; (5) Proximity to downed powerline; and (6) Actions taken when a vehicle comes in contact with wires.

Energy+ achieved a Public Safety Awareness Index Score of 82% in its biennial survey performed in 2019 for the 2019-2020 reporting period. The results are consistent with the previous survey for the 2017-2018 reporting period. The overall result of the survey indicates that the majority of the public continue to have a good knowledge or have received information pertaining to the six core measurement questions within the survey.

Going forward, Energy+ will focus its public safety awareness messages to improve awareness on minimum distance requirements for downed powerlines, and the legal requirement to ‘call before digging’. Energy+ will look for opportunities to enhance future education materials that target these safety concerns.

○ **Component B – Compliance with Ontario Regulation 22/04**

Energy+ is fully compliant with Ontario Regulation 22/04 (“OR 22/04”), the regulation that dictates the safe design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications, and inspections of construction before the electrical distribution system components are placed into service. Energy+ is committed to ensuring a safe workplace and compliance with all applicable regulations. Energy+ has appropriate systems, processes, and procedures in place for ensuring that work is carried out in accordance and in compliance with OR 22/04.

○ **Component C – Serious Electrical Incident Index**

The Serious Electrical Incident Index measures the number and rate of serious electrical incidents occurring across a distributor’s assets per 1,000 kms of line. Section 12 of Ontario Regulation 22/04 defines a serious electrical incident as:

- a) any electrical contact that caused death or critical injury to a person;
- b) any inadvertent contact with any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person; or
- c) any fire or explosion in any part of a distribution system operating at 750 volts or above that caused or had the potential to cause death or critical injury to a person, except a fire or explosion caused by lightning strike.

Energy+ experienced three serious electrical incidents in the 2020 reporting period, compared to a target of zero incidents. The incidents result in a rate per 1,000 km of line of 1.970. All three incidents were a result of motor vehicle collisions, where a member of the public struck a pole or transformer exposing live wires, creating the potential for injury.

## System Reliability

Yearly fluctuations in system reliability performance measures can result from variations in weather, such as lightning, excessive snowfalls, and ice storms, as well as defective equipment, foreign interference such as animal contacts, and motor vehicle accidents.

In December 2015, the OEB issued the “*Report of the Board: Electricity Distribution System Reliability: Major Events, Reporting on Major Events and Customer Specific Measures*”. As a result, the OEB made amendments to the reporting requirements in relation to the definition of a Major Event, and the computation of the system reliability measures to exclude Major Events for purposes of the Scorecard.

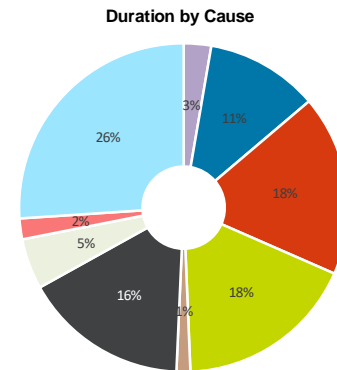
A Major Event is defined as an event that is beyond the control of the distributor and is (a) unforeseeable; (b) unpredictable; (c) unpreventable; or (d) unavoidable. Such events disrupt normal business operations and occur so infrequently that it would be uneconomical to take them into account when designing and operating the distribution system. Such events cause exceptional and/or extensive damage to assets, they take significantly longer than usual to repair, and they affect a substantial number of customers.

### • Average Number of Hours that Power to a Customer is Interrupted

This metric represents the average amount of time that electricity supply to a customer is interrupted per year, determined by dividing the total customer hours of all interruptions (excluding interruptions caused by upstream loss of supply events to the distributor and major events) divided by the average number of customers served.

In 2020, the measure of Average Number of Hours that Power to a Customer is Interrupted was 0.71, an improvement compared to 0.92 reported in 2019. The result was lower than the target of 0.87.

Approximately 10% of the duration of interruptions were due to defective equipment.

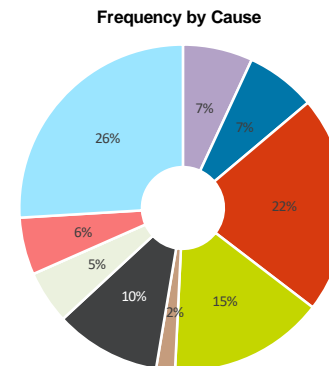


Cause of Interruption	Number Customer-hours Interruptions	
	Non-major Events	Major Events
0 Unknown/Other	835	0
1 Scheduled Outage	4,879	0
2 Loss of Supply	5,566	6,550
3 Tree Contacts	10,236	392
4 Lightning	626	0
5 Defective Equipment	18,704	5,317
6 Adverse Weather	2,853	2,978
7 Adverse Environment	0	0
8 Human Element	359	0
9 Foreign Interference	9,492	0
<b>Sub-Totals</b>	<b>53,549</b>	<b>15,237</b>

- **Average Number of Times that Power to a Customer is Interrupted**

This metric represents the average number of times that electricity supply to a customer is interrupted per year, determined by dividing the total number of interruptions (excluding interruptions caused by upstream loss of supply events to the distributor and major events) divided by the average number of customers served.

In 2020, the measure of Average Number of Times that Power to a Customer is Interrupted was 1.38, which was lower than the target of 1.46. The 2020 measure was also lower than the 1.53 reported in 2019.



Cause of Interruption		Number of Customer Interruptions	
		Non-major Events	Major Events
0	Unknown/Other	10,191	0
1	Scheduled Outage	9,011	0
2	Loss of Supply	7,431	2,207
3	Tree Contacts	23,715	59
4	Lightning	215	0
5	Defective Equipment	23,181	6,817
6	Adverse Weather	5,279	1,234
7	Adverse Environment	0	0
8	Human Element	173	0
9	Foreign Interference	21,598	0
Sub-Totals		100,794	10,317

Approximately 16% of the customer interruptions were due to defective equipment.

Energy+ experienced one major event in 2020 caused by adverse weather. In November 2020, the loss of supply from a 27.6kV feeder from Hydro One and equipment failures from a windstorm caused power interruptions to 10,317 customers throughout the Energy+ service territory. The outages met the criteria for a major event and resulted in 15,237 customer-hours of interruption. It took over six hours to restore power to 90% of customers affected.

In 2020, 81, or 18%, of the 458 total interruption events were caused by defective equipment. Energy+ has invested approximately \$32.9MM from 2016 to 2020 in the renewal of its distribution system, or approximately 47% of gross distribution capital expenditures. It will take some time to realize and fully evaluate improvements in reliability due to Energy+'s investment in replacing end of life assets.

## • Distribution System Plan Implementation Progress

Distribution system plan implementation progress is a performance measure instituted by the OEB starting in 2013. Consistent with certain other measures, electricity distributors were given an opportunity by the OEB to define the measure in the manner that best fits their organization. The OEB may develop a standard in the future, based upon the methodologies that utilities use to define their measure.

Energy+ filed a long-term Distribution System Plan (“DSP”), as part of its 2019 Cost of Service Application, which was approved in August 2019. The DSP provides an overview of Energy+’s Asset Management Planning process, including detailed analysis of historical and planned capital expenditures. The long-term objective of the DSP is to ensure that the future distribution system is designed to deliver power at the quality and reliability levels required by customers and to minimize the lifetime cost by balancing preventative maintenance, life-extending refurbishment, and end of life replacement. The capital plan includes expenditures that are required to maintain and expand the distributor’s electricity system to serve its current and future customers from 2018 to 2023.

The “Distribution System Implementation Progress” measure is intended to assess Energy+’s effectiveness at planning and implementing its DSP. In the 2019 Cost of Service Application, Energy+ introduced a more detailed set of DSP implementation metrics that have been utilized for the 2020 reporting year. These metrics highlight the results of key capital programs in addition to financial performance versus plan. The metrics and their weightings that form the index used for reporting and are summarized in the following table:

DSP Implementation Metrics	Target	Weight
Overall DSP Financial Progress vs. Plan	90% to 100%	50.0%
Flag For Action Plan Progress	90% to 100%	16.1%
Overhead Rebuild Progress	Cost: +/-10% km of line: 90% to 100%	11.3%
Underground Rebuild Progress	Cost: +/-10% km of cable: 90% to 100%	4.8%
Residential Lots Connections	Number: 465 per year Cost: +/- 10%	3.9%
Large Service Connections	Cost: +/-25%	11.7%
SCADA Switch Installations	Number: 100% Cost: \$80,000 per switch	2.3%
<b>Total</b>		<b>100.0%</b>



The DSP implementation progress has been measured on a cumulative basis against the 2018 to 2023 DSP. In 2020, Energy+ achieved an index score of 80.6%. The following table summarizes the results across each metric:

DSP Implementation Metrics	Result	Weight	Total	Notes
Overall DSP Financial Progress vs. Plan	84%	50%	42.2%	Cumulative net capital expenditures for 2018-2020 were \$35.1MM compared to \$41.5MM in the DSP (84%).
Flag For Action Plan Progress	60%	16%	9.6%	Flagged For Action asset replacements are behind schedule due to the slower pace of pole replacements and the deferral of underground rebuilds.
Overhead Rebuild Progress	88%	11%	10.0%	Energy+ rebuilt 28.8 km of overhead lines from 2018-2020 compared to a plan of 42.6 km (77%). The cost per km of line in that period was \$197K compared to a plan of \$212K (100%). Energy+'s completed a lower number of overhead line rebuilds compared to plan due to higher System Access expenditures. Energy+ managed its overhead distribution risk through pole testing and spot pole replacements. Spending was also reduced due to the impacts of COVID-19. Energy+'s cost per km performance is ahead of plan.
Underground Rebuild Progress	50%	5%	2.4%	Energy+ rebuilt 1.6 km of underground lines from 2018-2020 compared to a plan of 11.4 km (14%). The cost per km of line in that period was \$572K compared to a plan of \$505K (87%). Energy+ performed testing on samples of its primary underground cables in 2018 and 2019, which identified that the cables were in good or fair condition. As a result, the renewal of these assets has been deferred. Testing was not performed in 2020 due to the uncertainties associated with COVID-19.
Residential Lots Connections	94%	4%	3.7%	Energy+ has connected 862 Residential lots per year from 2018-2020 compared to a plan of 465 lots per year (100%). The cost per lot in that period was \$4,532 compared to a plan of \$4,000 per lot (88%). The Energy+ service area experienced stronger Residential growth than forecasted in the DSP, which was largely based on historical averages.
Large Service Connections	98%	12%	11.5%	Energy+ has incurred costs of \$4.0MM from 2018-2020 for large service connections, compared to a plan of \$4.1MM (98%). A large number of three-phase pad-mount and three-phase pole mount installations were completed in 2019 and 2020 to support customer connections.
SCADA Switch Installations	58%	2%	1.3%	Energy+ installed 2 SCADA Switches from 2018-2020 compared to a plan of 7 (29%). The cost per switch in that period was \$90K compared to a plan of \$80K per switch (88%). Energy+ has experienced strong customer growth which has placed investment priorities on System Access, reducing capacity for System Service investments.
<b>Total</b>			<b>80.6%</b>	

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs.

For 2020, Energy+ was assigned to Group 2 (above average efficiency), which is consistent with the assignment for 2019. Group 2 represents distributors with actual costs that are 10% to 25% below predicted costs. Distributors in Group 2 are considered to have above average efficiency, meaning that Energy+'s costs are below the average expected costs for distributors in the Province of Ontario. In 2020, 41% (24 distributors) were ranked as "more efficient", including Energy+; 49% (29 distributors) of the Ontario distributors were ranked as "average efficiency"; and 10% (6 distributors) were ranked as "least efficient".

Energy+'s vision "Be the energy company most admired for its innovative people, reliable service, and outstanding performance" is focused on achieving efficiencies and improving productivity, while providing value added services to our customers.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Energy+'s capital and operating costs and dividing this cost figure by the total number of customers that Energy+ serves. The cost performance result for 2020 is \$657 per customer, compared to \$677 in 2019. This represents a 3.0% decrease from 2019 to 2020 and reflects an annual growth rate of 0.7% since 2016. Based upon the Pacific Economic Groups benchmarking analysis, Energy+'s Total Cost per Customer in 2020 was 14.4% lower than predicted costs, compared to 14.1% lower in 2019. In addition to higher customer counts, the decrease in 2020 is also attributable to cost avoidance measures taken in response to the COVID-10 pandemic.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that Energy+ operates to serve its customers. Energy+'s 2020 Total Cost per km of Line rate is \$28,895, a decrease of 2.3% over the 2019 figure of \$29,569.

The Conservation First Framework (“CFF”) was introduced in March 2014 and was initially designed to reduce electricity consumption by 7,000 GWh across the Province of Ontario by December 31, 2020. The implementation of the CFF was intended to provide: (i) a streamlined approach for local electricity distribution companies to design province-wide and local saveONenergy programs for customers; (ii) an energy efficiency target based on achievable potential in the service territory; and (iii) the flexibility to allocate funding for conservation programs to deliver cost-effective programs to consumers.

As part of the CFF, Energy+’s net cumulative energy savings target was set at 100.96 GWh for the period 2015 to 2020.

On March 21, 2019, the Ministry of Energy, Northern Development and Mines directed the Independent Electricity System Operator (“IESO”) to discontinue the CFF and to establish a scaled down Interim Framework for the balance of 2019 and 2020 that would be delivered centrally by the IESO. As a result, the IESO immediately notified local distribution companies that the CFF would be discontinued effective immediately and that local distribution companies were required to immediately act to wind-down its activities under the CFF. As a result of this Decision, Energy+ has ceased the marketing and delivery of conservation programs and is focused on overseeing the wind-down of existing approved projects with customers, as mandated. In response to the COVID-19 pandemic, the IESO has provided funding to extend the wind-down of the CFF program to support customers in completing their projects.

- **Net Cumulative Energy Savings (Percent of target achieved)**

As of December 31, 2019, Energy+ achieved 164% of its net cumulative energy savings target.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (“CIAs”) within 60 days of receiving authorization from the Electrical Safety Authority. In 2020, Energy+ completed 2 CIA, a decrease compared to the 1 CIA completed in 2019. All of the assessments in 2020 were completed on time.

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio of greater than 1 are often referred to as being “liquid”. The higher the number, the more “Liquid” and the larger the margin of safety to cover the company’s short-term debts and financial obligations. Energy+’s current ratio at the end of 2020 was 1.55, demonstrating a strong liquidity position.

The current ratio of 1.55 for 2020 was higher than the 2019 figure of 0.60. The 2019 current ratio was lower than 1 due to \$35MM in debt scheduled to mature in 2020 that was considered a current financial obligation. In August 2020, Energy+ issued a 40 year \$55MM debenture with a historically low coupon rate for the utility sector which will provide interest savings and benefit customers in the long-term. A portion of the issuance was utilized to repay the \$35MM in debt, with the balance of cash proceeds available to support the long-term capital expenditure program and general corporate purposes.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The OEB uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt-to-equity ratio of 1.5 (60/40). A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly levered than the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Energy+’s debt to equity ratio was 1.15 in 2020, an increase over the 0.99 reported for 2019. The increase is attributable to the aforementioned refinancing and issuance a long-term debt in August 2020. Energy+’s strong financial position is further supported by Standard & Poor’s Rating Services rating of “A Stable”.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Energy+’s 2020 distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 8.98%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and costs structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

Energy+'s return achieved in 2020 was 8.34%, compared to the deemed regulatory return on equity of 8.98% included in 2020 distribution rates. Energy+'s return on equity is well within the +/- 3% range allowed by the OEB. The average return over the past three years was 8.69%.

## Note to Readers of 2020 Scorecard MD&A

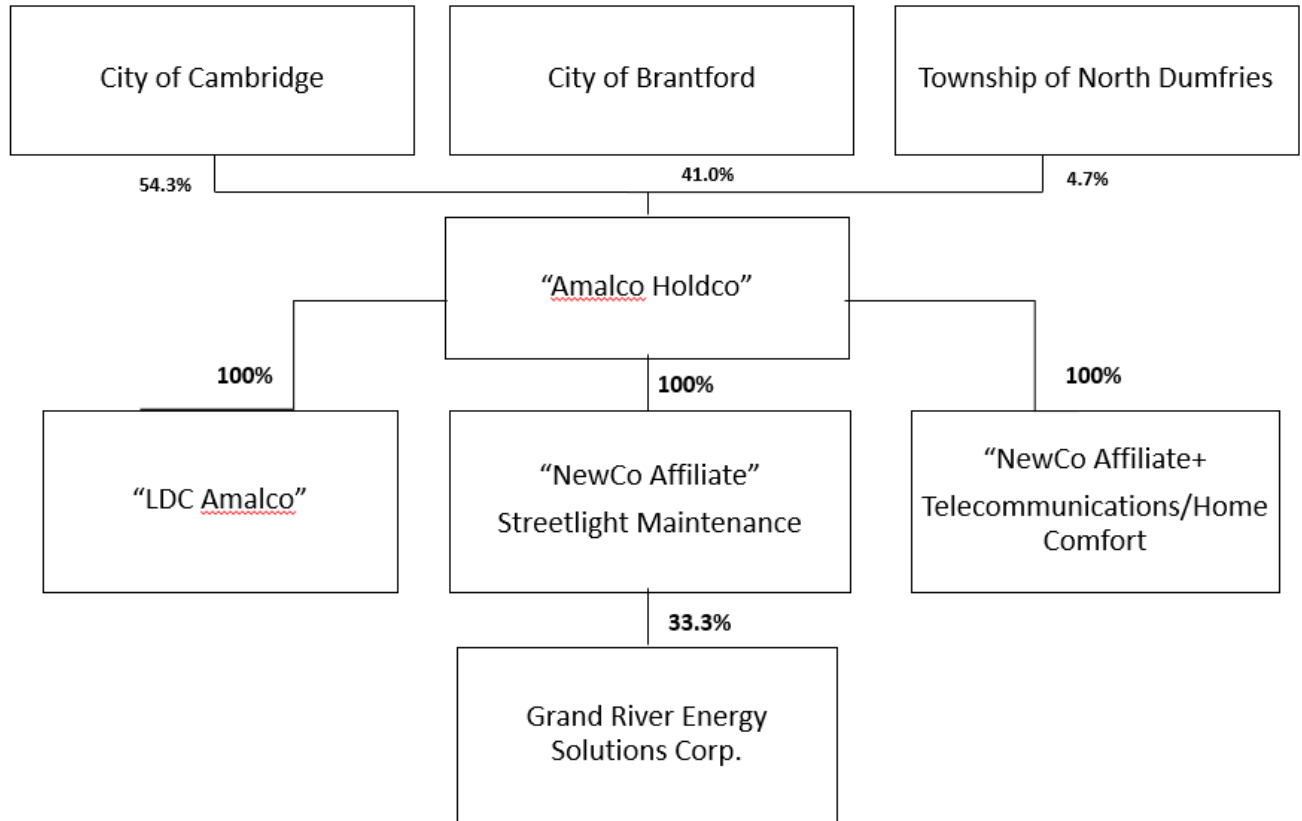
The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions, and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.

## Note to Readers of 2020 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

**Schedule L**

**Amalco Holdco. Corporate Structure (Post-Merger)**



**Schedule M**

**BPI Financial Statements**

- 2019
- 2020



Financial Statements of  
**Brantford Power Inc.**  
December 31, 2019

# Brantford Power Inc.

## Table of Contents

### December 31, 2019

---

Management Report	1
Independent Auditors' Report	2 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 45



**Brantford Power Inc.**  
**Management Report**  
**December 31, 2019**

---

The accompanying financial statements are the responsibility of management of Brantford Power Inc. (the Company). In management's opinion, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by KPMG LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with IFRS.

The board of directors, through the audit committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The audit committee also reviews the financial statements and recommends their approval to the board of directors. KPMG LLP has full and free access to the audit committee, with and without the presence of management.

Paul Kwasnik  
President and Chief Executive Officer  
May 27, 2020

Brian D'Amboise, CPA, CA  
Chief Financial Officer  
May 27, 2020

KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton ON L8P 4W7  
Canada  
Telephone 905-523-8200  
Fax 905-523-2222

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Brantford Power Inc.:

### ***Opinion***

We have audited the financial statements of Brantford Power Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

Page 2

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 27, 2020

**Brantford Power Inc.**  
**Statement of Financial Position**  
**as at December 31, 2019**

<b>Assets</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents - note 5	7,778,501	16,946,199
Accounts receivable - note 6	10,275,929	10,721,509
Due from affiliates - note 12	-	7,570
Unbilled revenue	12,999,322	10,989,214
Materials and supplies - note 7	961,519	763,763
Prepaid expenses	239,928	347,773
Payments in lieu of corporate income taxes - note 15	1,384,051	-
<b>Total Current Assets</b>	<b>33,639,250</b>	<b>39,776,028</b>
Property, plant and equipment - note 8	88,086,448	70,221,198
Intangible assets - note 9	3,055,793	2,332,908
Deferred tax assets - note 15	1,064,730	649,705
<b>Total Non-Current Assets</b>	<b>92,206,971</b>	<b>73,203,811</b>
<b>Total Assets</b>	<b>125,846,221</b>	<b>112,979,839</b>
Regulatory balances - note 10	6,413,314	3,572,534
<b>Total Assets and Regulatory Balances</b>	<b>132,259,535</b>	<b>116,552,373</b>

Signed on behalf of the Board:




Director

Director

# Brantford Power Inc.

## Statement of Financial Position

as at December 31, 2019

<b>Liabilities and Equity</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities - note 11	17,687,878	14,627,353
Due to affiliates - note 12	119,622	-
Accounts payable to the City of Brantford - note 12	582,430	352,335
Interest payable to the City of Brantford - note 13	1,015,945	1,015,945
Customer deposits	2,081,534	1,886,318
Current portion of long-term debt - note 13	1,186,290	1,132,993
Payments in lieu of corporate income taxes - note 15	-	292,639
<b>Total Current Liabilities</b>	<b>22,673,699</b>	<b>19,307,583</b>
Long-term debt - note 13	49,347,944	37,676,059
Post-employment benefits - note 14	1,245,300	1,224,800
Accumulated vested sick leave credits	-	61,883
Deferred revenues - note 16	4,725,784	3,037,769
Derivative liabilities - note 25	720,354	39,354
Deferred tax liabilities - note 15	4,905,280	2,720,751
<b>Total Non-Current Liabilities</b>	<b>60,944,662</b>	<b>44,760,616</b>
<b>Total Liabilities</b>	<b>83,618,361</b>	<b>64,068,199</b>
<b>Equity</b>		
Share capital - note 17	22,437,505	22,437,505
Retained earnings	24,934,889	23,238,982
Accumulated other comprehensive income	313,985	873,788
<b>Total Equity</b>	<b>47,686,379</b>	<b>46,550,275</b>
<b>Total Liabilities and Equity</b>	<b>131,304,740</b>	<b>110,618,474</b>
Regulatory balances - note 10	954,795	5,933,899
<b>Total Liabilities, Equity and Regulatory Balances</b>	<b>132,259,535</b>	<b>116,552,373</b>

**Contingencies and Commitments - note 20**

**Subsequent event - note 27**



# Brantford Power Inc.

## Statement of Comprehensive Income

for the year ended December 31, 2019, with comparative information for 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Revenue</b>		
Distribution revenue	17,908,538	17,437,596
IESO conservation programs	1,553,047	1,690,308
Other income - note 18	957,034	566,264
	<b>20,418,619</b>	19,694,168
Sale of energy	111,743,409	109,916,976
<b>Total revenue</b>	<b>132,162,028</b>	129,611,144
<b>Operating Expenses</b>		
Distribution operations and maintenance - note 21	3,842,294	3,794,522
Billing and collecting - note 21	3,512,063	3,303,909
General administration - note 21	4,395,549	4,287,654
IESO conservation programs - note 21	1,658,795	1,325,866
Amortization - note 23	3,557,438	3,164,977
	<b>16,966,139</b>	15,876,928
Cost of power purchased	118,301,973	107,788,878
<b>Total operating expenses</b>	<b>135,268,112</b>	123,665,806
<b>Income from operating activities</b>	<b>(3,106,084)</b>	5,945,338
Finance income - note 19	614,541	552,596
Finance costs - note 19	(1,723,787)	(1,745,054)
<b>Income before income taxes</b>	<b>(4,215,330)</b>	4,752,880
Income tax expense - note 15	1,158,647	683,053
<b>Net income for the year</b>	<b>(5,373,977)</b>	4,069,827
Net movement in regulatory balances, net of tax		
Net movement in regulatory balances	6,525,149	(2,281,930)
Income tax on movement in regulatory balances	1,294,735	175,319
	<b>7,819,884</b>	(2,106,611)
<b>Net income for the year and net movement in regulatory balances</b>	<b>2,445,907</b>	1,963,216
<b>Other comprehensive income (loss)</b>		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefits - note 14	(59,400)	254,469
Tax on remeasurements	15,741	(67,434)
Unrealized loss on derivatives	(702,237)	-
Tax on unrealized loss	186,093	-
<b>Other comprehensive (loss) income for the year</b>	<b>(559,803)</b>	187,035
<b>Total comprehensive income for the year</b>	<b>1,886,104</b>	2,150,251

# Brantford Power Inc.

## Statement of Changes in Equity

for the year ended December 31, 2019, with comparative information for 2018

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Balance at January 1, 2018</b>	22,437,505	22,025,766	686,753	67,175,790
Net income and net movement in regulatory balances	-	1,963,216	-	3,926,432
Other comprehensive income	-	-	187,035	187,035
Dividends	-	(750,000)	-	(1,500,000)
<b>Balance at December 31, 2018</b>	<b>22,437,505</b>	<b>23,238,982</b>	<b>873,788</b>	<b>69,789,257</b>
<b>Balance at January 1, 2019</b>	22,437,505	23,238,982	873,788	69,789,257
Net income and net movement in regulatory balances	-	2,445,907	-	4,891,814
Other comprehensive loss	-	-	(559,803)	(559,803)
Dividends	-	(750,000)	-	(1,500,000)
<b>Balance at December 31, 2019</b>	<b>22,437,505</b>	<b>24,934,889</b>	<b>313,985</b>	<b>72,621,268</b>

See accompanying notes

Page 8

**Brantford Power Inc.****Statement of Cash Flows**

for the year ended December 31, 2019, with comparative information for 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Operating activities</b>		
Net income and net movement in regulatory balances	2,445,907	1,963,216
Items not affecting cash		
Amortization - note 23	3,802,139	3,401,470
Amortization of deferred revenue	(83,361)	(48,824)
Loss on disposal of property, plant and equipment	110,195	213,961
Income tax expense	1,158,647	683,053
Other items not affecting cash - note 22	(122,020)	119
	7,311,507	6,212,995
Changes in non-cash working capital components - note 22	1,845,258	(305,742)
Regulatory balances	(7,819,884)	2,106,611
Contributions received from customers	1,773,026	813,883
Income tax paid	(862,534)	(469,811)
Income tax received	-	12,861
<b>Net cash from operating activities</b>	<b>2,247,373</b>	<b>8,370,797</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(21,386,317)	(5,066,619)
Acquisition of intangible assets	(1,074,839)	(1,138,919)
Proceeds from disposal of property, plant and equipment	72,553	9,000
<b>Net cash used by investing activities</b>	<b>(22,388,603)</b>	<b>(6,196,538)</b>
<b>Financing activities</b>		
Proceeds of issuance of long-term debt	13,000,000	-
Repayment of long-term debt	(1,156,341)	(1,082,608)
Debt issuance costs	(118,477)	-
Receipt of deferred revenues	(1,650)	230,287
Dividends paid	(750,000)	(750,000)
<b>Net cash from (used) by financing activities</b>	<b>10,973,532</b>	<b>(1,602,321)</b>
<b>Change in cash and cash equivalents</b>	<b>(9,167,698)</b>	<b>571,938</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>16,946,199</b>	<b>16,374,261</b>
<b>Cash and cash equivalents, end of year</b>	<b>7,778,501</b>	<b>16,946,199</b>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 1. Description of Business

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation which is wholly owned by the City of Brantford. The Company provides electricity distribution services to residents of the City of Brantford. The operations of the company are regulated by the Ontario Energy Board (OEB).

The Company's head office is located at 84 Market Street and it maintains operational offices at 220 Colborne Street and 400 Grand River Avenue. The Company purchased 150 Savannah Oaks during 2019 with the intention of consolidating its three operational locations to this facility during 2020. All of these offices are located in the City of Brantford.

#### 2. Basis of Presentation

##### *Statement of compliance*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on May 27, 2020.

##### *Basis of measurement*

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

##### *Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

##### *Use of estimates and judgments*

##### *Assumptions and estimation uncertainty*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### **2. Basis of Presentation - continued**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3 - measurement of unbilled revenue
- (ii) Notes 3, 8 and 9 - estimation of useful lives of its property, plant and equipment and intangible assets.
- (iii) Notes 3 and 10 - recognition and measurement of regulatory balances
- (iv) Notes 3 and 14 - measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 20 - recognition and measurement of provisions and contingencies

#### ***Judgments***

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes:

- (i) Note 3 - leases: whether an arrangement contains a lease
- (ii) Note 20 - commitments and contingencies; whether a contingency is a liability

#### ***Rate regulation***

The Company is regulated by the Ontario Energy Board (OEB), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (LDCs), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 2. Basis of Presentation - continued

##### *Rate setting - Distribution revenue*

For the distribution revenue, the Company files a Cost of Service (COS) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism (IRM) application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for a 2-factor Input Price Index which accounts for the average weekly earnings for Ontario workers and the Gross Domestic Product Implicit Price Inflation - Final Domestic Demand (GDP IPI-FDD) net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from the customers.

In 2018, the Company filed an IRM application for rates effective January 1, 2019 to December 31, 2019 for which a Decision and Interim Rate order was issued December 20, 2018.

The OEB issued a distribution rate design for residential electricity customers which was phased in over a four year period commencing January 2016. Under this policy, electricity distributors were to structure residential rates so that all the distribution charge would be collected through a fully fixed monthly charge instead of the current fixed and variable rate charge. The Company has transitioned to fully fixed rates for residential customers effective January 1, 2019.

In 2019, the Company filed an ICM application for rate increases on incremental capital expenditures relating to the purchase and refurbishment of 150 Savannah Oaks, for which a Decision and Rate order was issued on January 23, 2020 to apply rate riders effective March 1, 2020.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 2. Basis of Presentation - continued

##### *Rate setting - Electricity rates*

Under an established Regulated Price Plan, the OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. Remaining consumers pay either the market price for electricity or the contracted price for electricity if they have enrolled with a retailer. The Company is billed for the cost of the electricity that its customers use and pass this cost on to the customer at a cost without a mark-up.

Effective March 24, 2020, the Government of Ontario issued an Emergency Order and as a result, all residential and small business customers will be charged one rate for electricity consumed regardless of the time of day it is consumed until May 31, 2020.

#### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

##### *Financial instruments*

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities with the exception of derivative liabilities. Loans and receivables and other liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described later in this note under *Impairment of assets*. The Company has two derivative instruments related to its long-term debt facilities with the Royal Bank of Canada. The non-fully hedged instrument is classified as a financial asset or liability at fair value through profit or loss.

Hedge accounting has been used in the presentation of these financial statements for the fully hedged instrument, which has been classified as a financial liability at fair value through other comprehensive income.

Cash and cash equivalents include cash and short-term instruments with maturities of three months or less from the date of acquisition.

##### *Use of estimates and judgments*

##### *Judgments*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included later in this note under *Revenue recognition - Capital contributions*.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Revenue recognition*

##### *Sale and distribution of electricity*

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

##### *Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.



# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Revenue recognition - continued*

##### *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

##### *Materials and supplies*

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

##### *Property, plant and equipment*

Items of property, plant and equipment (PP&E) used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014 less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct. Borrowing costs that can be traced to specific assets are capitalized as part of the cost of those assets based on the actual cost of debt incurred on the Company's borrowings.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 3. Significant Accounting Policies - continued

gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use. The Company applies the half year rule for depreciation in the year of acquisition.

The estimated useful service life are as follows.

Buildings	20-50 years
Transformer station	20-50 years
Distribution stations	30 years
Distribution lines - overhead	3-60 years
Distribution lines - underground	3-60 years
Distribution transformers	3-40 years
Distribution meters	15-35 years
Vehicles	8-20 years
Office furniture	10 years
Computer hardware	2-4 years
Tools and other equipment	5-15 years
Other	5 years

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Intangible assets*

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014, less accumulated amortization. All other intangible assets are measured at cost.

Payments to obtain rights to access land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights acquired after January 1, 2014 are measured at cost less accumulated amortization.

Capital contributions relate to projects undertaken by the Company that required the alteration of a neighbouring utility's PP&E to accommodate the Company's joint use of those facilities for its PP&E. Capital contributions paid are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Land rights	50 years
Capital contribution paid	45 years
Software	2-10 years

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Impairment of assets*

##### *Financial assets measured at amortized cost*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized. No impairment losses were incurred during 2019 or 2018.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Customer deposits*

Customer deposits represent cash deposits from electricity distribution customers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

#### *Leased assets*

At inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Company with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize the right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Provisions*

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

#### *Regulatory balances*

Regulatory asset balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory asset balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will be approved by the OEB for recovery through rates. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory asset balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory asset balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory liability balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Post employment benefits*

##### *Pension plan*

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

##### *Post-employment benefits, other than pension*

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

### 3. Significant Accounting Policies - continued

#### *Finance income and finance costs*

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and late payments on customer electricity accounts receivable balances.

Finance costs comprise interest expense on borrowings, interest on customer deposits and the gain or loss on derivative liabilities. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

#### *Payments in lieu of corporate income taxes*

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.



# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 4. Changes in Accounting Policies

##### *IFRS 16 Leases*

The Company implemented IFRS 16 Leases with an effective date of January 1, 2019. The Company used the following practical expedients and recognition exemptions when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;

— Applied the exemption not to recognize right-of-use assets and liabilities for leases for which the underlying asset is of low value;

— Applied this standard to all contracts that were previously identified as leases by applying IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*;

There are no transitional impacts to report as the Company has determined that all arrangements that contain a lease meet the recognition exemptions.

#### 5. Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
	\$	\$
Bank balances	7,776,601	16,944,299
Cash balances	1,900	1,900
	<u>7,778,501</u>	<u>16,946,199</u>

#### 6. Accounts Receivable

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade receivables	10,147,674	10,950,034
Other trade receivables	227,344	59,357
Billable work	1,164,911	566,118
Allowance for doubtful accounts	(1,264,000)	(854,000)
	<u>10,275,929</u>	<u>10,721,509</u>

#### 7. Material and Supplies

The amount of inventory consumed by the Company and recognized as an expense during 2019 was \$162,489 (2018 - \$123,379).

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 8. Property, Plant and Equipment

	<u>Land and buildings</u>	<u>Distribution equipment</u>	<u>Other fixed assets</u>	<u>Construction- in-progress</u>	<u>Total</u>
<i><b>Cost or deemed cost</b></i>	\$	\$	\$	\$	\$
Balance at January 1, 2019	2,805,337	77,685,412	4,086,058	981,506	85,558,313
Additions	-	5,918,825	658,439	14,809,053	21,386,317
Transfers	-	454,750	-	(454,750)	-
Disposals/retirements	-	(208,309)	(134,837)	-	(343,146)
Balance at December 31, 2019	2,805,337	83,850,678	4,609,660	15,335,809	106,601,484
Balance at January 1, 2018	2,805,337	73,831,961	3,620,651	510,341	80,768,290
Additions	-	3,847,451	466,615	752,553	5,066,619
Transfers	-	281,388	-	(281,388)	-
Disposals/retirements	-	(275,388)	(1,208)	-	(276,596)
Balance at December 31, 2018	2,805,337	77,685,412	4,086,058	981,506	85,558,313
<i><b>Accumulated depreciation</b></i>	\$	\$	\$	\$	\$
Balance at January 1, 2019	136,969	13,677,466	1,522,680	-	15,337,115
Depreciation	27,078	2,930,927	380,314	-	3,338,319
Disposals/retirements	-	(42,240)	(118,158)	-	(160,398)
Balance December 31, 2019	164,047	16,566,153	1,784,836	-	18,515,036
Balance at January 1, 2018	109,890	10,908,288	1,163,529	-	12,181,707
Depreciation	27,079	2,821,605	360,359	-	3,209,043
Disposals/retirements	-	(52,427)	(1,208)	-	(53,635)
Balance December 31, 2018	136,969	13,677,466	1,522,680	-	15,337,115

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 8. Property, Plant and Equipment - continued

	<u>Land and buildings</u> \$	<u>Distribution equipment</u> \$	<u>Other fixed assets</u> \$	<u>Construction- in-progress</u> \$	<u>Total</u> \$
<i><b>Carrying amounts</b></i>					
At December 31, 2019	2,641,290	67,284,525	2,824,824	15,335,809	88,086,448
At December 31, 2018	2,668,368	64,007,946	2,563,378	981,506	70,221,198

During the year, the Company purchased land and building at 150 Savannah Oaks and 29 Tallgrass Crt in the amount of \$11,550,000 included in construction-in-progress. The Company is refurbishing the existing building and constructing a vehicle garage with the intention of moving its operations to the new facility in 2020. Borrowing costs in the amount of \$224,885 (2018 - \$nil) were capitalized as part of the cost of property, plant and equipment.

Subsequent to year-end, the Company sold land at 179 Garden Ave. with a carrying amount of \$1,677,792 for a net gain of \$650,208.

At December 31, 2019, property, plant and equipment with a carrying amount of \$88,086,448 (2018 - \$70,221,198) are subject to general security agreements.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 9. Intangible Assets

	<u>Land rights</u>	<u>Capital contributions paid</u>	<u>Software</u>	<u>Work in progress</u>	<u>Total</u>
<b><i>Cost or deemed cost</i></b>	\$	\$	\$	\$	\$
Balance at January 1, 2019	98,187	414,608	1,748,178	1,130,338	3,391,311
Additions	-	-	1,074,839	-	1,074,839
Transfers	-	-	1,089,526	(1,089,526)	-
Balance at December 31, 2019	98,187	414,608	3,912,543	40,812	4,466,150
Balance at January 1, 2018	98,187	414,608	1,739,597	-	2,252,392
Additions	-	-	8,581	1,130,338	1,138,919
Balance at December 31, 2018	98,187	414,608	1,748,178	1,130,338	3,391,311
<b><i>Accumulated depreciation</i></b>	\$	\$	\$	\$	\$
Balance at January 1, 2019	9,886	35,989	1,012,528	-	1,058,403
Depreciation	2,017	9,208	340,729	-	351,954
Balance December 31, 2019	11,903	45,197	1,353,257	-	1,410,357
Balance at January 1, 2018	7,869	26,781	831,326	-	865,976
Depreciation	2,017	9,208	181,202	-	192,427
Balance December 31, 2018	9,886	35,989	1,012,528	-	1,058,403
<b><i>Carrying amounts</i></b>					
At December 31, 2019	86,284	369,411	2,559,286	40,812	3,055,793
At December 31, 2018	88,301	378,619	735,650	1,130,338	2,332,908

At December 31, 2019, all intangible assets are subject to general security agreements.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 10. Regulatory Balances

Reconciliation of the carrying amount for each class of regulatory balances

	January 1, 2019 \$	Additions \$	Recovery/ reversal \$	December 31, 2019 \$	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	989,754	1,111,856	500,452	2,602,062	1
Retailer cost variance accounts	45,450	(13,466)	-	31,984	3
Deferred meter costs	133,766	1,280	-	135,046	3
Other regulatory accounts	488,186	(8,536)	-	479,650	3
Regulatory settlement account	45,541	(45,541)	-	-	-
Future income tax	1,869,837	1,294,735	-	3,164,572	*
	<b>3,572,534</b>	<b>2,340,328</b>	<b>500,452</b>	<b>6,413,314</b>	

	January 1, 2018 \$	Additions \$	Recovery/ reversal \$	December 31, 2018 \$	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	630,766	358,988	-	989,754	1
Retailer cost variance accounts	48,134	(2,684)	-	45,450	4
Deferred meter costs	132,853	913	-	133,766	4
Other regulatory accounts	811,939	(102,880)	(220,873)	488,186	4
Regulatory settlement account	102,104	(56,563)	-	45,541	-
Future income tax	1,694,518	175,319	-	1,869,837	*
	<b>3,420,314</b>	<b>373,093</b>	<b>(220,873)</b>	<b>3,572,534</b>	

\* These balances will reverse as the related deferred tax balances reverses.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 10. Regulatory Balances - continued

	January 1, 2019 \$	Additions \$	Recovery/ reversal \$	December 31, 2019 \$	Remaining years \$
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	5,933,899	(1,817,772)	(3,610,807)	505,320	1
Regulatory settlement account	-	125,300	-	125,300	-
Other regulatory accounts	-	324,175	-	324,175	-
	<u>5,933,899</u>	<u>(1,368,297)</u>	<u>(3,610,807)</u>	<u>954,795</u>	
	January 1, 2018 \$	Additions \$	Recovery/ reversal \$	December 31, 2018 \$	Remaining years
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	3,675,068	2,258,831	-	5,933,899	1
	<u>3,675,068</u>	<u>2,258,831</u>	<u>-</u>	<u>5,933,899</u>	

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 10. Regulatory Balances - continued

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 and certain other deferral accounts can be done on an annual basis through application to the OEB. Group 2 and the remaining other deferral accounts can be settled during a cost of service application to the OEB. An application was made to the OEB to collect \$3,110,355 of the other deferral accounts. Approval was received December 20, 2018. Effective January 1, 2019, the approved account balances were moved to the regulatory settlement account.

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rates were as follows:

<b>Quarter</b>	<b>2019</b>	<b>2018</b>
January 1 to March 31	2.45%	1.50%
April 1 to June 30	2.18%	1.89%
July 1 to September 30	2.18%	1.89%
October 1 to December 31	2.18%	2.17%

#### 11. Accounts Payable and Accrued Liabilities

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Accounts payable and accruals - energy purchases	<b>9,631,887</b>	8,429,616
Payroll payable	<b>405,131</b>	460,846
IESO conservation program funding	<b>517,188</b>	875,946
Other	<b>7,133,672</b>	4,860,945
	<b><u>17,687,878</u></b>	<b><u>14,627,353</u></b>

#### 12. Related Party Transactions

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by the Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc.

The Company obtains certain administrative and management services from the City and Brantford Energy Corporation. The Company also provides services to the City, Brantford Energy Corporation

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 12. Related Party Transactions - continued

and Brantford Hydro Inc. These services were made in the normal course of business, are non-interest bearing, have terms of net thirty days and have been recorded at the exchange amounts.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, maintenance and operational services to the Company. The exchange amount for these services has been set out in the agreement. As at December 31, 2019 the balance owing to the City for these services was \$582,430 (2018 - \$352,335).

Details of the transactions between the Company and the City are detailed below:

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>City of Brantford</b>		
Revenues		
Sale of electricity	5,899,322	7,157,637
Other services	299,686	479,871
	<u>6,199,008</u>	<u>7,637,508</u>
Operating expenses		
Shared services agreement	1,779,774	1,771,376
Property taxes	263,806	24,205
	<u>2,043,580</u>	<u>1,795,581</u>

The Company has entered into a shared services agreement with Brantford Energy Corporation and Brantford Hydro Inc., whereby the Company will provide administrative support to its affiliates. The exchange amount for these services has been set out in the agreement.

The Company obtains management services from Brantford Energy Corporation.

Details of the transactions between the Company and Brantford Energy Corporation are presented below:

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Brantford Energy Corporation</b>		
Revenues		
Administrative support	61,330	56,299
	<u>61,330</u>	<u>56,299</u>
Operating expenses		
Shared service fees	285,902	-
Management fees	214,302	93,422
	<u>214,302</u>	<u>93,422</u>



# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 12. Related Party Transactions - continued

The Company purchases dark fibre optics services from Brantford Hydro Inc.

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre optic cables to be attached to the Company's distribution assets. The Company also provides other services such as, water heater tank disposal handling and assistance when fibre optic maintenance is done in proximity of electrical plant.

Details of the transactions between the Company and Brantford Hydro Inc. are presented below:

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Brantford Hydro Inc.</b>		
Revenue		
Administrative support	110,169	137,388
Pole rental fees	99,476	53,178
Financial information system fees	73,626	-
Other services	50,431	12,664
	<u>333,702</u>	<u>203,230</u>
Operating expenses		
Dark fibre optic services	3,600	3,600
Other services	7,871	4,995
	<u>11,471</u>	<u>8,595</u>

Balances owing (to)/from affiliates are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Brantford Energy Corporation	(251,404)	(10,297)
Brantford Hydro Inc.	131,782	17,867
<b>Total due from affiliates</b>	<u>(119,622)</u>	<u>7,570</u>

#### *Key management personnel*

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Directors' fees	22,083	24,990
Salaries and other short-term benefits	608,947	853,150
Post-employment benefits	-	219
	<u>631,030</u>	<u>878,359</u>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 13. Long-Term Debt

	<u>2019</u>	<u>2018</u>
	\$	\$
Note payable, bearing interest at 4.20%, repayable to the City, interest only payable annually - due February, 2021	<b>24,189,168</b>	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2021	<b>722,299</b>	1,265,770
Royal Bank, net advances on long-term non-revolving term facility	<b>12,858,803</b>	-
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments of \$86,523 due December, 2032	<b>1,632,957</b>	1,718,774
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments of \$138,371 due December, 2050	<b>4,376,902</b>	4,434,822
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.46% repayable in semi annual instalments of \$237,885 due October, 2027	<b>3,326,654</b>	3,683,194
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.90% repayable in semi annual instalments of \$113,683 due December, 2042	<b>3,427,451</b>	3,517,324
	<b>50,534,234</b>	38,809,052
Less current portion	<b>1,186,290</b>	1,132,993
	<b>49,347,944</b>	37,676,059

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$100 per common share. Interest payable to the City of \$1,015,945 (2018 - \$1,015,945) was outstanding as at December 31, 2019.

The Company entered into a swap agreement during 2006 with Royal Bank to fix the interest rate. The agreement represents a notional principal amount of \$5,900,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 4.71% plus a stamping fee rate of 0.80% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 13. Long-Term Debt - continued

During the year the Company was authorized for a \$25,000,000 non-revolving term facility, of which \$13,000,000 has been drawn on. The Company has committed to receiving the full amount in construction advances by October 1, 2020. This term loan is drawn down through bankers acceptances and rolled over until the earlier of substantial completion of the facility and April 26, 2021 at which time a repayment term will be selected by the Company. The term facility is currently payable interest only and will convert to quarterly blended payments of principal and interest, bearing interest at prime. Currently the debt bears interest at the BA rate plus 0.55%.

The Company entered into a swap agreement during 2019 with Royal Bank to fix the interest rate on the term facility used towards the purchase and construction of 150 Savannah Oaks and 29 Tallgrass Crt. The agreement represents a notional amount of \$25,000,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 2.54%.

These credit facilities are secured by general security agreements over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayment requirements are as follows:

	\$
2020	1,186,290
2021	24,972,005
2022	660,776
2023	687,048
2024	714,395
Thereafter	22,313,720
	<u>50,534,234</u>

#### 14. Post-Employment Benefits

##### *Ontario Municipal Employees Retirement System (OMERS) Pension Plan*

All full-time, permanent and certain contract employees of the Company are eligible to participate in the OMERS defined pension plan (the plan).

The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Company made employer contributions of \$500,177 to OMERS (2018 - \$525,027), of which \$17,784 (2018 - \$25,006) has been capitalized as part of PP&E and the remaining amount of \$482,393 (2018 - \$500,021) has been recognized in profit or loss. The Company estimates that a contribution of \$580,700 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had over 500,000 members. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of \$3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 14. Post-Employment Benefits - continued

##### *Post-employment benefits other than pension*

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to eligible active employees.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2019 and the expense for the period ended December 31, 2019 are based on actuarial valuations done as at January 1, 2019.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

##### *Significant assumptions*

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
To determine benefit obligation at end of year		
Discount rate	3.20%	3.40%
To determine benefit expense (income) for the year		
Discount rate	4.00%	4.00%
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	6.00%	6.00%
Ultimate rate	4.75%	4.75%
Year ultimate rate reached	2024	2024

##### *Sensitivity analysis*

	<u>Change in</u>	<u>Change in</u>
	<u>Obligation</u>	<u>Expense</u>
	\$	\$
Impact of 1% increase in assumed health care trend rate	104,500	13,100
Impact of 1% decrease in assumed health care trend rate	(87,600)	(10,500)

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 14. Post-Employment Benefits - continued

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Reconciliation of the obligation</b>		
Defined benefit obligation, beginning of year	<b>1,224,800</b>	1,416,269
Included in profit or loss		
Current service cost	<b>51,100</b>	79,800
Interest cost	<b>48,300</b>	49,700
Included in OCI		
Actuarial losses (gains)	<b>59,400</b>	(254,469)
Benefits paid	<b>(138,300)</b>	(66,500)
<b>Defined benefit obligation, end of year</b>	<b>1,245,300</b>	1,224,800

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

#### 15. Income Tax Expense

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Current tax expense</b>		
Current year	(816,414)	562,442
Adjustment for prior years	3,723	12,841
	<u>(812,691)</u>	<u>575,283</u>
<b>Deferred tax expense</b>		
Change in recognized deductible temporary differences	1,971,338	107,770
	<u>1,971,338</u>	<u>107,770</u>
<b>Total income tax expense</b>	<u>1,158,647</u>	<u>683,053</u>
<b>Reconciliation of effective tax rate</b>		
Income before taxes	(4,215,330)	4,752,880
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	(1,117,062)	1,259,513
Increase (decrease) in income taxes resulting from:		
Permanent differences	2,886	2,775
Prior periods	3,723	12,841
Regulatory balances	1,729,165	(589,675)
Other	539,935	(2,401)
Income tax expense	<u>1,158,647</u>	<u>683,053</u>

Significant components of the Company's deferred tax balances:

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Deferred tax assets (liabilities)</b>		
Property, plant and equipment	(3,832,579)	(2,519,542)
Post-employment benefits	330,005	340,970
Allowance for doubtful accounts	334,960	226,310
Regulatory balances	(1,072,701)	(201,209)
Non-capital losses available for carry forward	197,742	-
Other	202,023	82,425
	<u>(3,840,550)</u>	<u>(2,071,046)</u>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 16. Deferred Revenue

	<u>2019</u>	<u>2018</u>
	\$	\$
Contributions received from customers	4,147,074	2,457,409
Other	578,710	580,360
	<u>4,725,784</u>	<u>3,037,769</u>

#### 17. Share Capital

	<u>2019</u>	<u>2018</u>
	\$	\$
Authorized		
Unlimited number of common shares		
Issued		
1,001 common shares	22,437,505	22,437,505

#### *Dividends*

The Company has established a dividend policy to pay a pure residual non-cumulative approach to dividends whereby no specified targeted dividend payout ratios or dollar amounts will be prescribed in advance.

The Company paid aggregate dividends in the year on common shares of \$1,499 per share (2018 - \$1,499), which amount to total dividends paid in the year of \$1,500,000 (2018 -\$1,500,000).

#### 18. Other Revenue

	<u>2019</u>	<u>2018</u>
	\$	\$
Specific services charges	226,984	335,683
Management fees	245,124	193,688
Property rental	259,841	132,520
Retailer revenue	30,802	20,543
Loss on disposal of assets	(110,195)	(213,961)
Customer contributions	195,226	48,824
Other revenue	109,252	48,967
	<u>957,034</u>	<u>566,264</u>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 19. Finance Income and Finance Costs

	<u>2019</u>	<u>2018</u>
	\$	\$
Finance Income		
Interest income on bank deposits	288,258	316,999
Late payment charges	326,283	235,597
	<u>614,541</u>	<u>552,596</u>
Finance Costs		
Interest on long-term debt	1,632,356	1,689,423
Interest expense on customer deposits	51,854	38,949
Gain on derivative liabilities	(19,230)	(42,125)
Other	58,807	58,807
	<u>1,723,787</u>	<u>1,745,054</u>
Net finance costs recognized in profit or loss	<u>1,109,246</u>	<u>1,192,458</u>

#### 20. Contingencies and Commitments

##### *General liability insurance*

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2021. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2019, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a two year underwriting period which expires on January 1, 2021.

##### *General*

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.



# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 21. Operating Expenses

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Distribution operations and maintenance</b>		
Salaries and benefits	1,544,925	1,690,712
Other staff costs	149,092	166,883
City of Brantford shared services	974,340	976,458
Contracted services	572,083	347,625
Building utilities and maintenance	68,824	54,153
Materials and supplies	322,923	404,683
Equipment repairs and maintenance	23,930	20,653
Vehicle	221,608	293,744
Other	(35,431)	(160,389)
	<u>3,842,294</u>	<u>3,794,522</u>

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Billing and Collecting</b>		
Salaries and benefits	1,134,652	1,248,735
Other staff costs	16,002	15,366
City of Brantford shared services	295,080	319,153
Contracted services	700,370	513,137
Allowance for doubtful accounts	881,423	642,842
Materials and supplies	10,005	8,214
Equipment repairs and maintenance and vehicle	-	2,163
Postage	364,962	371,556
Other	109,569	182,743
	<u>3,512,063</u>	<u>3,303,909</u>

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>General administration</b>		
Salaries and benefits	1,851,532	2,198,594
Other staff costs	70,387	79,548
City of Brantford shared services	637,440	651,480
Contracted services	795,386	566,261
Building utilities and maintenance	396,119	-
Building project costs	(32,899)	262,918
Materials and supplies	37,455	44,635
Vehicle	80	1,176
Other	640,049	483,042
	<u>4,395,549</u>	<u>4,287,654</u>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 21. Operating Expenses - continued

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>IESO conservation programs</b>		
Incentives paid to customers	1,101,079	816,352
Salaries and benefits	141,174	215,318
Other staff costs	5,845	15,813
City of Brantford shared services	22,976	26,466
Contracted services	328,601	163,465
Materials and supplies	4,344	9,072
Other	54,776	79,380
	<u>1,658,795</u>	<u>1,325,866</u>

#### 22. Statement of Cash Flows

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Changes in non-cash working capital</b>		
Accounts receivable	445,580	605,797
Unbilled revenue	(2,010,108)	(448,177)
Materials and supplies	(197,756)	147,644
Prepaid expenses	107,845	(165,901)
Accounts payable and accrued liabilities	3,060,525	(159,609)
Accounts payable to the City of Brantford	230,095	(8,932)
Interest paid on long term debt	1,629,686	1,689,423
Finance costs	(1,743,017)	(1,686,061)
Due to affiliates	127,192	29,427
Customer deposits	195,216	(309,353)
	<u>1,845,258</u>	<u>(305,742)</u>
<b>Other items not affecting cash</b>		
Post-employment benefits	(38,900)	63,000
Vested sick leave	(61,883)	(16,242)
Derivative liabilities	(21,237)	(46,639)
	<u>(122,020)</u>	<u>119</u>

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 23. Amortization

	<u>2019</u>	<u>2018</u>
	\$	\$
Amortization of capital assets	3,557,438	3,164,977
Amortization of capital assets charged to distribution operations and maintenance	<u>244,701</u>	<u>236,493</u>
	<u>3,802,139</u>	<u>3,401,470</u>

#### 24. Capital Disclosures

The Company's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ensure compliance with covenants related to its credit facilities; and
- closely align its capital structure with the deemed capital structure established by the OEB.

As at December 31, 2019, the Company's definition of capital includes shareholder's equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2019, shareholder's equity amounts to \$72,621,268 (2018 - \$69,789,257) and long-term debt, amounts to \$49,347,944 (2018 - \$37,676,059). The Company's capital structure as at December 31, 2019 is 40% debt and 60% equity (2018 - 35% debt and 65% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2019 the Company was in compliance with all covenants.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 25. Financial Instruments

All financial instruments are initially recorded on the statement of financial position at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument.

##### *Interest Rate Risk*

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

A term facility loan bears interest at a floating rate and thus, the carrying value approximates fair value. However, the Company has entered into an interest rate swap transaction, derivative instrument, the effect of which is to fix the interest rate on the \$724,000 term facility loan at 4.71% and the \$13,000,000 advanced funds on the \$25,000,000 term facility loan at 2.54%. The potential replacement cost to the Company of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$720,354 (2018 - \$39,354), which was in the favour of Royal Bank. The Company entered into these interest rate swap transactions to fix the interest rate over the long-term and intends to hold this to maturity at which time there should be no replacement cost.

##### *Credit Risk*

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. The Company is currently holding customer deposits on hand in the amount of \$2,081,534 (2018 - \$1,886,318) which is reflected on the Statement of Financial Position. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of \$1,264,000 (2018 - \$854,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2019, the outstanding amounts receivable from the largest ten customers represented \$2,600,133 or 25% (2018 - \$2,657,618 or 26%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

##### *Liquidity Risk*

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.

##### *Prudential Support*

The Company is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2019, the Company provided prudential support in the form of a bank letter of credit of \$13,057,140 (2018 - \$13,057,140).

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 25. Financial Instruments - continued

##### *Revolving Term Facility*

As at December 31, 2019, the Company has been authorized for a revolving term facility of \$7,000,000 of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

Subsequent to December 31, 2019 the Company has been authorized for an additional revolving term facility of \$7,000,000 for a total of \$14,000,000.

##### *Fair Value of Other Financial Instruments*

###### a) Establishing fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accounts payable to the City, interest payable to the City, and due to/from affiliates approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value approximates carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the OEB.

The fixed rate long-term debt facility, maturing December 2032, funded by the Ontario Infrastructure and Lands Corporation (OILC) has an estimated fair value of \$1,837,700 (carrying value - \$1,632,957). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2019, of 3.12% per annum, (actual rate – 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2050, funded by the OILC has an estimated fair value of \$5,408,800 (carrying value - \$4,376,902). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2019, of 3.21% per annum, (actual rate – 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing October 2027, funded by the OILC has an estimated fair value of \$3,369,800 (carrying value - \$3,326,654). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2019, of 2.94% per annum, (actual rate – 3.46% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 25. Financial Instruments - continued

The fixed rate long-term debt facility, maturing December 2042, funded by the OILC has an estimated fair value of \$3,704,400 (carrying value - \$3,427,451). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2019, of 3.14% per annum, (actual rate – 3.90% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The promissory note payable to the City has an estimated fair value of \$27,008,300 (carrying value - \$24,189,168). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2019, of 3.14% per annum, (actual rate – 4.20% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The carrying values of the two Royal Bank facility loans approximate their fair values as the loans bear interest at current rates.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

#### b) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

# Brantford Power Inc.

## Notes to the Financial Statements

### for the year ended December 31, 2019

---

#### 25. Financial Instruments - continued

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position Sheet, classified using the fair value hierarchy described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total financial assets and liabilities at fair value</u>
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	7,778,501	-	-	7,778,501
<b>Total financial assets</b>	<b>7,778,501</b>	-	-	<b>7,778,501</b>
<b>Financial capital liabilities</b>				
Customer deposits	2,081,534	-	-	2,081,534
Derivative liabilities	720,354	-	-	720,354
<b>Total financial liabilities</b>	<b>2,801,888</b>	-	-	<b>2,801,888</b>

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

#### 26. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

#### 27. Subsequent Event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

Financial Statements of

## **BRANTFORD POWER INC.**

Year ended December 31, 2020



# BRANTFORD POWER INC.

## Table of Contents

---

	Page
Management Report	1
Independent Auditors' Report	2 - 4
Financial Statements of Brantford Power Inc.	
• Statement of Financial Position	5 - 6
• Statement of Comprehensive Income	7
• Statement of Changes in Equity	8
• Statement of Cash Flows	9
• Notes to Financial Statements	10 - 51



# Brantford Power Inc.

## Management Report

### December 31, 2020

---

The accompanying financial statements are the responsibility of management of Brantford Power Inc. (the Company). In management's opinion, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by KPMG LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with IFRS.

The board of directors, through the audit committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The audit committee also reviews the financial statements and recommends their approval to the board of directors. KPMG LLP has full and free access to the audit committee, with and without the presence of management.

Paul Kwasnik  
President and Chief Executive Officer  
May 5, 2021

Brian D'Amboise, CPA, CA  
Chief Financial Officer  
May 5, 2021



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton ON L8P 4W7  
Canada  
Tel 905-523-8200  
Fax 905-523-2222

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Brantford Power Inc.

### ***Opinion***

We have audited the financial statements of Brantford Power Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



Page 4

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 5, 2021

# BRANTFORD POWER INC.

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 14,417,957	\$ 7,778,501
Accounts receivable (note 5)	11,390,904	10,275,929
Unbilled revenue	13,449,035	12,999,322
Materials and supplies (note 6)	1,419,447	961,519
Prepaid expenses	203,419	239,928
Payments in lieu of corporate income taxes (note 14)	-	1,384,051
Due from affiliates (note 11)	40,942	-
	40,921,704	33,639,250
Finance lease receivable	331,884	-
Intangible assets (note 8)	2,924,832	3,055,793
Deferred tax assets (note 14)	1,671,349	1,064,730
Property, plant and equipment (note 7)	97,184,815	88,086,448
	102,112,880	92,206,971
Total assets	143,034,584	125,846,221
Regulatory debit balances (note 9)	4,829,545	6,413,314
Total assets and regulatory debit balances	\$ 147,864,129	\$ 132,259,535

See accompanying notes to financial statements.

**BRANTFORD POWER INC.**

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 21,670,574	\$ 17,687,878
Due to affiliates (note 11)	-	119,622
Accounts payable to the City of Brantford (note 11)	476,491	582,430
Interest payable to the City of Brantford (note 12)	-	1,015,945
Customer deposits	2,003,318	2,081,534
Current portion of long term debt (note 12)	1,784,538	1,186,290
Payments in lieu of corporate income taxes (note 14)	143,326	-
	26,078,247	22,673,699
Long-term debt (note 12)	59,258,199	49,347,944
Post-employment benefits (note 13)	1,353,300	1,245,300
Deferred revenue (note 15)	5,067,435	4,725,784
Derivative liabilities (note 24)	3,109,811	720,354
Deferred tax liabilities (note 14)	4,748,209	4,905,280
	73,536,954	60,944,662
Total liabilities	99,615,201	83,618,361
Equity:		
Share capital (note 16)	22,437,505	22,437,505
Accumulated other comprehensive (loss) income	(1,510,150)	313,985
Retained earnings	25,665,543	24,934,889
	46,592,898	47,686,379
Total liabilities and equity	146,208,099	131,304,740
Regulatory credit balances (note 9)	1,656,030	954,795
Contingencies and commitments (note 19)		
Total liabilities and equity and regulatory credit balances	\$ 147,864,129	\$ 132,259,535

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

**BRANTFORD POWER INC.**

## Statement of Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Distribution revenue	\$ 19,347,319	\$ 17,908,538
IESO conservation programs	304,847	1,553,047
Other income	1,566,055	957,034
	21,218,221	20,418,619
Sale of energy	127,505,201	111,743,409
Total revenue (note 17)	148,723,422	132,162,028
Operating expenses:		
Distribution operations and maintenance (note 20)	3,822,878	3,842,294
Billing and collecting (note 20)	3,825,634	3,512,063
General administration (note 20)	5,451,071	4,395,549
IESO conservation programs (note 20)	284,847	1,658,795
Amortization (note 22)	3,842,494	3,557,438
	17,226,924	16,966,139
Cost of power purchased	125,347,147	118,301,973
	142,574,071	135,268,112
Income (loss) from operating activities	6,149,351	(3,106,084)
Finance income and costs (note 18):		
Finance income	455,368	614,541
Finance costs	(1,647,341)	(1,723,787)
	(1,191,973)	(1,109,246)
Income (loss) before income taxes and net movement in regulatory balances	4,957,378	(4,215,330)
Income tax expense (note 14)	941,720	1,158,647
Income (loss) for the year before net movement in regulatory balances	4,015,658	(5,373,977)
Net movement in regulatory balances, net of tax		
Net movement in regulatory balances	(2,120,687)	6,525,149
Income tax on movement in regulatory balances	(164,317)	1,294,735
	(2,285,004)	7,819,884
Net income for the year and net movement in regulatory balances	1,730,654	2,445,907
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Unrealized loss on derivatives	(2,406,017)	(702,237)
Tax on unrealized loss on derivatives	637,595	186,093
Remeasurements of post-employment benefits (note 13)	(75,800)	(59,400)
Tax on remeasurements	20,087	15,741
Other comprehensive loss for the year	(1,824,135)	(559,803)
Total comprehensive (loss) income for the year	\$ (93,481)	\$ 1,886,104

See accompanying notes to financial statements.



**BRANTFORD POWER INC.**

## Statement of Changes In Equity

Year ended December 31, 2020, with comparative information for 2019

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2019	\$ 22,437,505	\$ 23,238,982	\$ 873,788	\$ 46,550,275
Net income and net movement in regulatory balances	-	2,445,907	-	2,445,907
Other comprehensive loss	-	-	(559,803)	(559,803)
Dividends	-	(750,000)	-	(750,000)
Balance at December 31, 2019	22,437,505	24,934,889	313,985	47,686,379
Balance at January 1, 2020	22,437,505	24,934,889	313,985	47,686,379
Net income and net movement in regulatory balances	-	1,730,654	-	1,730,654
Other comprehensive loss	-	-	(1,824,135)	(1,824,135)
Dividends	-	(1,000,000)	-	(1,000,000)
Balance at December 31, 2020	\$ 22,437,505	\$ 25,665,543	\$ (1,510,150)	\$ 46,592,898

See accompanying notes to financial statements.

**BRANTFORD POWER INC.**

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net income for the year and net movement in regulatory balances	\$ 1,730,654	\$ 2,445,907
Items not involving cash:		
Amortization (note 22)	4,087,308	3,802,139
Amortization of deferred revenue	(108,595)	(83,361)
Loss (gain) on disposal of property, plant and equipment	(341,526)	110,195
Income tax expense	941,720	1,158,647
Other items not affecting cash (note 21)	17,896	(122,020)
	6,327,457	7,311,507
Changes in non-cash operating working capital (note 21)	1,006,170	1,845,258
Regulatory balances	2,285,004	(7,819,884)
Contributions received from customers	464,183	1,773,026
Income tax paid	(66,186)	(862,534)
Net cash from operating activities	10,016,628	2,247,373
Financing:		
Proceeds of issuance of long term debt	12,000,000	13,000,000
Repayment of long-term debt	(1,626,857)	(1,156,341)
Debt issuance costs	(135,360)	(118,477)
Dividends paid	(1,000,000)	(750,000)
Receipt of deferred revenues	(13,937)	(1,650)
	9,223,846	10,973,532
Investing:		
Net proceeds from disposal of property, plant and equipment	2,369,567	72,553
Acquisition of property, plant and equipment	(14,838,556)	(21,386,317)
Acquisition of intangible assets	(132,029)	(1,074,839)
	(12,601,018)	(22,388,603)
Increase (decrease) in cash and cash equivalents	6,639,456	(9,167,698)
Cash and cash equivalents, beginning of year	7,778,501	16,946,199
Cash and cash equivalents, end of year	\$ 14,417,957	\$ 7,778,501

See accompanying notes to financial statements.

# BRANTFORD POWER INC.

Notes to Financial Statements

Year ended December 31, 2020

---

## 1. Description of business:

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation which is wholly owned by the City of Brantford. The Company provides electricity distribution services to residents of the City of Brantford in the Company's licensed service territory. The operations of the Company are regulated by the Ontario Energy Board (OEB). The Company's head office is located at 150 Savannah Oaks Drive and it maintains operational offices at 400 Grand River Avenue. Both of these offices are located in the City of Brantford.

## 2. Basis of presentation:

### (a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors on April 28, 2021.

### (b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

### (c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

## 2. Basis of presentation (continued):

### (d) Use of estimates and judgments:

#### (i) Assumptions and estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (a) Note 3(c) - measurement of unbilled revenue
- (b) Notes 3(e), 7 and 8 - estimation of useful lives of its property, plant and equipment and intangible assets.
- (c) Notes 3(k) and 9 - recognition and measurement of regulatory balances
- (d) Notes 3(l) and 13 - measurement of defined benefit obligations: key actuarial assumptions
- (e) Note 19 - recognition and measurement of provisions and contingencies
- (f) Note 3(i) - leases: whether an arrangement contains a lease
- (g) Note 9 - regulatory balances

#### (ii) Judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes:

- (a) Note 3(i) - leases: whether an arrangement contains a lease
- (b) Note 3(i) - leases: lease term, underlying leased asset value
- (b) Note 19 - commitments and contingencies; whether a contingency is a liability

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

## 2. Basis of presentation (continued):

### (e) Rate regulation:

The Company is regulated by the Ontario Energy Board (OEB), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (LDCs), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year but was extended during the year to July 31, 2020.

### (f) Rate setting - Distribution revenue:

For the distribution revenue, the Company files a Cost of Service (COS) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism (IRM) application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for a 2-factor Input Price Index which accounts for the average weekly earnings for Ontario workers and the Gross Domestic Product Implicit Price Inflator - Final Domestic Demand (GDP IPI-FDD) net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from the customers.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

## 2. Basis of presentation (continued):

### (f) Rate setting - Distribution revenue (continued):

In 2019, the Company filed an IRM application for rates effective January 1, 2020 to December 31, 2020 for which a Decision and Interim Rate order was issued January 2, 2020.

The OEB issued a distribution rate design for residential electricity customers which was phased in over a four year period commencing January 2016. Under this policy, electricity distributors were to structure residential rates so that all the distribution charge would be collected through a fully fixed monthly charge instead of the current fixed and variable rate charge. The Company has transitioned to fully fixed rates for residential customers effective January 1, 2019.

In 2019, the Company filed an ICM application for rate increases on incremental capital expenditures relating to the purchase and refurbishment of 150 Savannah Oaks, for which a Decision and Rate order was issued on January 23, 2020 to apply rate riders effective March 1, 2020.

### (g) Rate setting - Electricity rates:

Under an established Regulated Price Plan, the OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. Remaining consumers pay either the market price for electricity or the contracted price for electricity if they have enrolled with a retailer. The Company is billed for the cost of the electricity that its customers use and pass this cost on to the customer at a cost without a mark-up.

In 2020, the OEB also adjusted the Regulated Price Plan (RPP) prices in March and June in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act to assist Ontarians* who were forced to stay home due to the COVID-19 pandemic. All remaining consumers pay the market price for electricity.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies:

#### (a) Financial instruments:

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities with the exception of derivative liabilities. Loans and receivables and other liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described later in this note under Impairment of assets. The Company has two derivative instruments related to its long-term debt facilities with the Royal Bank of Canada. The non-fully hedged instrument is classified as a financial asset or liability at fair value through profit or loss.

Hedge accounting has been used in the presentation of these financial statements for the fully hedged instrument, which has been classified as a financial liability at fair value through other comprehensive income.

Cash and cash equivalents include cash and short-term instruments with maturities of three months or less from the date of acquisition.

#### (b) Use of estimates and judgements:

Judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included later in this note under *Revenue recognition - Capital contributions*.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

#### (c) Revenue recognition:

##### Sale and distribution of electricity:

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

##### Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

##### Other revenue:

Revenue earned from the provision of services is recognized as the service is rendered. Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(d) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(e) Property, plant and equipment:

Items of property, plant and equipment (PP&E) used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014 less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct. Borrowing costs that can be traced to specific assets are capitalized as part of the cost of those assets based on the actual cost of debt incurred on the Company's borrowings.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 3. Significant accounting policies (continued):

### (e) Property, plant and equipment (continued):

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use. The Company applies the half year rule for depreciation in the year of acquisition.

The estimated useful service life are as follows.

Asset	Rate
Buildings	20-50 years
Transformer station	20-50 years
Distribution stations	30 years
Distribution lines - overhead	3-60 years
Distribution lines - underground	3-60 years
Distribution transformers	3-40 years
Distribution meters	15-35 years
Vehicles	8-20 years
Office furniture	10 years
Computer equipment	2-4 years
Tools and other equipment	5-15 years
Other	5 years

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 3. Significant accounting policies (continued):

### (f) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014, less accumulated amortization. All other intangible assets are measured at cost.

Payments to obtain rights to access land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights acquired after January 1, 2014 are measured at cost less accumulated amortization.

Capital contributions relate to projects undertaken by the Company that required the alteration of a neighbouring utility's PP&E to accommodate the Company's joint use of those facilities for its PP&E. Capital contributions paid are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are:

Asset	Rate
Land rights	50 years
Capital contribution paid	45 years
Software	2 - 10 years

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(g) Impairment of assets:

Financial assets measured at amortized cost:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized. No impairment losses were incurred during 2020 or 2019.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(h) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(i) Leased assets:

At inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Company with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(i) Leased assets (continued):

The Company has elected not to recognize the right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Provisions:

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

(k) Regulatory balances:

Regulatory asset balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory asset balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will be approved by the OEB for recovery through rates. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory asset balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory asset balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory liability balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(l) Post-employment benefits:

Pension plan:

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

Post-employment benefits, other than pension:

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(m) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and late payments on customer electricity accounts receivable balances.

Finance costs comprise interest expense on borrowings, interest on customer deposits and the gain or loss on derivative liabilities. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets and except for instruments deemed to have a fully effective hedge.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

---

### 3. Significant accounting policies (continued):

(n) Payments in lieu of corporate income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 4. Cash and cash equivalents:

	2020	2019
Bank balances	\$ 14,416,957	\$ 7,776,601
Cash balances	1,000	1,900
	<b>\$ 14,417,957</b>	<b>\$ 7,778,501</b>

## 5. Accounts receivable:

	2020	2019
Trade receivables	\$ 10,540,034	\$ 10,147,674
Other trade receivables	640,576	227,344
Billable work	1,859,294	1,164,911
Expected credit losses	(1,649,000)	(1,264,000)
	<b>\$ 11,390,904</b>	<b>\$ 10,275,929</b>

## 6. Materials and supplies:

The amount of inventory consumed by the Company and recognized as an expense during 2020 was \$158,552 (2019 - \$162,489).

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 324 of 498

Year ended December 31, 2020

## 7. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction- in-progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2020	\$ 2,805,337	\$ 83,850,678	\$ 4,609,660	\$ 15,335,809	\$ 106,601,484
Additions	10,525,616	3,242,675	753,411	316,854	14,838,556
Transfers	13,190,613	1,567,494	-	(14,758,107)	-
Disposals/ retirements	(1,677,792)	(403,374)	(84,088)	-	(2,165,254)
Balance at December 31, 2020	\$ 24,843,774	\$ 88,257,473	\$ 5,278,983	\$ 894,556	\$ 119,274,786
Balance at January 1, 2019	\$ 2,805,337	\$ 77,685,412	\$ 4,086,058	\$ 981,506	\$ 85,558,313
Additions	-	5,918,825	658,439	14,809,053	21,386,317
Transfers	-	454,750	-	(454,750)	-
Disposals/ retirements	-	(208,309)	(134,837)	-	(343,146)
Balance at December 31, 2019	\$ 2,805,337	\$ 83,850,678	\$ 4,609,660	\$ 15,335,809	\$ 106,601,484
<i>Accumulated depreciation</i>					
Balance at January 1, 2020	\$ 164,047	\$ 16,566,153	\$ 1,784,836	\$ -	\$ 18,515,036
Depreciation	269,149	3,050,828	424,393	-	3,744,370
Disposals/ retirements	-	(102,329)	(67,106)	-	(169,435)
Balance at December 31, 2020	\$ 433,196	\$ 19,514,652	\$ 2,142,123	\$ -	\$ 22,089,971
Balance at January 1, 2019	\$ 136,969	\$ 13,677,466	\$ 1,522,680	\$ -	\$ 15,337,115
Depreciation	27,078	2,930,927	380,314	-	3,338,319
Disposals/ retirements	-	(42,240)	(118,158)	-	(160,398)
Balance at December 31, 2019	\$ 164,047	\$ 16,566,153	\$ 1,784,836	\$ -	\$ 18,515,036
<i>Carrying amounts</i>					
At December 31, 2020	\$ 24,410,578	\$ 68,742,821	\$ 3,136,860	\$ 894,556	\$ 97,184,815
At December 31, 2019	2,641,290	67,284,525	2,824,824	15,335,809	88,086,448

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 325 of 498

Year ended December 31, 2020

---

## 7. Property, plant and equipment (continued):

At December 31, 2020, property, plant and equipment with a carrying amount of \$97,184,815 (2019 - \$88,086,448) are subject to general security agreements. Borrowing costs in the amount of \$381,963 (2019 - \$224,885) were capitalized as part of the cost of property, plant and equipment.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 326 of 498

Year ended December 31, 2020

## 8. Intangible assets:

	Land rights	Capital contributions paid	Software	Work in progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2020	\$ 98,187	\$ 414,608	\$ 3,912,543	\$ 40,812	\$ 4,466,150
Additions	29,280	-	62,561	40,188	132,029
Transfers	-	-	40,813	(40,813)	-
Disposals/retirements	-	(36,250)	-	-	(36,250)
Balance at December 31, 2020	\$ 127,467	\$ 378,358	\$ 4,015,917	\$ 40,187	\$ 4,561,929
Balance at January 1, 2019	\$ 98,187	\$ 414,608	\$ 1,748,178	\$ 1,130,338	\$ 3,391,311
Additions	-	-	1,074,839	-	1,074,839
Transfers	-	-	1,089,526	(1,089,526)	-
Balance at December 31, 2019	\$ 98,187	\$ 414,608	\$ 3,912,543	\$ 40,812	\$ 4,466,150
<i>Accumulated depreciation</i>					
Balance at January 1, 2020	\$ 11,903	\$ 45,197	\$ 1,353,257	\$ -	\$ 1,410,357
Depreciation	2,023	8,830	219,914	-	230,767
Disposals/retirements	-	(4,027)	-	-	(4,027)
Balance at December 31, 2020	\$ 13,926	\$ 50,000	\$ 1,573,171	\$ -	\$ 1,637,097
Balance at January 1, 2019	\$ 9,886	\$ 35,989	\$ 1,012,528	\$ -	\$ 1,058,403
Depreciation	2,017	9,208	340,729	-	351,954
Balance at December 31, 2019	\$ 11,903	\$ 45,197	\$ 1,353,257	\$ -	\$ 1,410,357
<i>Carrying amounts</i>					
At December 31, 2020	\$ 113,541	\$ 328,358	\$ 2,442,746	\$ 40,187	\$ 2,924,832
At December 31, 2019	86,284	369,411	2,559,286	40,812	3,055,793

At December 31, 2020, all intangible assets are subject to general security agreements.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 327 of 498

## 9. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances:

	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	\$ 2,602,062	\$ (1,799,010)	\$ -	\$ 803,052	1
Retailer cost variance accounts	31,984	(17,217)	-	14,767	2
Deferred meter costs	135,046	783	-	135,829	2
Other regulatory accounts	479,650	259,941	-	739,591	2
Regulatory settlement account	-	136,051	-	136,051	-
Deferred income tax	3,164,572	(164,317)	-	3,000,255	*
	<b>\$ 6,413,314</b>	<b>\$ (1,583,769)</b>	<b>\$ -</b>	<b>\$ 4,829,545</b>	

	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	\$ 989,754	\$ 1,111,856	\$ 500,452	\$ 2,602,062	1
Retailer cost variance accounts	45,450	(13,466)	-	31,984	3
Deferred meter costs	133,766	1,280	-	135,046	3
Other regulatory accounts	488,186	(8,536)	-	479,650	3
Regulatory settlement account	45,541	(45,541)	-	-	-
Deferred income tax	1,869,837	1,294,735	-	3,164,572	*
	<b>\$ 3,572,534</b>	<b>\$ 2,340,328</b>	<b>\$ 500,452</b>	<b>\$ 6,413,314</b>	

\* These balances will reverse as the related deferred tax balances reverses.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020

Energy+ Inc. and Brantford Power Inc.  
MAADs Application  
File Number: EB-2021-0280  
Date Filed: November 1, 2021  
Page 328 of 498

## 9. Regulatory balances (continued):

	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining years
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	\$ 505,320	\$ 529,594	\$ -	\$ 1,034,914	1
Regulatory settlement account	125,300	(125,300)	-	-	1
Other regulatory accounts	324,175	296,941	-	621,116	1
	<b>\$ 954,795</b>	<b>\$ 701,235</b>	<b>\$ -</b>	<b>\$ 1,656,030</b>	
	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	\$ 5,933,899	\$ (1,817,772)	\$ (3,610,807)	\$ 505,320	1
Regulatory settlement account	-	125,300	-	125,300	3
Other regulatory accounts	-	324,175	-	324,175	3
	<b>\$ 5,933,899</b>	<b>\$ (1,368,297)</b>	<b>\$ (3,610,807)</b>	<b>\$ 954,795</b>	

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts can be done on an annual basis through application to the OEB. Group 2 and other deferral accounts can be settled during a cost of service application to the OEB. Effective January 1, 2020, the approved account balances were moved to the regulatory settlement account.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 329 of 498

Year ended December 31, 2020

## 9. Regulatory balances (continued):

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rates were as follows:

	2020	2019
Quarter		
January 1 to March 31	2.18 %	2.45 %
April 1 to June 30	2.18 %	2.18 %
July 1 to September 30	0.57 %	2.18 %
October 1 to December 31	0.57 %	2.18 %

## 10. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable and accruals-energy purchases	\$ 10,764,747	\$ 9,631,887
Payroll payable	654,460	405,131
IESO conservation program funding	1,109,689	517,188
Other	9,141,678	7,133,672
	<u>\$ 21,670,574</u>	<u>\$ 17,687,878</u>

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 330 of 498

Year ended December 31, 2020

## 11. Related party transactions:

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by the Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc.

The Company obtains certain administrative and management services from the City and Brantford Energy corporation. The Company also provides services to the City, Brantford Energy Corporation and Brantford Hydro Inc. These services were made in the normal course of business, are non-interest bearing, have terms of net thirty days and have been recorded at the exchange amounts.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, maintenance and operational services to the Company. The exchange amount for these services has been set out in the agreement. As at December 31, 2020 the balance owing to the City for these services was \$476,491 (2019 - \$582,430).

Details of the transactions between the Company and the City are detailed below:

City of Brantford	2020	2019
Revenues:		
Sale of electricity	\$ 5,765,049	\$ 5,899,322
Other services	629,287	299,686
	<u>\$ 6,394,336</u>	<u>\$ 6,199,008</u>

	2020	2019
Operating expenses:		
Shared services agreement	\$ 1,545,999	\$ 1,779,774
Property taxes	359,904	263,806
	<u>\$ 1,905,903</u>	<u>\$ 2,043,580</u>

The Company has entered into a shared services agreement with Brantford Energy Corporation and Brantford Hydro Inc., whereby the Company will provide administrative support to its affiliates. The exchange amount for these services has been set out in the agreement.

The Company obtains management services from Brantford Energy Corporation.



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 331 of 498

Year ended December 31, 2020

## 11. Related party transactions (continued):

Details of the transactions between the Company and Brantford Energy Corporation are presented below:

Brantford Energy Corporation	2020	2019
Revenues:		
Administrative support	\$ 74,811	\$ 61,330
Financial information system fees	14,843	-
	\$ 89,654	\$ 61,330
	2020	2019
Operating expenses:		
Shared service fees	\$ 290,019	\$ 285,902
Management fees	279,356	214,302
	\$ 569,375	\$ 500,204

The Company purchases dark fibre optics services from Brantford Hydro Inc.

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre cables to be attached to the Company's distribution assets. The Company also provides other services such as, water heater tank disposal handling and assistance when fibre optic maintenance is done in proximity of the electrical plant.

Details of the transactions between the Company and Brantford Hydro Inc. are presented below:

Brantford Hydro Inc.	2020	2019
Revenues:		
Administrative support	\$ 105,260	\$ 110,169
Pole rental fees	102,395	99,476
Financial information system fees	23,721	73,626
Other services	1,414	50,431
	\$ 232,790	\$ 333,702

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 332 of 498

Year ended December 31, 2020

## 11. Related party transactions (continued):

	2020	2019
Operating expenses:		
Dark fibre optic services	\$ 7,648	\$ 3,600
Other services	5,500	7,871
	\$ 13,148	\$ 11,471

Balances owing (to)/from affiliates are as follows:

	2020	2019
Brantford Energy Corporation	\$ (14,685)	\$ (251,404)
Brantford Hydro Inc.	55,627	131,782
	\$ 40,942	\$ (119,622)

### *Key management personnel*

The key management personnel of the Company have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2020	2019
Directors' fees	\$ 33,750	\$ 22,083
Salaries and other short-term benefits	491,671	608,947
	\$ 525,421	\$ 631,030

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 333 of 498

Year ended December 31, 2020

## 12. Long-term debt:

	2020	2019
Note payable, bearing interest at 4.20%, repayable to the City, interest only payable annually - due February, 2026	\$ 24,189,168	\$ 24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2021	148,847	722,299
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due September 30, 2045	24,551,870	12,858,803
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments of \$86,523 due December, 2032	1,542,612	1,632,957
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments of \$138,371 due December, 2050	4,316,029	4,376,902
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.46% repayable in semi annual instalments of \$237,885 due October, 2027	2,960,213	3,326,654
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.90% repayable in semi annual instalments of \$113,683 due December, 2042	3,333,998	3,427,451
	61,042,737	50,534,234
Less current portion long-term debt	1,784,538	1,186,290
	\$ 59,258,199	\$ 49,347,944

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$100 per common share. Interest payable to the City of \$nil (2019 - \$1,015,945) was outstanding as at December 31, 2020. The parties extended the note for a future 5 years at the new rate.

The Company entered into a swap agreement during 2006 with Royal Bank to fix the interest rate. The agreement represents a notional principal amount of \$5,900,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 4.71% plus a stamping fee rate of 0.80% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 334 of 498

Year ended December 31, 2020

## 12. Long-term debt (continued):

The Company was authorized for a \$25,000,000 non-revolving term facility, of which the full amount has been drawn down through bankers acceptances and rolled over as at September 30, 2020. This loan is repayable in quarterly blended payments of principal and interest of \$250,000, bearing interest at prime. The Company has a swap agreement with Royal Bank to fix the interest rate on the term facility. The agreement represents the full amount of \$25,000,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 2.54% plus a stamping fee of 0.55%.

These credit facilities are secured by general security agreements over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayments are as follows:

2021	\$ 1,784,538
2022	1,660,776
2023	1,687,048
2024	1,714,395
Thereafter	54,195,980
	<hr/>
	\$ 61,042,737

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 335 of 498

Year ended December 31, 2020

---

## 13. Post-employment benefits:

### ***Ontario Municipal Employees Retirement System (OMERS) Pension Plan***

All full-time, permanent and certain contract employees of the Company are eligible to participate in the OMERS defined pension plan (the plan).

The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2020, the Company made employer contributions of \$535,381 to OMERS (2019 - \$500,177), of which \$18,535 (2019 - \$17,784) has been capitalized as part of PP&E and the remaining amount of \$516,846 (2019 - \$482,393) has been recognized in profit or loss. The Company estimates that a contribution of \$625,255 to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had over 500,000 members. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded, with an unfunded liability of \$3.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

### ***Post-employment benefits other than pension***

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to eligible active employees.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2020 and the expense for the period ended December 31, 2020 are based on actuarial valuations done as at December 31, 2018.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 336 of 498

Year ended December 31, 2020

## 13. Post-employment benefits (continued):

### *Significant assumptions*

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	2020	2019
To determine benefit obligation at end of year		
Discount rate	2.60 %	3.20 %
To determine benefit expense (income) for the year		
Discount rate	2.60 %	4.00 %
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	6.00 %	6.00 %
Ultimate rate	4.75 %	4.75 %
Year ultimate rate reached	2024	2024

### *Sensitivity analysis*

	Change in obligation	Change in expense
Impact of 1% increase in assumed health care trend rate	\$ 130,600	\$ 16,000
Impact of 1% decrease in assumed health care trend rate	(108,900)	(13,000)

Reconciliation of the obligation:

	2020	2019
Defined benefit obligation, beginning of year	\$ 1,245,300	\$ 1,224,800
Included in profit or loss		
Current service cost	52,800	51,100
Past service cost	19,100	-
Interest cost	40,900	48,300
Benefits paid	(80,600)	(138,300)
Included in OCI		
Actuarial losses	75,800	59,400
Defined benefit obligation, end of year	\$ 1,353,300	\$ 1,245,300

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 337 of 498

Year ended December 31, 2020

## 14. Income tax expense:

	2020	2019
Current tax expense		
Current year	\$ 206,736	\$ (816,414)
Adjustment for prior years	841,000	3,723
	1,047,736	(812,691)
Deferred tax expense		
Change in recognized deductible temporary differences	(106,016)	1,971,338
	\$ 941,720	\$ 1,158,647

Reconciliation of effective tax rate:

	2020	2019
Income (loss) before taxes	\$ 4,957,378	\$ (4,215,330)
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	1,313,705	(1,117,062)
Increase (decrease) in income taxes resulting from:		
Permanent differences	425	2,886
Prior periods	388,141	3,723
Regulatory balances	(561,982)	1,729,165
Other	(198,569)	539,935
	\$ 941,720	\$ 1,158,647

Significant components of the Company's deferred tax balances:

	2020	2019
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (3,796,280)	\$ (3,832,579)
Post-employment benefits	358,625	330,005
Allowance for doubtful accounts	436,985	334,960
Regulatory balances	(951,929)	(1,072,701)
Non-capital losses available for carry forward	-	197,742
Corporate minimum tax	38,751	-
Derivative liabilities	824,100	189,135
Other	12,888	12,888
Net deferred tax assets (liabilities)	\$ (3,076,860)	\$ (3,840,550)

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 338 of 498

Year ended December 31, 2020

## 15. Deferred revenue:

	2020	2019
Contributions received from customers	\$ 4,502,662	\$ 4,147,074
Other	564,773	578,710
	<u>\$ 5,067,435</u>	<u>\$ 4,725,784</u>

## 16. Share capital:

	2020	2019
Authorized:		
Unlimited number of common shares		
Issued:		
1,001 common shares	\$ 22,437,505	\$ 22,437,505

### *Dividends*

The Company has established a dividend policy to pay a pure residual non-cumulative approach to dividends whereby no specified targeted dividend payout ratios or dollar amounts will be prescribed in advance.

The Company paid aggregate dividends in the year on common shares of \$999 per share (2019 - \$749), which amount to total dividends paid in the year of \$1,000,000 (2019 - \$750,000).



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 339 of 498

Year ended December 31, 2020

## 17. Revenue:

	2020	2019
Revenue from contracts with customers:		
Energy sales	\$ 127,505,201	\$ 111,743,409
Distribution revenue	19,347,319	17,908,538
	146,852,520	129,651,947
IESO conservation programs	304,847	1,553,047
Other revenue	1,566,055	957,034
	\$ 148,723,422	\$ 132,162,028

	2020	2019
Energy sales and distribution revenue by class comprise:		
Residential	\$ 57,527,444	\$ 42,067,487
General service <50	13,250,347	10,713,998
General service >50	73,845,034	74,335,546
Embedded distribution	632,556	607,468
Unmetered	296,095	226,589
Street lighting	1,239,705	1,205,822
Sentinel light	61,339	495,037
	\$ 146,852,520	\$ 129,651,947

Other revenue	2020	2019
Specific services charges	\$ 199,548	\$ 226,984
Management fees	218,636	245,124
Property rental	526,096	259,841
Retailer revenue	32,389	30,802
Gain (loss) on disposal of assets	360,662	(110,195)
Customer contributions	220,766	195,226
Other revenue	7,958	109,252
Total other revenue	\$ 1,566,055	\$ 957,034

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 340 of 498

Year ended December 31, 2020

## 18. Finance income and finance costs:

Finance income:

	2020	2019
Interest income on bank deposits	\$ 96,066	\$ 288,258
Late payment charges	359,302	326,283
	\$ 455,368	\$ 614,541

Finance costs:

	2020	2019
Interest on long-term debt	\$ 1,580,605	\$ 1,632,356
Interest expense on customer deposits	22,121	51,854
Loss on derivative liabilities	(14,304)	(19,230)
Other	58,919	58,807
	1,647,341	1,723,787
Net finance costs recognized in profit or loss	\$ 1,191,973	\$ 1,109,246

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 341 of 498

Year ended December 31, 2020

## 19. Contingencies and commitments:

### *General liability insurance:*

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2022. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2020, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2022.

### *General:*

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

## 20. Operating expenses:

### Distribution operations and maintenance:

	2020	2019
Salaries and benefits	\$ 1,619,628	\$ 1,544,925
Other staff costs	122,062	149,092
City of Brantford shared services	932,052	974,340
Contracted services	527,186	572,083
Building utilities and maintenance	46,141	68,824
Materials and supplies	330,370	322,923
Equipment repairs and maintenance	6,919	23,930
Vehicle	234,324	221,608
Other	4,196	(35,431)
	\$ 3,822,878	\$ 3,842,294

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 342 of 498

Year ended December 31, 2020

## 20. Operating expenses (continued):

Billing and collecting:

	2020	2019
Salaries and benefits	\$ 1,486,879	\$ 1,134,652
Other staff costs	(1,787)	16,002
City of Brantford shared services	242,265	295,080
Contracted services	666,942	700,370
Expected credit losses	875,861	881,423
Materials and suppliers	6,659	10,005
Postage	372,309	364,962
Other	176,506	109,569
	\$ 3,825,634	\$ 3,512,063

General administration:

	2020	2019
Salaries and benefits	\$ 2,400,366	\$ 1,851,532
Other staff costs	55,436	70,387
City of Brantford shared services	572,738	637,440
Contracted services	1,323,005	795,386
Building utilities and maintenance	354,423	396,119
Materials and supplies	59,359	37,455
Other	685,744	607,230
	\$ 5,451,071	\$ 4,395,549

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 343 of 498

Year ended December 31, 2020

## 20. Operating expenses (continued):

IESO conservation programs:

	2020	2019
Incentives paid to customers	\$ 165,500	\$ 1,101,079
Salaries and benefits	11,352	141,174
Other staff costs	783	5,845
City of Brantford shared services	383	22,976
Contracted services	106,829	328,601
Materials and supplies	-	4,344
Other	-	54,776
	\$ 284,847	\$ 1,658,795

The IESO conservation programs are winding down. There are no new applications, only existing applications are being settled.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 344 of 498

Year ended December 31, 2020

## 21. Statement of cash flows:

Changes in non-cash working capital:

	2020	2019
Accounts receivable	\$ (1,114,975)	\$ 445,580
Unbilled revenue	(449,713)	(2,010,108)
Materials and supplies	(457,928)	(197,756)
Prepaid expenses	36,509	107,845
Accounts payable and accrued liabilities	3,982,696	3,060,525
Accounts payable to the City of Brantford	(105,939)	230,095
Interest paid on long term debt	1,015,945	1,629,686
Finance costs	(1,661,645)	(1,743,017)
Due to affiliates	(160,564)	127,192
Customer deposits	(78,216)	195,216
	\$ 1,006,170	\$ 1,845,258

Other items not affecting cash:

	2020	2019
Post-employment benefits	\$ 32,200	\$ (38,900)
Vested sick leave	-	(61,883)
Derivative liabilities	(14,304)	(21,237)
	\$ 17,896	\$ (122,020)

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 345 of 498

Year ended December 31, 2020

## 22. Amortization:

	2020	2019
Amortization of capital assets	\$ 3,842,494	\$ 3,557,438
Amortization of capital assets charged to distribution operations and maintenance	244,814	244,701
	\$ 4,087,308	\$ 3,802,139

## 23. Capital disclosures:

The Company's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ensure compliance with covenants related to its credit facilities; and
- closely align its capital structure with the deemed capital structure established by the OEB.

As at December 31, 2020, the Company's definition of capital includes equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2020, equity amounts to \$47,257,898 (2019 - \$47,686,379) and long-term debt, amounts to \$59,258,199 (2019 - \$49,347,944). The Company's capital structure as at December 31, 2020 is 56% debt and 44% equity (2019 - 51% debt and 49% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2020, the Company was in compliance with all covenants.

## 24. Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 346 of 498

Year ended December 31, 2020

---

## 24. Financial instruments (continued):

### (a) Interest rate risk:

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

A term facility loan bears interest at a floating rate and thus, the carrying value approximates fair value. However, the Company has entered into an interest rate swap transaction, derivative instrument, the effect of which is to fix the interest rate on the \$724,000 term facility loan at 4.71% on the \$25,000,000 term facility loan at 2.54%. The potential replacement cost to the Company of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$3,109,811 (2019 - \$720,354), which was in the favour of Royal Bank. The Company entered into these interest rate swap transactions to fix the interest rate over the long-term and intends to hold this to maturity at which time there should be no replacement cost.

### (b) Credit risk:

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. As a result of the COVID-19 pandemic, certain of the Company's customers have experienced loss of employment, business shut-downs and other disruptions. The extension of the OEB's winter disconnection ban negatively impacted the Company's ability to exercise the full extent of its collection tools to manage the credit risk. In response to the increased collection risk, the Company has increased its loss allowance for expected credit losses to adjust for the higher level of expected customer defaults on accounts receivable.

The Company is currently holding customer deposits on hand in the amount of \$2,003,318 (2019 - \$2,081,534) which is reflected on the Statement of Financial Position. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of \$1,649,000 (2019 - \$1,264,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2020, the outstanding amounts receivable from the largest ten customers represented \$1,843,223 or 19% (2019 - \$2,600,133 or 25%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

### (c) Liquidity risk:

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 347 of 498

Year ended December 31, 2020

---

## 24. Financial instruments (continued):

### (d) Prudential support:

The Company is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2020, the Company provided prudential support in the form of a bank letter of credit of \$13,057,140 (2019 - \$13,057,140).

### (e) Revolving term facility:

As at December 31, 2020, the Company has been authorized for a revolving term facility of \$14,000,000 (2019 - \$7,000,000) of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 348 of 498

Year ended December 31, 2020

---

## 24. Financial instruments (continued):

(f) Fair value of other financial instruments:

(i) Establishing fair value:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accounts payable to the City, interest payable to the City, and due to/from affiliates approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value approximates carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the OEB.

The fixed rate long-term debt facility, maturing December 2032, funded by the Ontario Infrastructure and Lands Corporation (OILC) has an estimated fair value of \$1,795,000 (carrying value - \$1,542,612). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2020, of 2.4% per annum, (actual rate – 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2050, funded by the OILC has an estimated fair value of \$5,555,600 (carrying value - \$4,316,029). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2020, of 2.85% per annum, (actual rate – 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing October 2027, funded by the OILC has an estimated fair value of \$3,093,400 (carrying value - \$2,960,213). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2020, of 2% per annum, (actual rate – 3.46% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2042, funded by the OILC has an estimated fair value of \$3,829,600 (carrying value - \$3,333,997). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2020, of 2.5% per annum, (actual rate – 3.90% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 349 of 498

Year ended December 31, 2020

---

## 24. Financial instruments (continued):

### (f) Fair value of other financial instruments (continued):

#### (i) Establishing fair value (continued):

The promissory note payable to the City has an estimated fair value of \$29,282,400 (carrying value - \$24,189,168). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2020, of 2.5% per annum, (actual rate – 4.20% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The carrying values of the two Royal Bank facility loans approximate their fair values as the loans bear interest at current rates.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

#### (ii) Fair value hierarchy:

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Energy+ Inc. and Brantford Power Inc.

MAADs Application

File Number: EB-2021-0280

Date Filed: November 1, 2021

Page 350 of 498

Year ended December 31, 2020

## 24. Financial instruments (continued):

(f) Fair value of other financial instruments (continued):

(ii) Fair value hierarchy (continued):

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position Sheet, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total financial assets and liabilities at fair value
Financial assets				
Cash and cash equivalents	\$ 14,417,957	\$ -	\$ -	\$ 14,417,957
	\$ 14,417,957	\$ -	\$ -	\$ 14,417,957
Derivative liabilities	\$ 3,109,811	\$ -	\$ -	\$ 3,109,811
Total financial liabilities	\$ 3,109,811	\$ -	\$ -	\$ 3,109,811

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

**Schedule N**

**Energy+ Financial Statements**

- 2019
- 2020



## **Financial Statements**

**Year Ended December 31, 2019**

**(Expressed in thousands of dollars)**



**Financial Statements**  
**Year Ended December 31, 2019**

<b>Contents</b>	<b>Page</b>
<b>Auditors' Report</b>	<b>3 - 5</b>
<b>Financial Statements</b>	
<b>Statements of Financial Position</b>	<b>6 - 7</b>
<b>Statements of Comprehensive Income</b>	<b>8</b>
<b>Statements of Changes in Equity</b>	<b>9</b>
<b>Statements of Cash Flows</b>	<b>10</b>
<b>Notes to Financial Statements</b>	<b>11 - 42</b>
<b>Corporate Directory</b>	<b>44</b>



KPMG LLP  
115 King Street South  
2nd Floor  
Waterloo ON N2J 5A3  
Canada  
Tel 519-747-8800  
Fax 519-747-8830

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Energy+ Inc.

### ***Opinion***

We have audited the financial statements of Energy+ Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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





### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 6, 2020



**Statements of Financial Position**  
**As at December 31, 2019, with comparative information for 2018**  
**(in thousands of Canadian dollars)**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (note 4)	\$ -	\$ 3,983
Accounts receivable	18,980	20,917
Unbilled revenue	20,143	18,627
Inventories (note 5)	2,404	2,540
Recoverable payments in lieu of taxes	210	-
Other assets	458	665
<b>Total current assets</b>	<b>42,195</b>	<b>46,732</b>
<b>Non-Current Assets:</b>		
Property, plant & equipment (note 6)	181,121	171,646
Goodwill (note 7)	18,965	18,965
<b>Total non-current assets</b>	<b>200,086</b>	<b>190,611</b>
<b>Total Assets</b>	<b>242,281</b>	<b>237,343</b>
Regulatory deferral account debit balances (note 8)	4,978	6,765
Deferred tax asset (liability) associated with regulatory deferral account debit balances	(2,393)	(1,856)
	2,585	4,909
<b>Total Assets and Regulatory Deferral Account Debit Balances</b>	<b>\$ 244,866</b>	<b>\$ 242,252</b>



**Statements of Financial Position (continued)**  
**As at December 31, 2019, with comparative information for 2018**  
**(in thousands of Canadian dollars)**

	December 31, 2019	December 31, 2018
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Bank indebtedness	\$ 1,062	\$ -
Accounts payable and accrued liabilities	25,320	24,642
Payable in lieu of corporate taxes	-	35
Intercompany debt (note 15)	5,785	5,785
Current portion of long-term debt (note 9)	35,000	-
Customer deposits (note 12)	8,173	7,452
Lease liabilities – current (note 13)	130	-
<b>Current liabilities</b>	<b>\$ 75,470</b>	<b>\$ 37,914</b>
<b>Non-Current Liabilities</b>		
Long-term debt (note 9)	49,554	84,536
Customer deposits (note 12)	3,049	3,007
Employee future benefit costs (note 11)	2,514	3,318
Deferred revenue	19,418	15,773
Deferred tax liability (note 10)	6,637	5,148
Lease liabilities (note 13)	97	-
<b>Total non-current liabilities</b>	<b>81,269</b>	<b>111,782</b>
<b>Total Liabilities</b>	<b>156,739</b>	<b>149,696</b>
<b>Shareholder's Equity</b>		
Share capital (note 14)	38,224	38,224
Accumulated other comprehensive gain (loss) (note 11)	175	(220)
Retained earnings	54,816	51,759
<b>Total shareholder's equity</b>	<b>93,215</b>	<b>89,763</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>249,953</b>	<b>239,459</b>
Regulatory deferral account credit balances (note 8)	3,941	9,780
Deferred tax (asset) liability associated with regulatory deferral account balances	(9,029)	(6,987)
	(5,088)	2,793
<b>Total Liabilities, Equity and Regulatory Deferral Account Credit Balances</b>	<b>\$ 244,866</b>	<b>\$ 242,252</b>

See accompanying notes to financial statements.



**Statements of Comprehensive Income**  
**Year Ended December 31, 2019, with comparative information for 2018**  
**(in thousands of Canadian dollars)**

	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Energy sales (note 16)	\$ 196,662	\$ 190,139
Distribution revenue (note 16)	34,773	34,471
Other income from operations (note 17)	2,411	1,641
<b>Total revenues</b>	<b>233,846</b>	<b>226,251</b>
<b>Expenses:</b>		
Energy purchases	201,047	192,506
Operating expenses	18,722	17,963
Depreciation and amortization and related costs	6,600	6,109
<b>Total expenses</b>	<b>226,369</b>	<b>216,578</b>
<b>Income from operating activities</b>	<b>7,477</b>	<b>9,673</b>
<b>Other expenses:</b>		
(Gain)/loss on disposal of property, plant, and equipment	438	(113)
Finance income (note 18)	(279)	(249)
Finance charges (note 18)	4,355	4,160
<b>Income before payments in lieu of corporate taxes</b>	<b>2,963</b>	<b>5,875</b>
Income tax expense (note 10)	1,967	2,072
<b>Income for the year before net movements in regulatory deferral account balances</b>	<b>996</b>	<b>3,803</b>
Net movements in regulatory deferral account balances, net of tax	5,541	3,156
<b>Net income for the year after net movements in regulatory deferral account balances</b>	<b>6,537</b>	<b>6,959</b>
<b>Other comprehensive income (loss), net of tax:</b>		
Actuarial gain on employee future benefits (note 11)	538	155
Income tax recovery (expense) on other comprehensive income (loss)	(143)	(41)
<b>Other comprehensive income (loss), net of tax</b>	<b>395</b>	<b>114</b>
<b>Total comprehensive income, for the year</b>	<b>\$ 6,932</b>	<b>\$ 7,073</b>

See accompanying notes to financial statements.



**Statements of Changes in Equity**  
**Year Ended December 31, 2019, with comparative information for 2018**  
**(in thousands of Canadian dollars)**

	Share Capital	Acc. Other Comprehensive Gain (Loss)	Retained Earnings	Total
<b>Balance, January 1, 2018</b>	<b>\$ 38,224</b>	<b>\$ (334)</b>	<b>\$ 48,817</b>	<b>\$ 86,707</b>
Net Income			6,959	6,959
Other comprehensive gain		114		114
Dividends			(4,017)	(4,017)
<b>Balance, December 31, 2018</b>	<b>38,224</b>	<b>(220)</b>	<b>51,759</b>	<b>89,763</b>
Net Income			6,537	6,537
Other comprehensive gain		395		395
Dividends			(3,480)	(3,480)
<b>Balance, December 31, 2019</b>	<b>\$ 38,224</b>	<b>\$ 175</b>	<b>\$ 54,816</b>	<b>\$ 93,215</b>

See accompanying notes to financial statements.



## Statements of Cash Flows

Year Ended December 31, 2019, with comparative information for 2018  
(in thousands of Canadian dollars)

	2019	2018
Cash provided by (used in):		
<b>Operating activities</b>		
Total comprehensive income	\$ 6,932	\$ 7,073
Items not affecting cash:		
Depreciation and amortization	6,748	6,199
Amortization on right-of-use assets	123	-
Interest on lease liabilities	11	-
Amortization of deferred revenue	(426)	(364)
Amortization of deferred financing costs	18	18
(Gain)/loss on disposal of capital assets	438	(113)
Increase (decrease) in non-current customer deposits	42	1,425
Income taxes expense	2,110	2,113
Post-employment benefits	(804)	(56)
	15,192	16,295
Income taxes paid	(866)	(1,454)
Capital contributions received	4,071	5,263
Net change in non-cash operating working capital (note 22)	2,163	(5,001)
	<b>20,560</b>	<b>15,103</b>
<b>Financing activities</b>		
Repayment of intercompany debt	-	(900)
Dividends paid (note 14)	(3,480)	(4,017)
Payments of lease liabilities	(127)	-
	<b>(3,607)</b>	<b>(4,917)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(16,597)	(15,683)
Proceeds on disposal of property, plant and equipment	53	1,468
Net movements in regulatory balances	(5,454)	(3,066)
	<b>(21,998)</b>	<b>(17,281)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(5,045)</b>	<b>(7,095)</b>
Cash and cash equivalents, beginning of year	3,983	11,078
<b>(Bank indebtedness) cash and cash equivalents, end of year</b>	<b>\$ (1,062)</b>	<b>\$ 3,983</b>

See accompanying notes to financial statements.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**1. Reporting Entity:**

Energy+ Inc. (the "Corporation") is a rate regulated, municipally owned electricity distribution corporation incorporated under the laws of Ontario, Canada. The address of the Corporation's registered office is 1500 Bishop St., Cambridge, Ontario, Canada.

Energy+ Inc. delivers electricity and related utility services to approximately 67,000 customers in the City of Cambridge, the Township of North Dumfries, and within the County of Brant.

The Corporation is a wholly-owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus"), whose shareholders are the City of Cambridge (the "City") and the Township of North Dumfries (the "Township").

**2. Basis of presentation:**

**(a) Statement of compliance:**

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**(b) Approval of the financial statements:**

The financial statements were approved by the Board of Directors on April 2, 2020.

**(c) Basis of measurement:**

The financial statements have been prepared on the historical cost basis except for the following:

- i. Financial instruments, where held, are measured at fair value and any change in value is recorded through profit or loss.
- ii. Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 23.

**(d) Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**2. Basis of presentation (continued):**

**(e) Use of estimates and judgments:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

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

- i. Note 3 (k) Revenue recognition: determination of the performance obligation for contributions from customers and the related amortization period.
- ii. Note 3 (l) Leases: measurement of leases, including term and discount rate.
- iii. Note 6 Property, plant and equipment: estimation of useful lives of its property, plant and equipment.
- iv. Note 11 Employee future benefits: estimation provided by third party Actuarial firm.

**(f) Rate regulation:**

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**2. Basis of presentation (continued):**

**(f) Rate regulation (continued):**

**Rate setting:**

*Distribution revenue*

For the distribution revenue included in electricity sales, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder’s equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

In April 2018, the Corporation filed a 2019 COS application requesting new rates effective January 1, 2019. On August 1, 2019, the OEB issued a Decision to approve the Corporation’s 2019 rates. The approved rates were effective January 1, 2019, and implemented on August 1, 2019.

In August 2019, the Corporation filed a 2020 IRM application seeking approval for an increase in rates effective January 1, 2020. The GDP IPI-FDD for 2020 was 2.00%, the Corporation’s productivity factor was nil and the stretch factor was 0.15%, resulting in a net adjustment of 1.85% to rates effective January 1, 2020. On January 2, 2020, the OEB issued a Decision and rate order approving the 2020 rates and providing for other deferral and variance account dispositions.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**2. Basis of presentation (continued):**

**(f) Rate regulation (continued):**

**Rate setting:**

*Electricity rates*

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for (I) Leases which the Corporation adopted effective January 1, 2019. The details of the changes in accounting policies are disclosed in note 25.

**(a) Financial instruments:**

Financial assets are classified into one of three primary categories depending on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: (i) amortized costs; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL").

At the time of initial recognition, financial assets included in the categories of amortized cost or FVOCI are measured at fair value plus transaction costs, and financial assets included in the category of FVTPL are measured at fair value with transaction costs expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(b) Inventory:**

Inventory, which consists of parts and supplies acquired for internal construction or consumption for the maintenance of capital assets, is valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

**(c) Property, plant and equipment:**

Property, plant and equipment ("PP&E") are measured at historical cost or deemed cost, less accumulated depreciation and any accumulated impairment losses, if applicable.

If significant parts of an item of PP&E have different useful lives, then they are accounted for as separate major components of PP&E.

The cost of PP&E represents the original cost, consisting of direct materials and labour, contracted services, engineering costs, directly attributable overheads, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs incurred to remove an existing asset from service that are not directly attributable to site preparation for the construction of new assets are expensed.

The carrying amount of a replaced item of PP&E is derecognized and the related loss is included as a loss on disposal of PP&E. The gain or loss on disposal of an item of PP&E is determined as the difference between the sale proceeds less the carrying amount of the asset and costs of removal and is recognized in the statements of income.

Major spare parts and standby equipment are recognized as items of PP&E.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follow:

	Estimated Service Life
Buildings	5 – 80 years
Transformer Station Equipment	15 – 60 years
Distribution Transformers	20 – 80 years
Distribution System	15 – 99 years
Meters	10 – 45 years
System Supervisory Equipment	15 years
Other Capital Assets	3 – 20 years

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(d) Goodwill:**

Goodwill arising on the acquisition of subsidiaries or an amalgamation is measured at cost and is not amortized.

**(e) Impairment:**

*i. Financial assets measured at amortized cost:*

Loss allowances for accounts receivable and unbilled revenue are measured at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life. Expected credit losses are recognized in profit or loss.

*ii. Non-financial assets:*

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(f) Provisions:**

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

**(g) Regulatory deferral accounts:**

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2019 the rate was 2.45% until March 31, 2019 and 2.18% from April 1, 2019 to December 31, 2019.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(h) Customer deposits:**

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.

**(i) Employee benefits:**

*i. Pension Plan*

The Corporation provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards.

Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings.

OMERS is a defined benefit plan, however, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan and the Corporation recognizes the expense related to this plan as an employee benefit expense in net income when contributions are due.

*ii. Post-Employment Benefits other than pension*

The Corporation pays certain medical, dental, and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and current service cost are actuarially determined by applying the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings.

*iii. Short-term employee benefits*

The Corporation provides a short-term non-vesting sick-leave benefit to its employees. Actuarial gains and losses on accumulated sick leave credits are recognized in the statements of comprehensive income in the period in which they arise.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(j) Deferred revenue and assets transferred from customers:**

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

**(k) Revenue recognition:**

*i. Energy sales and distribution revenue*

The Corporation assesses each contract with the customer to identify the performance obligation. Revenue is recognized when the control of the goods or services has been transferred to the customer at a point in time or over time. The transaction price and the payment terms are agreed upon in the contract between the Corporation and the customer.

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer. The majority of billing cycles and payment terms are on a monthly basis.

Energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and wholesale market service charges at current rates. Energy sales are presented on a gross basis as the Corporation has determined that it is acting as a principal for these electricity charges.

Distribution revenue is recorded based on OEB approved distribution tariff rates established to recover the costs incurred by the Corporation in delivering electricity to customers.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(k) Revenue recognition (continued):**

*ii. Capital contributions*

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions do not meet the criteria of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue.

*iii. Other revenue*

Other revenue, which includes revenue from services ancillary to the distribution of electricity, revenue from water billing services, and other billable services is recognized as the services are rendered.

Government grants and the related performance incentive payments under Conservation and Demand Management (CDM) programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(I) Leases:**

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- i. The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- ii. The Corporation has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- iii. The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use-asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those for property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(l) Leases (continued):**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, plus any extensions to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method.

At inception of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each of the lease components based on their relative stand-alone prices. For the property leases, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**(m) Finance income and finance charges:**

Finance income is recognized as it accrues in net income and comprises interest earned on cash and cash equivalents.

Finance charges are computed using the effective interest rate method and are recognized as an expense. Finance charges comprise: (i) interest on borrowings; (ii) interest on deposits; and (iii) standby fees.

**(n) Payments in lieu of corporate taxes:**

Payments in lieu of corporate taxes expense, also referred to as income tax expense, comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**3. Significant accounting policies (continued):**

**(n) Payments in lieu of corporate taxes (continued):**

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

**(o) Business combinations**

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of overnight deposits at a Canadian chartered bank.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**5. Inventories**

	2019	2018
Stores	\$ 2,322	\$ 2,439
Other	82	101
	<u>\$ 2,404</u>	<u>\$ 2,540</u>

**6. Property, Plant & Equipment**

**(a) Cost or Deemed Cost**

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
Balance at January 1, 2019	\$ 4,144	\$173,070	\$ 12,741	\$ 343*	\$ 4,138	\$194,436
Additions	68	16,265	687	-	(423)	16,597
Disposals/retirements	(63)	(2,278)	(130)	-	-	(2,471)
Balance at December 31, 2019	<u>\$4,149</u>	<u>\$187,057</u>	<u>\$ 13,298</u>	<u>\$ 343</u>	<u>\$ 3,715</u>	<u>\$208,562</u>
Balance at January 1, 2018	\$ 5,323	\$161,596	\$ 11,930	\$ -	\$ 2,697	\$181,546
Additions	15	13,190	1,037	-	1,441	15,683
Disposals/retirements	(1,194)	(1,716)	(226)	-	-	(3,136)
Balance at December 31, 2018	<u>\$ 4,144</u>	<u>\$173,070</u>	<u>\$ 12,741</u>	<u>\$ -</u>	<u>\$ 4,138</u>	<u>\$194,093</u>

\* Effective, January 1, 2019 - Right-of-use assets were recognized for two building property leases.  
Refer to note 25 Change in Accounting Policies.

**(b) Accumulated depreciation**

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
Balance at January 1, 2019	\$ 781	\$ 14,474	\$ 7,192	\$ -	\$ -	\$ 22,447
Depreciation charge	198	4,788	1,613	123	-	6,722
Disposals/retirements	(41)	(1,558)	(129)	-	-	(1,728)
Balance at December 31, 2019	<u>\$ 938</u>	<u>\$ 17,704</u>	<u>\$ 8,676</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 27,441</u>
Balance at January 1, 2018	\$ 927	\$ 11,280	\$ 5,822	\$ -	\$ -	\$ 18,029
Depreciation charge	184	4,442	1,573	-	-	6,199
Disposals/retirements	(330)	(1,248)	(203)	-	-	(1,781)
Balance at December 31, 2018	<u>\$ 781</u>	<u>\$ 14,474</u>	<u>\$ 7,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,447</u>

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**6. Property, Plant & Equipment (continued):**

(c) Carrying amounts

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
At December 31, 2019	\$ 3,211	\$169,353	\$ 4,622	\$ 220	\$ 3,715	\$181,121
At December 31, 2018	3,363	158,596	5,549	-	4,138	171,646

**7. Goodwill:**

Management has determined that the Corporation's rate-regulated operations are one cash-generating unit. As the goodwill corresponds to the rate-regulated operations, the goodwill was allocated to that cash-generating unit. The Corporation performed an impairment test as at December 31, 2019 based on an estimate of the Corporation's fair value less selling costs. Fair value was determined using a multiple of regulated rate base approach, which is a valuation technique used in the industry for purchase and sale transactions. The recoverable amount of goodwill determined in the analysis was greater than the carrying value and no impairment was recorded.

**8. Regulatory deferral account balances:**

Regulatory deferral account balances can arise as a result of the rate-making process (note 2(f)).

(a) Regulatory deferral account debit balances consist of the following:

	2019	2018
Regulatory variances disposition	\$ 2,312	\$ 738
Retail settlement variances	1,238	675
Lost revenue adjustment mechanism variance account	781	1,985
Other regulatory assets	392	878
IFRS/CGAAP transitional amounts	178	1,966
Other	77	523
	\$ 4,978	\$ 6,765

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**8. Regulatory deferral account balances (continued):**

(b) Regulatory deferral account credit balances consist of the following:

	2019	2018
Retail settlement variances	\$ 2,798	\$ 6,014
Gain on sale of property	441	403
PILs and taxes – accelerated capital cost allowance	379	-
IFRS/CGAAP transitional amounts	105	2,414
Regulatory variances disposition	-	834
Other	218	115
	<b>\$ 3,941</b>	<b>\$ 9,780</b>

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory deferral account balances.

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2018	Balances arising in the period	Recovery/ reversal	2019	Remaining recovery/ reversal period (years)
<b>Regulatory deferral account debit balances</b>					
Regulatory variances disposition	\$ 738	\$ 1,574	\$ -	\$ 2,312	<2
Retail settlement variances	675	563	-	1,238	<2
Lost revenue adjustment mechanism variance account	1,985	363	(1,567)	781	1
Other regulatory assets	878	48	(534)	392	5
IFRS/CGAAP transitional amounts	1,966	120	(1,908)	178	5
Other	523	88	(534)	77	5
<b>Total amount related to regulatory deferral account debit balances</b>	<b>\$ 6,765</b>	<b>\$ 2,756</b>	<b>\$ (4,543)</b>	<b>\$ 4,978</b>	

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**8. Regulatory deferral account balances (continued):**

	2018	Balances arising in the period	Recovery/ reversal	2019	Remaining Remaining recovery/ reversal period (years)
<b>Regulatory deferral account credit balances</b>					
Retail settlement variances	\$ 6,014	\$ (612)	\$ (2,604)	\$ 2,798	<2
Gain on sale of property	403	38	-	441	<2
PILs and taxes – accelerated capital cost allowance	-	379	-	379	5
IFRS/CGAAP transitional amounts	2,414	147	(2,456)	105	5
Regulatory variances disposition	834	(1,375)	541	-	<2
Other regulatory liabilities	115	126	(23)	218	5
<b>Total amount related to regulatory deferral account credit balances</b>	<b>\$ 9,780</b>	<b>\$ (1,297)</b>	<b>\$ (4,542)</b>	<b>\$ 3,941</b>	

Settlement of the retail settlement variance accounts is generally done on an annual basis through application to the OEB.

On August 1, 2019, the OEB approved the net disposition of retail settlement variances and regulatory variances disposition of \$2,063 over a period of 5 months from August 1, 2019 to December 31, 2019. This application covered the retail settlement variance accounts accumulated to December 31, 2017.

On January 2, 2020, the OEB approved the net disposition of retail settlement variances of \$2,364 over a period of 12 months from January 1, 2020 to December 31, 2020. This application covered the retail settlement variance accounts accumulated to December 31, 2018.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.





**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**9. Long-term debt:**

Long-term debt is comprised of:

	2019	2018
Sun Life Assurance Company of Canada 4.993% unsecured promissory note, interest payable quarterly and maturing November 2020	\$ 35,000	\$ 35,000
Series A, Senior Unsecured debentures 3.929%, interest payable semi-annually, and maturing January 27, 2045	50,000	50,000
Less: Unamortized cost of debt issuance	(446)	(464)
	\$ 84,554	\$ 84,536

**Less: Current portion of long-term debt:**

Sun Life Assurance Company of Canada Promissory note due November 2020	\$ (35,000)	\$ -
	\$ 49,554	\$ 84,536

Interest expense on long-term debt:

	2019	2018
Sun Life Assurance Company of Canada	\$ 1,737	\$ 1,737
Series A Senior Unsecured Debentures	1,965	1,965

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**10. Payments in lieu of corporate taxes ("PILs"):**

The provision for payments in lieu of corporate taxes recognized in income is as follows:

	2019	2018
Current PILs		
Current year	\$ 622	\$ 876
Deferred PILs		
Origination and reversal of temporary differences (excludes OCI)	1,345	1,196
Income tax expense	\$ 1,967	\$ 2,072

*i. Reconciliation of effective tax rate*

PILs varies from amounts which would be computed applying the Corporation's combined statutory income tax rate as follows:

	2019	2018
Basic rate applied to income before payments in lieu of corporate taxes	26.5%	26.5%
Increase (decrease) in PILs resulting from:		
Permanent differences	0.2%	0.0%
Adjustment of prior year taxes	(0.3)%	0.1%
Change in regulatory accounts impacting current tax	36.1%	8.7%
Other	3.9%	(0.1)%
Effective rate applied to income before payments in lieu of corporate taxes	66.4%	35.3%

*ii. Deferred tax balances*

Significant components of the Corporation's deferred tax balances are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (12,228)	\$ (9,888)
Deferred revenue – contributed capital	5,146	4,180
Intangible capital	(267)	(233)
Employee future benefits	666	879
Other	46	(86)
	\$ (6,637)	\$ (5,148)

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**11. Employee future benefits:**

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability and the expense for the year were based on results and assumptions determined by actuarial valuation as at December 31, 2018.

Information about the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2019	2018
Defined benefit obligation, beginning of year	\$ (3,318)	\$ (3,374)
Current service gain (cost)	123	(152)
Interest cost	(109)	(95)
Past service gain (cost)	106	-
Benefits paid during the year	146	148
Actuarial gain (loss) recognized in other comprehensive income (loss)	538	155
Accrued benefit liability, end of year	\$ (2,514)	\$ (3,318)

Components of net benefit expense recognized are as follows:

	December 31, 2019	December 31, 2018
Current service gain (cost)	\$ 123	\$ (152)
Interest cost	(109)	(95)
Past service (gain) cost	106	-
Net benefit income (expense) recognized	\$ 120	\$ (247)

Actuarial gains and (losses) recognized in other comprehensive income:

	2019	2018
Cumulative amount at January 1	\$ (220)	\$ (334)
Recognized during the period (net of tax)	395	114
Cumulative amount at December 31	175	(220)
Net benefit gain (expense) recognized	\$ 395	\$ 114

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

---

**11. Employee future benefits (continued):**

The significant actuarial assumptions used in the valuation are as follows:

- i. Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2019, was 3.0% (2018 – 3.9%);
- ii. Salary levels - future general salary and wage levels were assumed to increase at 2.1% (2018 -2.1%) per annum; and
- iii. Health care cost trends – the health care cost trend for prescription drugs is estimated to increase at an inclining rate of 4.20% in 2020 to 5.3% over five years. Other medical and dental expenses are estimated to increase at an inclining rate of 4.5% in 2020 to 5.6% over five years.

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	\$ 2,626	\$ 112
1% decrease in health care trend rate	2,413	101

**12. Customer deposits:**

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2019**

**12. Customer deposits (continued):**

Customer deposits comprise:

	2019	2018
Current:		
Customer deposits	\$ 1,544	\$ 974
Construction deposits	6,629	6,478
	<u>\$ 8,173</u>	<u>\$ 7,452</u>
Non-Current:		
Customer deposits	\$ 3,049	\$ 3,007

**13. Lease liabilities:**

Effective January 1, 2019 the Corporation has recognized right-of-use assets (note 6) and corresponding lease liabilities for 2 separate property leases. The right-of-use assets are recognized at the present value of the minimum lease payments, plus any extensions estimated to be exercised, with a corresponding equivalent lease liability recognized. Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for both contracts based on all available information as at the reporting date.

Maturity analysis – contractual undiscounted cash flows	2019
Less than one year	130
One to five years	106
Total undiscounted lease liabilities at December 31	236
Interest included on the liabilities included in the statement of financial position at December 31	(9)
Lease liabilities – current	130
Lease liabilities – non-current	97

**14. Share capital:**

	2019	2018
Authorized		
Unlimited common shares		
Issued		
1,001 common shares	\$ 38,224	\$ 38,224

*Dividends*

The holders of the common shares are entitled to receive dividends as declared from time to time. In 2019, the Corporation declared and paid a dividend to its shareholder in the amount of \$3,480 (2018 – \$4,017).

**15. Related party transactions:**

(a) Intercompany debt comprises:

	2019	2018
Township of North Dumfries	\$ 3,020	\$ 3,020
4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice and payable to related party		
Energy Plus intercompany loan	2,765	2,765
	\$ 5,785	\$ 5,785

(b) Intercompany transactions:

i. Township of North Dumfries

During the year, interest of \$151 (2018 - \$151) was paid to the Township of North Dumfries.

**15. Related party transactions (continued):**

ii. Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of \$35 (2018 - \$43) was paid to Energy Plus on the intercompany loan.

The Corporation provided the following services to Energy Plus during the year:

	2019	2018
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 6	\$ 6

iii. Cambridge and North Dumfries Energy Solutions Inc.

The Corporation provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly owned subsidiary corporation of Energy Plus:

	2019	2018
Maintenance of streetlights	\$ 189	\$ 173
Management fees	\$ 11	\$ 14
Accounting and administration fees	\$ 12	\$ 12

iv. Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members.

Key management compensation comprises:

	2019	2018
Directors' fees	\$ 111	\$ 111
Salaries, incentives and other short-term benefits	1,939	1,951
Post-employment benefits	(15)	31
	\$ 2,035	\$ 2,093

**16. Revenue from contracts with customers:**

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include services ancillary to the electricity distribution, pole and duct rentals, other regulatory service charges, and capital contributions.

	2019	2018
Revenue from contracts with customers		
Energy sales	\$ 196,662	\$ 190,139
Distribution revenue	34,773	34,471
	\$ 231,435	\$ 224,610
Other revenue	2,411	1,641
Total revenues	\$ 233,846	\$ 226,251

Energy sales and distribution revenue by customer class comprise:

	2019	2018
Residential service	\$ 67,468	\$ 64,026
General service	132,604	131,568
Large users	17,526	17,179
Embedded distributors	11,915	10,006
Other	1,922	1,831
Total revenue	\$ 231,435	\$ 224,610



**17. Other income from operations:**

Other income comprises:

	2019	2018
Regulated service charges	\$ 826	\$ 808
Pole and other rental income	532	286
Amortization of deferred revenue	426	364
Water and sewer billing services	308	287
Late payment charges	157	160
Scrap sales	57	75
Regulatory adjustments	(110)	(511)
Miscellaneous	215	172
Total other income	\$ 2,411	\$ 1,641

**18. Finance income and charges:**

	2019	2018
Interest income on cash and cash equivalents	\$ (279)	\$ (249)
Finance income	(279)	(249)
Interest expense on long-term debt	3,790	3,773
Interest expense on intercompany debt	151	151
Interest expense	414	236
Finance charges	4,355	4,160
Net finance costs recognized in profit or loss	\$ 4,076	\$ 3,911

**19. Commitments:**

(i) *Credit Facility*

Effective April 1, 2019, the Corporation entered into a new Credit Facility Agreement ("Credit Facility") with a Canadian chartered bank which matures on April 1, 2022. The Corporation may borrow up to \$30,000 to finance general corporate requirements, capital investment, and working capital requirements with the ability to borrow an additional \$20,000 under an accordion with additional approval. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. Interest rates payable on the Credit Facility are based on a margin relative to the prime or BA rate. A standby fee is paid on any unutilized portion of the Credit Facility.

(ii) *Memorandum of Understanding*

In 2017, the Corporation entered into a Memorandum of Understanding to enter into a Joint Use Agreement for the construction and lease of a portion of a shared operations facility to service the Brant County service territory. The Agreement was subsequently amended and restated on May 9, 2019. As of December 31, 2019, a deposit of \$350 has been paid.

(iii) *Purchase and Sale Agreement – Land for new Transformer Station in Cambridge, Ontario*

On August 22, 2018, the Corporation entered into a Purchase and Sale Agreement to purchase land for a new transformer station in Cambridge, Ontario. The Agreement was subsequently amended on January 31, 2020. The closing date to purchase the land is subject to the satisfaction of certain conditions being met, with a closing date 30 days after the registration date. As at December 31, 2019, a deposit of \$100 has been paid.

(iv) *Purchase and Sale Agreement – New Administrative Office*

On November 20, 2017 the Corporation entered into a Purchase and Sale Agreement to purchase land and to renovate an existing building into an administrative office in Cambridge, Ontario. The agreement was subsequently amended in May 2019. The Purchase and Sale Agreement was completed on June 6, 2019. As part of the renovation plans, in 2020 the Corporation entered into agreements for project management and construction management services. The renovations are currently planned for mid-2020 and 2021 at an estimated total cost of \$8,100.

**19. Commitments (continued):**

(v) *Obligations under Capital Cost Recovery Agreement*

The Corporation is party to a connection and a cost recovery agreement (“CCRA”) with Hydro One Network Inc. (HONI) whereby HONI agreed to build 115kV Switching Facilities at the Brant Transformer Station (“Brant TS”) to provide additional capacity to meet the existing and future load growth expected on the transmission circuits. The Switching Facilities were placed into service on April 26, 2019. The Brant TS is jointly owned by the Corporation and Brantford Power Inc.

Under the terms of the CCRA, the Corporation has agreed to an allocation of the costs of the project based on the expected future load growth. Annually, at the anniversary of the In-Service Date, if the expected future load growth does not meet an agreed upon load level, the Corporation may be subject to an allocation of a true-up adjustment based on the difference between the total capital cost of construction and the projected network revenue to be earned by HONI. The difference would represent a debt obligation of the Corporation based on the extent that the actual and forecast HONI revenue through the CCRA term is less than the amount of HONI revenue projected at the time the project was constructed. The Corporation’s commitment is estimated at approximately \$5,688.

In general terms, investments in regulated electricity distribution assets are recoverable from customers in future rate applications based on the rate-making policies of the OEB.

**20. Pension plan:**

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of \$1,280 to OMERS (2018 - \$1,354). The Corporation estimates that a contribution of \$1,292 to OMERS will be made during the next fiscal year.

**21. Employee benefits:**

	2019	2018
Salaries, wages and benefits	\$ 13,732	\$ 13,854
Contributions to OMERS	1,280	1,354
CPP and EI remittances	525	502
Expenses related to defined benefit plans	(119)	215
	\$ 15,418	\$ 15,925

**22. Cash flow information:**

Net change in non-cash operating working capital comprises:

	2019	2018
Accounts receivable	\$ 1,937	\$ 798
Unbilled revenue	(1,516)	506
Inventories	136	(180)
Other assets	207	(142)
Accounts payable and accrued liabilities	678	(3,264)
Customer deposits	721	(2,719)
	\$ 2,163	\$ (5,001)

**23. Financial instruments and risk management:**

**Fair value disclosure**

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt (Series A Senior Unsecured Debentures) at December 31, 2019 is \$55,619 (2018 – \$48,831). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2019 was 3.36% (2018 – 4.19%).

**Financial risks**

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

**23. Financial instruments and risk management (continued):**

**Financial Risks (continued):**

**(a) Credit risk:**

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Cambridge, Township of North Dumfries and within the County of Brant. One customer in the City of Cambridge accounts for a balance in excess of 8.1% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of a loss allowance and the amount of the related credit loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the loss allowance at December 31, 2019 is \$1,063 (2018 - \$532). A credit loss of \$207 (2018 - \$79) was recognized during the year.

At December 31, 2019, approximately \$802 (2018 - \$677) is considered 60 days past due. One customer in the City of Cambridge accounts for a balance of \$501 of the accounts receivable over 60 days, of which an amount of \$474 has been included in the loss allowance. The Corporation has over 67,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2019, the Corporation holds security deposits in the amount of \$4,593 (2018 - \$3,981).

**(b) Market risk:**

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt, including the current portion, by \$850 (2018 - \$850), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

**23. Financial instruments and risk management (continued):**

**Financial risks (continued):**

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$30,000 (2018 - \$30,000) revolving credit facility with the ability to borrow an additional \$20,000 with approval. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. Borrowings under the credit facilities may be in the form of prime rate loans; current account overdrafts, Bankers' Acceptances; or Letters of Credit and/or Letters of Guarantee in Canadian currency. As at December 31, 2019, \$1,062 had been drawn under the credit facility (2018 - NIL).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to \$93,215 (2018 - \$89,763) and long-term debt amounts, including the current portion, to \$84,554 (2018 - \$84,536).

**24. Emerging accounting changes:**

Certain new standards, amendments and interpretations are effective for annual periods beginning after December 31, 2019, and as such, have not yet been applied in preparing these financial statements. The Corporation is currently assessing the impact of these standards on its results of operations, financial position and disclosures.

The following amended standards and interpretations are not expected to have a significant impact on the Corporation's financial statements.

- i. Amendments to References to Conceptual Framework in IFRS Standards.
- ii. Definition of a Business (Amendments to IFRS 3).
- iii. Definition of Material (Amendments to IAS 1 and IAS 8).
- iv. Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

**25. Changes in accounting policies:**

Effective January 1, 2019, the Corporation has adopted new IFRS standards and applied the new accounting policies in preparing the financial statements:

*Leases ("IFRS 16")*

The Corporation has applied IFRS 16 *Leases* effective January 1, 2019 using the modified retrospective approach. Refer to note 3 (I) Significant accounting policies.

Prior to IFRS 16, the Corporation assessed whether a contract was or contained a lease at the inception of the agreement by applying the definition in IFRIC 4. The definition of a lease was amended under IFRS 16, and is described in note 3 (I). On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of the contracts determined to be leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they contained a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for all leases.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. The weighted-average rate applied was 4.00%. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Effective January 1, 2019, the Corporation recognized \$343 in right-of-use assets and \$343 of lease liabilities, with no impact to retained earnings.

*Uncertainty over income tax treatments*

The Corporation has adopted the IFAIC 23 that the IASB issued to clarify how to apply the recognition and measurement requirements in IAS12 Income Taxes effective January 1, 2019. The accounting policy change did not result in a significant impact to the financial statements. As a result, the Corporation was not required to make any adjustments to the financial statements.

The accounting policies are further described in note 3.

**26. Subsequent event – COVID-19 Pandemic:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and Municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses in Ontario resulting in an economic slowdown. The Federal and Provincial Governments, as well as the Bank of Canada, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The success of these interventions is not currently determinable.

The current challenging economic climate may lead to adverse changes in cash flows, working capital and debt requirements, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.



**Directors**

Anita Davis, Chair  
Peter Ferraro  
Kathryn McGarry  
Gerry Remers  
Lynn Woeller

Martyn Champ  
Susan Foxton  
Ian Miles  
Sandra Vos

**Management**

Ian Miles  
Jane Hale-McDonald, CHRP, ARD  
Sarah Hughes, CPA, CA  
Paul Martinello  
Barbara Shortreed, B.Econ  
Ron Sinclair, P.Eng  
Ernie Vidovic, EIT, CET

President and CEO  
Vice President, Human Resources  
Chief Financial Officer  
Vice President, Information Technology Services  
Vice President, Customer Care and Communications  
Vice President, Engineering  
Vice President, Operations



## **Financial Statements**

**Year Ended December 31, 2020**

**(Expressed in thousands of dollars)**



**Financial Statements**  
**Year Ended December 31, 2020**

<b>Contents</b>	<b>Page</b>
<b>Auditors' Report</b>	<b>3 - 5</b>
<b>Financial Statements</b>	
<b>Statements of Financial Position</b>	<b>6 - 7</b>
<b>Statements of Comprehensive Income</b>	<b>8</b>
<b>Statements of Changes in Equity</b>	<b>9</b>
<b>Statements of Cash Flows</b>	<b>10</b>
<b>Notes to Financial Statements</b>	<b>11 - 44</b>
<b>Corporate Directory</b>	<b>45</b>



KPMG LLP  
115 King Street South  
2nd Floor  
Waterloo ON N2J 5A3  
Canada  
Tel 519-747-8800  
Fax 519-747-8830

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Energy+ Inc.

### ***Opinion***

We have audited the financial statements of Energy+ Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 6, 2021



**Statements of Financial Position**  
**As at December 31, 2020, with comparative information for 2019**  
**(in thousands of Canadian dollars)**

	December 31, 2020	December 31, 2019
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (note 4)	\$ 22,214	\$ -
Accounts receivable	15,875	18,980
Unbilled revenue	17,502	20,143
Inventories (note 5)	2,044	2,404
Recoverable payments in lieu of taxes	-	210
Other assets	786	458
<b>Total current assets</b>	<b>58,421</b>	<b>42,195</b>
<b>Non-Current Assets:</b>		
Property, plant & equipment (note 6)	193,011	181,121
Goodwill (note 7)	18,965	18,965
<b>Total non-current assets</b>	<b>211,976</b>	<b>200,086</b>
<b>Total Assets</b>	<b>270,397</b>	<b>242,281</b>
Regulatory deferral account debit balances (note 8)	8,016	4,978
Deferred taxes associated with regulatory deferral accounts	(2,804)	(2,393)
	5,212	2,585
<b>Total Assets and Regulatory Deferral Account Debit Balances</b>	<b>\$ 275,609</b>	<b>\$ 244,866</b>

**Statements of Financial Position (continued)**  
**As at December 31, 2020, with comparative information for 2019**  
**(in thousands of Canadian dollars)**

	December 31, 2020	December 31, 2019
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Bank indebtedness	\$ -	\$ 1,062
Accounts payable and accrued liabilities	27,870	25,320
Payable in lieu of corporate taxes	449	-
Intercompany debt (note 15)	5,085	5,785
Current portion of long-term debt (note 9)	-	35,000
Customer deposits (note 12)	9,054	8,173
Lease liabilities – current (note 13)	352	130
<b>Current liabilities</b>	<b>\$ 42,810</b>	<b>\$ 75,470</b>
<b>Non-Current Liabilities</b>		
Long-term debt (note 9)	104,239	49,554
Customer deposits (note 12)	3,487	3,049
Employee future benefit costs (note 11)	2,622	2,514
Deferred revenue	23,163	19,418
Deferred tax liability (note 10)	7,776	6,637
Lease liabilities (note 13)	3,389	97
<b>Total non-current liabilities</b>	<b>144,676</b>	<b>81,269</b>
<b>Total Liabilities</b>	<b>187,486</b>	<b>156,739</b>
<b>Shareholder's Equity</b>		
Share capital (note 14)	38,224	38,224
Accumulated other comprehensive gain (note 11)	107	175
Retained earnings	57,792	54,816
<b>Total shareholder's equity</b>	<b>96,123</b>	<b>93,215</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>283,609</b>	<b>249,953</b>
Regulatory deferral account credit balances (note 8)	2,579	3,941
Regulatory asset associated with deferred tax liability	(10,579)	(9,029)
	(8,000)	(5,088)
<b>Total Liabilities, Equity and Regulatory Deferral Account Credit Balances</b>	<b>\$ 275,609</b>	<b>\$ 244,866</b>

See accompanying notes to financial statements.



**Statements of Comprehensive Income**  
**Year Ended December 31, 2020, with comparative information for 2019**  
**(in thousands of Canadian dollars)**

	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>		
Energy sales (note 16)	\$ 218,284	\$ 196,662
Distribution revenue (note 16)	34,982	34,773
Other income from operations (note 17)	2,744	2,411
<b>Total revenues</b>	<b>256,010</b>	<b>233,846</b>
<b>Expenses:</b>		
Energy purchases	222,602	201,047
Operating expenses	19,103	18,722
Depreciation and amortization and related costs	6,545	6,600
<b>Total expenses</b>	<b>248,250</b>	<b>226,369</b>
<b>Income from operating activities</b>	<b>7,760</b>	<b>7,477</b>
<b>Other expenses:</b>		
Loss on disposal of property, plant, and equipment	459	438
Finance income (note 18)	(169)	(279)
Finance charges (note 18)	4,631	4,355
<b>Income before payments in lieu of corporate taxes</b>	<b>2,839</b>	<b>2,963</b>
Income tax expense (note 10)	1,855	1,967
<b>Income for the year before net movements in regulatory deferral account balances</b>	<b>984</b>	<b>996</b>
Net movements in regulatory deferral account balances, net of tax	5,261	5,541
<b>Net income for the year after net movements in regulatory deferral account balances</b>	<b>6,245</b>	<b>6,537</b>
<b>Other comprehensive (loss) income, net of tax:</b>		
Actuarial (loss) gain on employee future benefits (note 11)	(92)	538
Income tax recovery (expense) on other comprehensive income (loss)	24	(143)
<b>Other comprehensive (loss) income, net of tax</b>	<b>(68)</b>	<b>395</b>
<b>Total comprehensive income, for the year</b>	<b>\$ 6,177</b>	<b>\$ 6,932</b>

See accompanying notes to financial statements.



**Statements of Changes in Equity**  
**Year Ended December 31, 2020, with comparative information for 2019**  
(in thousands of Canadian dollars)

	Share Capital	Acc. Other Comprehensive (Loss) Gain	Retained Earnings	Total
<b>Balance, January 1, 2019</b>	<b>\$ 38,224</b>	<b>\$ (220)</b>	<b>\$ 51,759</b>	<b>\$ 89,763</b>
Net Income			6,537	6,537
Other comprehensive gain		395		395
Dividends			(3,480)	(3,480)
<b>Balance, December 31, 2019</b>	<b>38,224</b>	<b>175</b>	<b>54,816</b>	<b>93,215</b>
Net Income			6,245	6,245
Other comprehensive (loss)		(68)		(68)
Dividends			(3,269)	(3,269)
<b>Balance, December 31, 2020</b>	<b>\$ 38,224</b>	<b>\$ 107</b>	<b>\$ 57,792</b>	<b>\$ 96,123</b>

See accompanying notes to financial statements.

## Statements of Cash Flows

Year Ended December 31, 2020, with comparative information for 2019  
(in thousands of Canadian dollars)

	2020	2019
Cash provided by (used in):		
<b>Operating activities</b>		
Total comprehensive income	\$ 6,177	\$ 6,932
Items not affecting cash:		
Depreciation and amortization	6,745	6,748
Amortization on right-of-use assets	123	123
Interest on lease liabilities	9	11
Amortization of deferred revenue	(536)	(426)
Amortization of deferred financing costs	18	18
Loss on disposal of capital assets	459	438
Increase in non-current customer deposits	438	42
Income taxes expense	1,832	2,110
Post-employment benefits	107	(804)
	15,372	15,192
Income taxes paid	(33)	(866)
Capital contributions received	4,281	4,071
Net change in non-cash operating working capital (note 22)	9,209	2,163
	<b>28,829</b>	<b>20,560</b>
<b>Financing activities</b>		
Repayment of long-term debt (note 9)	(35,000)	-
Issuance of long-term debt (note 9)	55,000	-
Deferred financing costs	(333)	-
Repayment of intercompany debt	(700)	-
Dividends paid (note 14)	(3,269)	(3,480)
Payments of lease liabilities	(132)	(127)
	<b>15,566</b>	<b>(3,607)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(15,583)	(16,597)
Proceeds on disposal of property, plant and equipment	3	53
Net movements in regulatory balances	(5,539)	(5,454)
	<b>(21,119)</b>	<b>(21,998)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>23,276</b>	<b>(5,045)</b>
(Bank indebtedness) cash and cash equivalents, beginning of year	(1,062)	3,983
<b>Cash and cash equivalents (bank indebtedness), end of year</b>	<b>\$ 22,214</b>	<b>\$ (1,062)</b>

See accompanying notes to financial statements.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**1. Reporting Entity:**

Energy+ Inc. (the "Corporation") is a rate regulated, municipally owned electricity distribution corporation incorporated under the laws of Ontario, Canada. The address of the Corporation's registered office is 1500 Bishop St., Cambridge, Ontario, Canada.

Energy+ Inc. delivers electricity and related utility services to approximately 67,000 customers in the City of Cambridge, the Township of North Dumfries, and within the County of Brant.

The Corporation is a wholly-owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus"), whose shareholders are the City of Cambridge (the "City") and the Township of North Dumfries (the "Township").

**2. Basis of presentation:**

**(a) Statement of compliance:**

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**(b) Approval of the financial statements:**

The financial statements were approved by the Board of Directors on April 1, 2021.

**(c) Basis of measurement:**

The financial statements have been prepared on the historical cost basis except for the following:

- i. Financial instruments, where held, are measured at fair value and any change in value is recorded through profit or loss.
- ii. Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 23.

**(d) Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**2. Basis of presentation (continued):**

**(e) Use of estimates and judgments:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

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

- i. Note 3 (k) Revenue recognition: determination of the performance obligation for contributions from customers and the related amortization period.
- ii. Note 3 (l) Leases: measurement of leases, including term and discount rate.
- iii. Note 6 Property, plant and equipment: estimation of useful lives of its property, plant and equipment.
- iv. Note 11 Employee future benefits: estimation provided by third party actuarial firm.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic ("COVID-19" or "pandemic"). On March 17, 2020, the Ontario Government declared a State of Emergency pursuant to the Emergency Management and Civil Protection Act. The Ontario Government renewed the declaration, as required by the legislation, until July 24, 2020. During the State of Emergency, the Ontario Government issued emergency orders under the legislation and extended them as required by the legislation. On July 24, 2020, the Reopening Ontario (A Flexible Response to COVID-19) Act, 2020 came into effect, bringing the declared State of Emergency to an end. The Reopening Ontario Act also enabled the Ontario Government to extend, amend, and revoke the remaining emergency orders in order to facilitate a flexible response to the ongoing COVID-19 risks.

The financial impacts of COVID-19 have been reflected in the financial statements. While the pandemic has resulted in incremental operating costs and lost revenues, the Corporation has analyzed the impact of the pandemic on its estimates and assumptions that affect its financial results as at and for the year ended December 31, 2020 and has determined that there was no material impact.

The Corporation continues to assess the impact of COVID-19 to the Corporation's financial results and operations. The current challenging economic climate may lead to adverse changes in cash flows, working capital and debt requirements, which may also have a direct impact on the Corporation's operating results and financial position in the future.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**2. Basis of presentation (continued):**

**(f) Rate regulation:**

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

**Rate setting:**

*Distribution revenue*

For the distribution revenue included in electricity sales, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder’s equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation’s 2019 COS application was approved by the OEB on August 1, 2019, with an effective date of January 1, 2019, and with the new rates implemented on August 1, 2019. The foregone revenue from the delay in implementation of 2019 rates was recovered through a rate rider from August 1, 2019 to December 31, 2020.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**2. Basis of presentation (continued):**

**(f) Rate regulation (continued):**

**Rate setting:**

In August 2019, the Corporation filed a 2020 IRM application requesting new rates effective January 1, 2020. The GDP IPI-FDD for 2020 was 2.00%, the Corporation's productivity factor was nil and the stretch factor was 0.15%, resulting in a net adjustment of 1.85% to rates effective January 1, 2020. On January 2, 2020, the OEB issued a Decision and rate order approving the 2020 rates and providing for other deferral and variance account dispositions.

Included in the 2020 IRM application was an Incremental Capital Module ("ICM") request to approve funding for the capital costs associated with the construction and lease of dedicated space from Brantford Power Inc. ("BPI") to serve as the operations centre to service customers in the Brant County service territory. The ICM request was approved by the OEB on January 23, 2020, with the rate effective March 1, 2020.

In August 2020, the Corporation filed a 2021 IRM application requesting new rates effective January 1, 2021. The GDP IPI-FDD for 2021 is 2.20%, the Corporation's productivity factor was nil and the stretch factor was 0.15%, resulting in a net adjustment of 2.05% to rates effective January 1, 2021. On December 1, 2020, the OEB issued a Decision and rate order approving the 2021 rates and providing for other deferral and variance account dispositions.

*Electricity rates*

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

In response to COVID-19, the Ontario Government took several measures throughout 2020 to support consumers with respect to electricity rates, including: (i) the setting of fixed time-of-use ("TOU") electricity rates for low volume consumers at various times during the year; (ii) deferring global adjustment charges in 2020 for large customers who pay market electricity rates; and (iii) implementation of consumer choice for regulated price plan ("RPP") customers (predominantly residential and low volume customers) to provide a choice between TOU rates or tiered rates. The financial impact of these measures did not have an impact to the Corporation's net income in 2020.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements. The details of the changes in accounting policies are disclosed in note 24.

**(a) Financial instruments:**

Financial assets are classified into one of three primary categories depending on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: (i) amortized costs; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL").

At the time of initial recognition, financial assets included in the categories of amortized cost or FVOCI are measured at fair value plus transaction costs, and financial assets included in the category of FVTPL are measured at fair value with transaction costs expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(b) Inventory:**

Inventory, which consists of parts and supplies acquired for internal construction or consumption for the maintenance of capital assets, is valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

**(c) Property, plant, and equipment ("PP&E"):**

Property, plant, and equipment are measured at historical cost or deemed cost, less accumulated depreciation and any accumulated impairment losses, if applicable.

If significant parts of an item of PP&E have different useful lives, then they are accounted for as separate major components of PP&E.

The cost of PP&E represents the original cost, consisting of direct materials and labour, contracted services, engineering costs, directly attributable overheads, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs incurred to remove an existing asset from service that are not directly attributable to site preparation for the construction of new assets are expensed.

The carrying amount of a replaced item of PP&E is derecognized and the related loss is included as a loss on disposal of PP&E. The gain or loss on disposal of an item of PP&E is determined as the difference between the sale proceeds less the carrying amount of the asset and costs of removal and is recognized in the statements of income.

Major spare parts and standby equipment are recognized as items of PP&E.

Right-of-use assets are recognized for contracts that are, or contain, leases.

Work in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Land is not depreciated.

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(c) Property, plant, and equipment ("PP&E") and Right-of-Use ("ROU") assets (continued):**

The estimated useful lives for the current and comparative years are as follows:

	Estimated Service Life
Buildings	5 – 80 years
Transformer Station Equipment	15 – 60 years
Distribution Transformers	20 – 80 years
Distribution System	15 – 99 years
Meters	10 – 45 years
System Supervisory Equipment	15 years
Right-of-Use Assets	20-40 years
Other Capital Assets	3 – 20 years

**(d) Goodwill:**

Goodwill arising on the acquisition of subsidiaries or an amalgamation is measured at cost and is not amortized.

**(e) Impairment:**

*i. Financial assets measured at amortized cost:*

Loss allowances for accounts receivable and unbilled revenue are measured at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life. Expected credit losses are recognized in profit or loss.

*ii. Non-financial assets:*

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(e) Impairment (continued):**

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(f) Provisions:**

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

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(g) Regulatory deferral accounts:**

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2020 the prescribed rate was 2.18% from January 1, 2020 to June 30, 2020, and 0.57% from July 1, 2020 to December 31, 2020.

**(h) Customer deposits:**

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(i) Employee benefits:**

*i. Pension Plan*

The Corporation provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards.

Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings.

OMERS is a defined benefit plan, however, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan and the Corporation recognizes the expense related to this plan as an employee benefit expense in net income when contributions are due.

*ii. Post-Employment Benefits other than pension*

The Corporation pays certain medical, dental, and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and current service cost are actuarially determined by applying the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings.

*iii. Short-term employee benefits*

The Corporation provides a short-term non-vesting sick-leave benefit to its employees. Actuarial gains and losses on accumulated sick leave credits are recognized in the statements of comprehensive income in the period in which they arise.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(j) Deferred revenue and assets transferred from customers:**

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

**(k) Revenue recognition:**

*i. Energy sales and distribution revenue*

The Corporation assesses each contract with the customer to identify the performance obligation. Revenue is recognized when the control of the goods or services has been transferred to the customer at a point in time or over time. The transaction price and the payment terms are agreed upon in the contract between the Corporation and the customer.

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer. The billing cycles and payment terms are on a monthly basis.

Energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and wholesale market service charges at current rates. Energy sales are presented on a gross basis as the Corporation has determined that it is acting as a principal for these electricity charges.

Distribution revenue is recorded based on OEB approved distribution tariff rates established to recover the costs incurred by the Corporation in delivering electricity to customers.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(k) Revenue recognition (continued):**

*ii. Capital contributions*

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions do not meet the criteria of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue.

*iii. Other revenue*

Other revenue, which includes revenue from services ancillary to the distribution of electricity, revenue from water billing services, and other billable services is recognized as the services are rendered.

Government grants and the related performance incentive payments under Conservation and Demand Management (CDM) programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(I) Leases:**

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- i. The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- ii. The Corporation has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- iii. The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use-asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those for property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(l) Leases (continued):**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, plus any extensions to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method.

At inception of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each of the lease components based on their relative stand-alone prices. For the property leases, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**(m) Finance income and finance charges:**

Finance income is recognized as it accrues in net income and comprises interest earned on cash and cash equivalents.

Finance charges are computed using the effective interest rate method and are recognized as an expense. Finance charges comprise: (i) interest on borrowings; (ii) interest on deposits; and (iii) standby fees.

**(n) Payments in lieu of corporate taxes:**

Payments in lieu of corporate taxes expense, also referred to as income tax expense, comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**3. Significant accounting policies (continued):**

**(n) Payments in lieu of corporate taxes (continued):**

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

**(o) Business combinations**

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of overnight deposits at a Canadian chartered bank.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**5. Inventories**

	2020	2019
Stores	\$ 2,019	\$ 2,322
Other	25	82
	<u>\$ 2,044</u>	<u>\$ 2,404</u>

**6. Property, Plant & Equipment**

**(a) Cost or Deemed Cost**

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
Balance at January 1, 2020	\$ 4,149	\$187,057	\$ 13,298	\$ 343	\$ 3,715	\$208,562
Additions	1,891	11,535	884	3,665	1,244	19,219
Disposals/retirements	-	(1,094)	(29)	-	-	(1,123)
Balance at December 31, 2020	<u>\$ 6,040</u>	<u>\$197,498</u>	<u>\$ 14,153</u>	<u>\$ 4,008</u>	<u>\$ 4,959</u>	<u>\$226,658</u>
Balance at January 1, 2019	\$ 4,144	\$173,070	\$ 12,741	\$ 343	\$ 4,138	\$194,436
Additions	68	16,265	687	-	(423)	16,597
Disposals/retirements	(63)	(2,278)	(130)	-	-	(2,471)
Balance at December 31, 2019	<u>\$ 4,149</u>	<u>\$187,057</u>	<u>\$ 13,298</u>	<u>\$ 343</u>	<u>\$ 3,715</u>	<u>\$208,562</u>

**(b) Accumulated depreciation**

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
Balance at January 1, 2020	\$ 938	\$ 17,704	\$ 8,676	\$ 123	\$ -	\$ 27,441
Depreciation charge	182	5,089	1,474	123	-	6,868
Disposals/retirements	-	(633)	(29)	-	-	(662)
Balance at December 31, 2020	<u>\$ 1,120</u>	<u>\$ 22,160</u>	<u>\$ 10,121</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 33,647</u>
Balance at January 1, 2019	\$ 781	\$ 14,474	\$ 7,192	\$ -	\$ -	\$ 22,447
Depreciation charge	198	4,788	1,613	123	-	6,722
Disposals/retirements	(41)	(1,558)	(129)	-	-	(1,728)
Balance at December 31, 2019	<u>\$ 938</u>	<u>\$ 17,704</u>	<u>\$ 8,676</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 27,441</u>

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**6. Property, Plant & Equipment (continued):**

(c) Carrying amounts

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
At December 31, 2020	\$ 4,920	\$175,338	\$ 4,032	\$ 3,762	\$ 4,959	\$193,011
At December 31, 2019	\$ 3,211	\$169,353	\$ 4,622	\$ 220	\$ 3,715	\$181,121

In December 2020, the Corporation entered into a Joint Use Agreement with Brantford Power Inc., a local distribution company that operates in the City of Brantford, Ontario, that provides for: (i) the construction and lease of dedicated space to serve as the operations centre to service customers in the Brant County service territory; and (ii) the sharing of additional operations space and services, including indoor and outdoor warehousing, vehicle maintenance and fueling stations. A right-of-use asset of \$3,283, and corresponding lease liability of \$3,254, were recorded for the dedicated portion of the leased space.

In December 2020, the Corporation entered into a Lease Agreement with Grand River Energy Solutions Corp., an associate company, for the construction and lease of solar PV roof-top equipment located at the Corporation's registered office. A right-of-use asset, and corresponding lease liability of \$382, were recorded.

**7. Goodwill:**

Management has determined that the Corporation's rate-regulated operations are one cash-generating unit. As the goodwill corresponds to the rate-regulated operations, the goodwill was allocated to that cash-generating unit. The Corporation performed an impairment test as at December 31, 2020 based on an estimate of the Corporation's fair value less selling costs. Fair value was determined using a multiple of regulated rate base approach, which is a valuation technique used in the industry for purchase and sale transactions. The recoverable amount of goodwill determined in the analysis was greater than the carrying value and no impairment was recorded.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**8. Regulatory deferral account balances:**

Regulatory deferral account balances can arise as a result of the rate-making process (note 2(f)).

(a) Regulatory deferral account debit balances consist of the following:

	2020	2019
Retail settlement variances	\$ 5,571	\$ 1,238
Regulatory variances disposition	1,486	2,312
Other regulatory assets	676	392
IFRS/CGAAP transitional amounts	178	178
Lost revenue adjustment mechanism variance account	-	781
Other	105	77
	<b>\$ 8,016</b>	<b>\$ 4,978</b>

In 2020, the OEB approved the COVID-19 Emergency Deferral Account comprised of five sub-accounts established to tracking incremental costs and lost revenues related to the COVID-19 pandemic: (i) Billing and system changes as a result of the Emergency Order Regarding Time of Use Pricing; (ii) Lost revenues arising from the COVID-19 emergency; (iii) Other incremental costs; (iv) Foregone revenues from postponing rate implementation; and (v) Bad debts.

On December 16, 2020, the OEB Staff released their proposal on the COVID-19 Emergency Deferral Account which introduces certain criteria that may need to be satisfied for amounts to be eligible for recovery. Based on this information, management believes there is high uncertainty in regards to the recoverability of costs and lost revenues related to government and OEB customer relief actions, and therefore a low probability of recovery. The Corporation continues to track lost revenues related to lower electricity consumption, direct relief provided to customers through reduction of late payment charges, incremental bad debt expense, and costs directly related to the implementation of safety measures as a result of COVID-19, but no amounts have been recorded in the COVID-19 Emergency Deferral Account as at December 31, 2020.

(b) Regulatory deferral account credit balances consist of the following:

	2020	2019
Retail settlement variances	\$ 1,660	\$ 2,798
PILs and taxes – accelerated capital cost allowance	622	379
IFRS/CGAAP transitional amounts	105	105
Gain on sale of property	-	441
Other	192	218
	<b>\$ 2,579</b>	<b>\$ 3,941</b>

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**8. Regulatory deferral account balances (continued):**

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory deferral account balances. The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2019	Balances arising in the period	Recovery/ reversal	2020	Remaining recovery/ reversal period (years)
<b>Regulatory deferral account debit balances</b>					
Retail settlement variances	\$ 1,238	\$ 4,517	\$ (184)	\$ 5,571	<2
Regulatory variances disposition	2,312	1,216	\$ (2,042)	1,486	<2
Other regulatory assets	392	284	-	676	4
IFRS/CGAAP transitional amounts	178	-	-	178	4
LRAMVA	781	(18)	(763)	-	NA
Other	77	28	-	105	4
<b>Total amount related to regulatory deferral account debit balances</b>	<b>\$ 4,978</b>	<b>\$ 6,027</b>	<b>\$ (2,989)</b>	<b>\$ 8,016</b>	

	2019	Balances arising in the period	Recovery/ reversal	2020	Remaining Remaining recovery/ reversal period (years)
<b>Regulatory deferral account credit balances</b>					
Retail settlement variances	\$ 2,798	\$ 1,374	\$ (2,512)	\$ 1,660	<2
PILs and taxes – accelerated capital cost allowance	379	243	-	622	4
IFRS/CGAAP transitional amounts	105	-	-	105	4
Gain on sale of property	441	-	(441)	-	-
Other regulatory liabilities	218	10	(36)	192	4
<b>Total amount related to regulatory deferral account credit balances</b>	<b>\$ 3,941</b>	<b>\$ 1,627</b>	<b>\$ (2,989)</b>	<b>\$ 2,579</b>	

Settlement of the retail settlement variance accounts is generally done on an annual basis through application to the OEB.

On January 2, 2020, the OEB approved the net disposition of retail settlement variances of \$2,364 over a period of 12 months from January 1, 2020 to December 31, 2020. This application covered the retail settlement variance accounts accumulated to December 31, 2018.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**8. Regulatory deferral account balances (continued):**

In addition to the retail settlement variances, disposition of LRAMVA balances of \$763 were approved for disposition from January 1, 2020 to December 31, 2020, and disposition of the gain on sale of the Paris facility of \$441 was approved for disposition from March 1, 2020 to December 31, 2020.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

**9. Long-term debt:**

Long-term debt is comprised of:

	2020	2019
Series A, Senior Unsecured debentures 3.929%, interest payable semi-annually, and maturing January 27, 2045	\$ 50,000	\$ 50,000
Series B, Senior Unsecured debentures 2.968%, interest payable semi-annually, and maturing August 10, 2060	55,000	-
Sun Life Assurance Company of Canada 4.993% unsecured promissory note, interest payable quarterly and repaid August 2020	-	35,000
Less: Unamortized cost of debt issuance	(761)	(446)
	\$ 104,239	\$ 84,554
<b>Less: Current portion of long-term debt:</b>		
Sun Life Assurance Company of Canada Promissory note due November 2020	\$ -	\$ (35,000)
	\$ 104,239	\$ 49,554
Interest expense on long-term debt:		
	2020	2019
Sun Life Assurance Company of Canada	\$ 1,523	\$ 1,737
Series A Senior Unsecured Debentures	1,959	1,965
Series B Senior Unsecured Debentures	642	-

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**10. Payments in lieu of corporate taxes ("PILs"):**

The provision for payments in lieu of corporate taxes recognized in income is as follows:

	2020	2019
Current PILs		
Current year	\$ 692	\$ 622
Deferred PILs		
Origination and reversal of temporary differences (excludes other comprehensive income)	1,163	1,345
Income tax expense	\$ 1,855	\$ 1,967

*i. Reconciliation of effective tax rate*

PILs varies from amounts which would be computed applying the Corporation's combined statutory income tax rate as follows:

	2020	2019
Basic rate applied to income before payments in lieu of corporate taxes	26.5%	26.5%
Increase (decrease) in PILs resulting from:		
Permanent differences	0.2%	0.2%
Adjustment of prior year taxes	-	(0.3)%
Change in regulatory accounts impacting current tax	38.5%	36.1%
Other	0.1%	3.9%
Effective rate applied to income before payments in lieu of corporate taxes	65.3%	66.4%

*ii. Deferred tax balances*

Significant components of the Corporation's deferred tax balances are as follows:

	2020	2019
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (15,360)	\$ (12,228)
Deferred revenue – contributed capital	6,138	5,146
Right-of-use leases	991	60
Intangible capital	(298)	(267)
Employee future benefits	695	666
Other	58	(14)
	\$ (7,776)	\$ (6,637)



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**11. Employee future benefits:**

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability and the expense for the year were based on results and assumptions determined by actuarial valuation as at December 31, 2018.

Information about the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2020	2019
Defined benefit obligation, beginning of year	\$ (2,514)	\$ (3,318)
Current service (cost) gain	(117)	123
Interest cost	(65)	(109)
Past service gain	-	106
Benefits paid during the year	166	146
Actuarial (loss) gain recognized in other comprehensive (loss) income	(92)	538
Accrued benefit liability, end of year	\$ (2,622)	\$ (2,514)

Components of net benefit expense recognized are as follows:

	December 31, 2020	December 31, 2019
Current service (cost) gain	\$ (117)	\$ 123
Interest cost	(65)	(109)
Past service gain	-	106
Net benefit (expense) income recognized	\$ (182)	\$ 120

Actuarial gains and (losses) recognized in other comprehensive income:

	2020	2019
Cumulative amount at January 1	\$ 175	\$ (220)
Recognized during the period (net of tax)	(68)	395
Cumulative amount at December 31	107	175
Net benefit (expense) gain recognized	\$ (68)	\$ 395

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**11. Employee future benefits (continued):**

The significant actuarial assumptions used in the valuation are as follows:

- i. Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2020, was 2.5% (2019 – 3.0%);
- ii. Salary levels - future general salary and wage levels were assumed to increase at 2.1% (2019 -2.1%) per annum; and
- iii. Health care cost trends – the health care cost trend for prescription drugs is estimated to increase at an inclining rate of 4.20% in 2020 to 5.3% over five years. Other medical and dental expenses are estimated to increase at an inclining rate of 4.5% in 2020 to 5.6% over five years.

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	\$ 2,851	\$ 229
1% decrease in health care trend rate	2,424	198

**12. Customer deposits:**

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**12. Customer deposits (continued):**

Customer deposits comprise:

	2020	2019
Current:		
Customer deposits	\$ 1,266	\$ 1,544
Construction deposits	7,788	6,629
	\$ 9,054	\$ 8,173
Non-Current:		
Customer deposits	\$ 3,487	\$ 3,049

**13. Lease liabilities:**

The Corporation has entered into lease agreements for buildings used in administrative and service-related functions, as well as a lease for Solar PV roof-top equipment, representing right-of-use assets (note 6). The right-of-use assets are recognized at the present value of the minimum lease payments, plus any extensions estimated to be exercised, with a corresponding equivalent lease liability recognized. Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the overall term of the Lease. The Corporation has determined the lease terms based on all available information as at the reporting date.

Maturity analysis – contractual undiscounted cash flows	2020	2019
Less than one year	352	130
One to five years	1,437	106
More than five years	9,158	-
Total undiscounted lease liabilities at December 31	10,947	236
Interest included on the liabilities included in the statement of financial position at December 31	(7,206)	(9)
Lease liabilities – current	352	130
Lease liabilities – non-current	3,389	97



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**14. Share capital:**

	2020	2019
Authorized		
Unlimited common shares		
Issued		
1,001 common shares	\$ 38,224	\$ 38,224

*Dividends*

The holders of the common shares are entitled to receive dividends as declared from time to time. In 2020, the Corporation declared and paid a dividend to its shareholder in the amount of \$3,269 (2019 - \$3,480).

**15. Related party transactions:**

(a) Intercompany debt comprises:

	2020	2019
Township of North Dumfries	\$ 3,020	\$ 3,020
4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice and payable to related party		
Energy Plus intercompany loan	2,065	2,765
	\$ 5,085	\$ 5,785

(b) Intercompany transactions:

i. Township of North Dumfries

During the year, interest of \$151 (2019 - \$151) was paid to the Township of North Dumfries.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**15. Related party transactions (continued):**

ii. Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of \$29 (2019 - \$35) was paid to Energy Plus on the intercompany loan.

The Corporation provided the following services to Energy Plus during the year:

	2020	2019
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 6	\$ 6

iii. Cambridge and North Dumfries Energy Solutions Inc.

The Corporation provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly owned subsidiary corporation of Energy Plus:

	2020	2019
Maintenance of streetlights	\$ 198	\$ 189
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 12	\$ 12

iv. Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members.

Key management compensation comprises:

	2020	2019
Directors' fees	\$ 107	\$ 111
Salaries, incentives and other short-term benefits	1,819	1,939
Post-employment benefits	22	(15)
	\$ 1,948	\$ 2,035

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**16. Revenue from contracts with customers:**

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include services ancillary to the electricity distribution, pole and duct rentals, other regulatory service charges, capital contributions and performance incentive payments under CDM programs.

	2020	2019
Revenue from contracts with customers		
Energy sales	\$ 218,284	\$ 196,662
Distribution revenue	34,982	34,773
	\$ 253,266	\$ 231,435
Other revenue	2,744	2,411
Total revenues	\$ 256,010	\$ 233,846

Energy sales and distribution revenue by customer class comprise:

	2020	2019
Residential service	\$ 90,972	\$ 67,468
General service	131,799	132,604
Large users	16,124	17,526
Embedded distributors	12,520	11,915
Other	1,851	1,922
Total revenue	\$ 253,266	\$ 231,435



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**17. Other income from operations:**

Other income comprises:

	2020	2019
Regulated service charges	\$ 801	\$ 826
Pole and other rental income	543	532
Amortization of deferred revenue	536	426
Water and sewer billing services	328	308
Metering network charges	122	50
Late payment charges	121	157
Conservation and demand management	59	-
Scrap sales	52	57
Regulatory adjustments	-	(110)
Miscellaneous	182	165
Total other income	\$ 2,744	\$ 2,411

**18. Finance income and charges:**

	2020	2019
Interest income on cash and cash equivalents	\$ (169)	\$ (279)
Finance income	(169)	(279)
Interest expense on long-term debt	4,305	3,790
Interest expense on intercompany debt	151	151
Interest expense on right-of-use leases	9	11
Interest expense	166	403
Finance charges	4,631	4,355
Net finance costs recognized in profit or loss	\$ 4,462	\$ 4,076

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**19. Commitments:**

(i) *Credit Facility*

Effective April 1, 2019, the Corporation entered into a new Credit Facility Agreement ("Credit Facility") with a Canadian chartered bank which matures on April 1, 2022. The Credit Facility was subsequently amended and restated on May 25, 2020 and provides that the Corporation may borrow up to \$40,000 to finance general corporate requirements, capital investments, and working capital requirements, with the ability to borrow an additional \$20,000 under an accordion with additional approval. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. Interest rates payable on the Credit Facility are based on a margin relative to the prime or BA rate. A standby fee is paid on any unutilized portion of the Credit Facility.

(ii) *Construction of New Administrative Office*

In June 2019, the Corporation acquired land and a portion of an existing building, referred to as the Southworks facility, in the Gaslight District in Cambridge, Ontario. The Corporation is currently renovating the building to make it suitable for a new administrative office. As part of the renovation plans, the Corporation has entered into various agreements for project management, construction management services, and various construction contracts. The renovations are currently underway and are expected to be completed by December 2021 at an estimated total cost of \$8,600. Included in work-in-progress at December 31, 2020 is \$2,281 in costs associated with the renovations.

(iii) *Obligations under Capital Cost Recovery Agreement*

The Corporation is party to a connection and a cost recovery agreement ("CCRA") with Hydro One Network Inc. (HONI) whereby HONI agreed to build 115kV Switching Facilities at the Brant Transformer Station ("Brant TS") to provide additional capacity to meet the existing and future load growth expected on the transmission circuits. The Switching Facilities were placed into service on April 26, 2019. The Brant TS is jointly owned by the Corporation and Brantford Power Inc.

Under the terms of the CCRA, the Corporation has agreed to an allocation of the costs of the project based on the expected future load growth. Annually, at the anniversary of the In-Service Date, if the expected future load growth does not meet an agreed upon load level, the Corporation may be subject to an allocation of a true-up adjustment based on the difference between the total capital cost of construction and the projected network revenue to be earned by HONI. The difference would represent a debt obligation of the Corporation based on the extent that the actual and forecast HONI revenue through the CCRA term is less than the amount of HONI revenue projected at the time the project was constructed. The Corporation's commitment is estimated at approximately \$5,688.



**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**19. Commitments (continued):**

(iii) *Obligations under Capital Cost Recovery Agreement (continued)*

In general terms, investments in regulated electricity distribution assets are recoverable from customers in future rate applications based on the rate-making policies of the OEB.

**20. Pension plan:**

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2020, the Corporation made employer contributions of \$1,278 to OMERS (2019 - \$1,280). The Corporation estimates that a contribution of \$1,270 to OMERS will be made during the next fiscal year.

**21. Employee benefits:**

	2020	2019
Salaries, wages and benefits	\$ 13,423	\$ 13,732
Contributions to OMERS	1,278	1,280
CPP and EI remittances	513	525
Expenses related to defined benefit plans	182	(119)
	\$ 15,396	\$ 15,418

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

**22. Cash flow information:**

Net change in non-cash operating working capital comprises:

	2020	2019
Accounts receivable	\$ 3,105	\$ 1,937
Unbilled revenue	2,641	(1,516)
Inventories	360	136
Other assets	(328)	207
Accounts payable and accrued liabilities	2,550	678
Current customer deposits	881	721
	<u>\$ 9,209</u>	<u>\$ 2,163</u>

**23. Financial instruments and risk management:**

**Fair value disclosure**

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt, Series A Senior Unsecured Debentures at December 31, 2020 is \$60,891 (2019 -\$55,619) and Series B Senior Unsecured Debentures at December 31, 2020 is \$57,161. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2020 was 2.69% (2019 – 3.36%) for Series A and 2.8% for Series B.

**Financial risks**

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**23. Financial instruments and risk management (continued):**

**Financial Risks (continued):**

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Cambridge, Township of North Dumfries and within the County of Brant. One customer in the City of Cambridge accounts for a balance in excess of 6.2% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of a loss allowance and the amount of the related credit loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the loss allowance at December 31, 2020 is \$1,311 (2019 - \$1,063). A credit loss of \$394 (2019 - \$207) was recognized during the year.

At December 31, 2020, approximately \$775 (2019 - \$802) is considered 60 days past due. One customer in the City of Cambridge accounts for a balance of \$384 of the accounts receivable over 60 days, of which an amount of \$384 has been included in the loss allowance. The Corporation has over 67,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2020, the Corporation holds security deposits in the amount of \$4,752 (2019 - \$4,593).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2020 would have increased interest expense on the long-term debt, including the current portion, by \$1,050 (2019 - \$850), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**23. Financial instruments and risk management (continued):**

**Financial risks (continued):**

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$40,000 (2019 - \$30,000) revolving credit facility with the ability to borrow an additional \$20,000 with approval. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. Borrowings under the credit facilities may be in the form of prime rate loans; current account overdrafts, Bankers' Acceptances; or Letters of Credit and/or Letters of Guarantee in Canadian currency. As at December 31, 2020, NIL had been drawn under the credit facility (2019 - \$1,062).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2020, shareholder's equity amounts to \$96,123 (2019 - \$93,215) and long-term debt amounts, including the current portion, to \$104,239 (2019 - \$84,554).

**24. Changes in accounting policies:**

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2020:

- a) Amendments to Hedge Accounting Requirements – Interest Rate Benchmark Reform and its Effects on Financial Reporting (Phase 1)
- b) Amendments to References to the Conceptual Framework in IFRS Standards
- c) Definition of a Business (Amendments to IFRS 3)
- d) Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments and clarifications did not have an impact on the financial statements.

**Notes to Financial Statements**  
**(in thousands of Canadian dollars)**  
**Year Ended December 31, 2020**

---

**25. Emerging accounting changes:**

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation and it is still to be determined if any will have a material impact on the Corporation's financial statements.

- a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- b) Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- c) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- d) Annual Improvements to IFRS Standards 2018–2020
- e) Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- f) Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture



**Corporate Directory**  
**Year Ended December 31, 2020**

---

**Directors**

Anita Davis, Chair	Martyn Champ
Peter Ferraro	Susan Foxton
Kathryn McGarry	Ian Miles
Gerry Remers	Sandra Vos
Lynn Woeller	

**Management**

Ian Miles	President and CEO
Jane Hale-McDonald, CHRP, ARD	Vice President, Human Resources
Sarah Hughes, CPA, CA, C. Dir.	Chief Financial Officer
Paul Martinello	Vice President, Information Technology Services
Barbara Shortreed, B.Econ	Vice President, Customer Care and Communications
Ron Sinclair, P.Eng	Vice President, Engineering
Ernie Vidovic, EIT, CET	Vice President, Operations

**Schedule O**

**LDC Amalco Year 1 Pro-Forma Financial Statements**

**LDC Amalco Pro Forma  
Income Statement (\$000's)**

**Year 1**  
Forecast

**Revenues:**

Electricity sales	379,414
Distribution revenue	59,049
Other income	3,790
<b>Total revenues</b>	<b>442,253</b>

**Expenses:**

Energy purchases	375,013
Operating expenses	34,456
Depreciation & amortization	11,492
<b>Total expenses</b>	<b>420,961</b>

**Income from operating activities** **21,292**

**Other expenses:**

Loss (gain) on disposal of property, plant & equipment	300
Financing income	(1,092)
Financing charges	7,194
<b>Total other expenses</b>	<b>6,402</b>

**Income (loss) before payments in lieu of income taxes** **14,890**

Income tax expense 1,223

**Income (loss) before net movements in regulatory deferral account balances, net of tax** **13,667**

Net movements in regulatory deferral account balances, pre-tax (4,355)

**Total comprehensive income** **9,312**



**LDC Amalco Pro Forma  
Balance Sheet (\$000's)**

**Year 1**  
Forecast

**Assets**

**Current assets:**

Cash and cash equivalents	22,623
Accounts receivable	28,255
Unbilled revenue	32,850
Inventories	3,919
Other assets	715
<b>Total current assets</b>	<b>88,362</b>

**Non-current assets:**

Property, plant & equipment	318,594
Finance lease receivable	7,016
Goodwill	18,964
<b>Total non-current assets</b>	<b>344,574</b>

**Total Assets** **432,936**

Regulatory deferral account debit balances	12,131
	12,131

**Total assets and regulatory deferral account debit balances** **445,067**

**LDC Amalco Pro Forma  
Balance Sheet (\$000's)**

**Year 1**  
Forecast

**Liabilities**

**Current liabilities:**

Accounts payable and accrued liabilities	48,825
Payable in lieu of corporate taxes	464
Customer deposits - current	10,790
<b>Total current liabilities</b>	<b>60,079</b>

**Non-current liabilities:**

Long-term debt	141,020
Intercompany debt	1,500
Employee future benefits	4,294
Deferred revenue	33,408
Deferred tax liability	11,795
Customer deposits	3,236
Derivative liabilities	3,815
<b>Total non-current liabilities</b>	<b>199,068</b>

<b>Total liabilities</b>	<b>259,147</b>
--------------------------	----------------

**Shareholder's equity**

Share capital	84,851
Accumulated other comprehensive income / (loss)	(1,402)
Retained earnings	92,616
<b>Total shareholder's equity</b>	<b>176,065</b>

<b>Total liabilities and shareholder's equity</b>	<b>435,212</b>
---	----------------

Regulatory deferral account credit balances	9,855
	9,855

<b>Total liabilities, equity and regulatory deferral account credit balances</b>	<b>445,067</b>
--	----------------

**LDC Amalco Pro Forma  
Cash Flow Statement (\$000's)**

**Year 1  
Forecast**

**Operating Activities**

Total comprehensive income	9,312
Items not affecting cash:	
Depreciation and amortization	11,807
Amortization on right-of-use assets	(32)
Amortization of deferred revenue	(769)
Loss on disposal of capital assets	300
Increase in non-current customer deposits	63
Post-employment benefits	123
	20,804
Income taxes paid	1,002
Capital contributions received	3,167
Net change in non-cash operating working capital	(2,668)
	22,305

**Financing Activities**

Issuance / (repayment) of long-term debt	(24,050)
Issuance of share capital	24,189
Dividends paid	(3,320)
	(3,181)

**Investing Activities**

Purchase of property, plant and equipment	(26,208)
Net movements in regulatory balances	4,163
	(22,045)

<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(2,921)</b>
Cash and cash equivalents (bank indebtedness), beginning of year	25,544
<b>Cash and cash equivalents (bank indebtedness), end of year</b>	<b>22,623</b>

**Schedule P**

**BPI Electricity Distribution License (ED-2003-0060)**



# Electricity Distribution Licence

## ED-2003-0060

### Brantford Power Inc.

Valid Until

December 17, 2023

*Original signed by*

---

**Brian Hewson**  
**Vice President, Consumer Protection and Industry Performance**  
**Ontario Energy Board**

**Date of Issuance: December 18, 2003**  
**Date of Amendment: September 11, 2020**

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

## LIST OF AMENDMENTS

<b>Board File No.</b>	<b>Date of amendment</b>
EB-2010-0215:	November 12, 2010
EB-2011-0048:	June 14, 2011
EB-2014-0324	December 18, 2014
EB-2016-0015	January 28, 2016
EB-2017-0101	March 31, 2017
EB-2017-0318	February 8, 2018
EB-2019-0167	September 12, 2019
EB-2020-0085	March 2, 2020
EB-2020-0185	September 11, 2020

	<b>Table of Contents</b>	<b>Page No.</b>
1	Definitions .....	1
2	Interpretation .....	2
3	Authorization .....	2
4	Obligation to Comply with Legislation, Regulations and Market Rules .....	2
5	Obligation to Comply with Codes .....	2
6	Obligation to Provide Non-discriminatory Access .....	3
7	Obligation to Connect.....	3
8	Obligation to Sell Electricity .....	4
9	Obligation to Maintain System Integrity .....	4
10	Market Power Mitigation Rebates .....	4
11	Distribution Rates .....	4
12	Separation of Business Activities .....	4
13	Expansion of Distribution System .....	4
14	Provision of Information to the Board.....	4
15	Restrictions on Provision of Information .....	5
16	Customer Complaint and Dispute Resolution .....	6
17	Term of Licence .....	6
18	Fees and Assessments.....	6
19	Communication .....	6

20	Copies of the Licence.....	7
21	Conservation and Demand Management .....	7
22	Pole Attachments .....	7
23	Administration of COVID-19 Energy Support Program.....	7
24	Administration of COVID-19 Energy Support Program – Small Business.....	10
SCHEDULE 1	DEFINITION OF DISTRIBUTION SERVICE AREA .....	13
SCHEDULE 2	PROVISION OF STANDARD SUPPLY SERVICE .....	14
SCHEDULE 3	LIST OF CODE EXEMPTIONS .....	15
APPENDIX A	MARKET POWER MITIGATION REBATES.....	16



## 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;

**“IESO”** means the Independent Electricity System Operator;

**“Licensee”** means Brantford Power Inc.

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

**“OPA”** means the Ontario Power Authority;

**“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;

**“Rate Order”** means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

**“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. 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**

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:
- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;
  - b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and
  - c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

## **4 Obligation to Comply with Legislation, Regulations and Market Rules**

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

## **5 Obligation to Comply with Codes**

- 5.1 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.

5.2 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.

**6 Obligation to Provide Non-discriminatory Access**

- 6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

**7 Obligation to Connect**

- 7.1 The Licensee shall connect a building to its distribution system if:

- a) the building lies along any of the lines of the distributor's distribution system; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

- 7.2 The Licensee shall make an offer to connect a building to its distribution system if:

- a) the building is within the Licensee's service area as described in Schedule 1; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

- 7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

- 7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

## **8 Obligation to Sell Electricity**

- 8.1 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 the Licensee's Rate Order as approved by the Board.

## **9 Obligation to Maintain System Integrity**

- 9.1 The Licensee shall maintain its distribution system 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.

## **10 Market Power Mitigation Rebates**

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

## **11 Distribution Rates**

- 11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

## **12 Separation of Business Activities**

- 12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

## **13 Expansion of Distribution System**

- 13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.
- 13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

## **14 Provision of Information to the Board**

- 14.1 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.
- 14.2 Without limiting the generality of paragraph 14.1 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 of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

- 14.3 The licensee shall inform the Board as soon as possible of any material changes to the service agreement with The Corporation of the City of Brantford (the "Service Agreement").
- 14.4 If either party to the Service Agreement provides notice of its intention to exercise a right to terminate or discontinue any services under the services agreement, the Licensee shall:
- a) Immediately notify the Board in writing of the notice; and
  - b) provide a plan to the Board as soon as possible, but no later than ten (10) days after the receipt of the notice, as to how the affected distribution services will be maintained in compliance with the terms of this Licence.
- 14.5 In the event of termination of the Service Agreement for any reason, the Licensee shall:
- a) ensure there is no interruption of distribution services to the consumers as a result of the termination;
  - b) notify the Board of the name of the new company that will provide the distribution services; and
  - c) file with the Board the distribution services agreement with the new company.

## **15 Restrictions on Provision of Information**

- 15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.
- 15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
  - b) for billing, settlement or market operations purposes;
  - c) for law enforcement purposes; or
  - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.

- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

## **16 Customer Complaint and Dispute Resolution**

16.1 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.

## **17 Term of Licence**

- 17.1 This Licence shall take effect on December 18, 2003 and expire on December 17, 2023. The term of this Licence may be extended by the Board.

## **18 Fees and Assessments**

- 18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

## **19 Communication**

- 19.1 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.
- 19.2 All official communication relating to this Licence shall be in writing.
- 19.3 All written 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, by registered mail or by courier;
  - b) ten (10) business days after the date of posting if the communication is sent by regular mail; and

- c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

## **20 Copies of the Licence**

20.1 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; 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.

## **21 Conservation and Demand Management**

[Intentionally left blank]

## **22 Pole Attachments**

22.1 The Licensee shall provide access to its distribution poles to all Canadian carriers, as defined by the Telecommunications Act, and to all cable companies that operate in the Province of Ontario. For each attachment, with the exception of wireless attachments, the Licensee shall charge the rate approved by the Board and included in the Licensee's tariff.

22.2 The Licensee shall:

- a) annually report the net revenue, and the calculations used to determine that net revenue, earned from allowing wireless attachments to its poles. Net revenues will be accumulated in a deferral account approved by the Board;
- b) credit that net revenue against its revenue requirement subject to Board approval in rate proceedings; and
- c) provide access for wireless attachments to its poles on commercial terms normally found in a competitive market.

## **23 Administration of COVID-19 Energy Support Program**

23.1 For the purposes of paragraphs 23.1 to 23.8:

"Application Form" means the form of application for CEAP approved by the Board, including the use of that form by telephone

"CEAP" means the COVID-19 Energy Assistance Program as described in the Board's Decision and Order dated June 16, 2020

"CEAP-eligible account" means an account in the Licensee's residential class that meets all of the following criteria:

- (a) the account was in good standing (i.e. all amounts on account of electricity charges that were payable were fully paid) on March 17, 2020, and the account was not enrolled in an arrears payment for amounts owing prior to March 17, 2020
- (b) complete payment on account of electricity charges has not been made on at least two electricity bills issued since March 17, 2020, and the account has an Overdue Balance on the date of receipt of the Application Form for the account including where the account is enrolled in an arrears payment agreement for amounts incurred following March 17, 2020,
- (c) the account has not received funding under the Low-income Energy Assistance Program or the Ontario Electricity Support Program in 2020; and
- (d) the account holder has provided a complete Application Form and has declared, through the Application Form, that they or their spouse or common-law partner that resides in the same residence:
  - are unemployed on the date that they provide their completed Application Form to the Licensee
  - have received Employment Insurance or the Canada Emergency Response Benefit since March 17, 2020

“Overdue Balance” means the amount by which the account holder’s balance is past due in respect of Electricity Charges at the time the Application Form is received by the Licensee. Amounts that may be on the bill but are not yet past due are not part of the Overdue Balance.

“electricity charges” means:

- (a) charges that appear under the sub-headings “Electricity”, “Delivery”, and “Regulatory Charges” as described in Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) made under the Act, and all applicable taxes on those charges;
- (b) where applicable, charges prescribed by regulations under section 25.33 of the Electricity Act and all applicable taxes on those charges
- (c) Board-approved specific service charges, including late payment charges, and such other charges and applicable taxes associated with the consumption of electricity as may be required by law to be included on the bill issued to the customer or as may be designated by the Board for the purposes of this definition, but not including security deposits, amounts owed by a customer pursuant to a billing adjustment, or amounts under an arrears payment agreement entered into prior to March 17, 2020; and
- (d) any financial assistance provided for under the *Ontario Rebate for Electricity Consumers Act, 2016*

23.2 The Licensee shall start to accept Application Forms as of July 13, 2020.

23.3 The Licensee shall:



- (a) Make copies of the Application Form available on its web site and to any customer on request.
  - (b) Process all complete Application Forms in the order in which they are received.
  - (c) Accept Application Forms by e-mail or mail, and may also allow the Application Form to be completed online or by telephone, provided that where Application Forms are completed by telephone the call must be recorded and must document confirmation of all information requested on the Application Form, including consent and the applicant's declaration of eligibility.
  - (d) Process each complete Application Form within 10 business days of receipt.
- 23.4 The Licensee shall provide a credit to a CEAP-eligible account in an amount equal to half of the Overdue Balance for the account:
- (a) to a maximum of \$230, where the Application Form declares that the account is for a residence that mainly uses electric heating or in which an eligible medical device is used
  - (b) to a maximum of or \$115, in all other cases.
- 23.5 The credit must be applied on the next bill issued to the CEAP-eligible account after the processing of the Application Form for the account as set out in paragraph 12.3(d), where feasible, and in any event no later than on the following bill.
- 23.6 Despite paragraph 23.4:
- (a) The Licensee is not required to provide a credit to a CEAP-eligible account if the total amount of CEAP funding available to the Licensee as specified by the Board has been expended; and
  - (b) The Licensee shall not provide a credit to a CEAP-eligible account more than once.
- 23.7 Reimbursement for credits provided by the Licensee to CEAP-eligible accounts, up to the total referred to in paragraph 23.5(a), are recoverable from the Independent Electricity System Operator. The Licensee shall provide information in such form and manner, and within such time, as the IESO may reasonably require, in respect of requests for reimbursement. The Licensee shall not seek reimbursement from the Independent Electricity System Operator for any amount above the total referred to in paragraph 23.5(a) or on account of any costs relating to the administration of CEAP.
- 23.8 The Licensee shall keep the following records for two years, and make them available to the Board upon request:
- (a) Copies of all Application Forms received, including recordings of calls where the Application Form is provided by telephone, and copies of any communications with customers about CEAP.

- (b) A record of all Application Forms that were accepted as complete and a credit was provided to CEAP-eligible accounts, and a record of all Application Forms that were denied
  - (c) A record of the credit provided to each CEAP-eligible account, as well as the total amount of credits provided to all CEAP-eligible accounts.
- 23.9 The Licensee shall report to the Board, as soon as practicable, the date on which the total amount of CEAP funding referred to in paragraph 23.5(a) has been expended.
- 23.10 Paragraphs 23.1 to 23.8 govern over any provisions of the Distribution System Code or the Standard Supply Service Code in the event of any inconsistency.

## **24 Administration of COVID-19 Energy Support Program – Small Business**

24.1 For the purposes of paragraphs 24.1 to 24.8:

“Application Form” means the form of application for CEAP-SB approved by the Board, including the use of that form by telephone

“CEAP-SB” means the COVID-19 Energy Assistance Program – Small Business as described in the Board’s Decision and Order dated August 7, 2020

“CEAP-SB eligible account” means an account for premises in the Licensee’s GS<50 class (for electricity distributors) / relevant commercial class and whose annual usage is less than 150,000 kWh (for USMPs) that meets all of the following criteria:

- a) the account holder has a registered business number or charitable registration number for the business or registered charity operating out of the premises,
- b) the account was in good standing (i.e. all amounts on account of electricity charges that were payable were fully paid) on March 17, 2020, and the account was not enrolled in an arrears payment agreement for amounts owing prior to March 17, 2020,
- c) complete payment on account of electricity charges has not been made on at least two electricity bills issued since March 17, 2020, and the account has an Overdue Balance on the date of receipt of the Application Form for the account including where the account is enrolled in an arrears payment agreement for amounts incurred following March 17, 2020,
- d) the account holder has confirmed in the Application Form that it is not applying for a CEAP-SB credit for another location or electricity account anywhere in the Province of Ontario for the same small business or registered charity,
- e) the account holder has provided a complete Application Form and has declared, through the Application Form, that their small business or registered charity’s premises was required to close to the public for regular operations for at least 15 days as a result of a government order or inability to comply with public health recommendations.

Note that the Licensee is only required to verify the information in items (b), (c), and (e) above.

“electricity charges” means:

- a) charges that appear under the sub-headings “Electricity”, “Delivery”, and “Regulatory Charges” as described in Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) made under the Act, and all applicable taxes on those charges;
- b) where applicable, charges prescribed by regulations under section 25.33 of the Electricity Act and all applicable taxes on those charges
- c) Board-approved specific service charges, including late payment charges, and such other charges and applicable taxes associated with the consumption of electricity as may be required by law to be included on the bill issued to the customer or as may be designated by the Board for the purposes of this definition, but not including security deposits, amounts owed by a customer pursuant to a billing adjustment, or amounts under a payment agreement entered into prior to March 17, 2020; and
- d) any financial assistance provided for under the *Ontario Rebate for Electricity Consumers Act, 2016*; and

“Overdue Balance” means the amount by which the account holder’s balance is past due in respect of Electricity Charges at the time the Application Form is received by the Licensee. Amounts that may be on the bill but are not yet past due are not part of the Overdue Balance.

24.2 The Licensee shall start to accept Application Forms as of August 31, 2020.

24.3 The Licensee shall:

- a) Make copies of the Application Form available on its web site and to any customer on request.
- b) Process all complete Application Forms in the order in which they are received.
- c) Accept Application Forms by e-mail or mail, and may also allow the Application Form to be completed online or by telephone, provided that where Application Forms are completed by telephone the call must be recorded and must document confirmation of all information requested on the Application Form, including consent and the applicant’s declaration of eligibility.
- d) Process each complete Application Form within 10 business days of receipt.

24.4 The Licensee shall provide a credit to a CEAP-SB eligible account up to the amount of the Overdue Balance for the account:

- a) to a maximum of \$850, where the Application Form declares that the account is for small business or registered charity premises that primarily uses electricity for heating; or
- b) to a maximum of or \$425, in all other cases.

The credit must be applied on the next bill issued to the CEAP-SB eligible account after the processing of the Application Form for the account as set out in paragraph 24.3(d), where feasible, and in any event no later than on the following bill.

24.5 Despite paragraph 24.4:

- a) The Licensee is not required to provide a credit to a CEAP-SB eligible account if the total amount of CEAP-SB funding available to the Licensee as specified by the Board has been expended; and
- b) The Licensee shall not provide a credit to a CEAP-SB eligible account more than once.

24.6 Reimbursement for credits provided by the Licensee to CEAP-SB eligible accounts, up to the total referred to in paragraph 24.5(a), are recoverable from the Independent Electricity System Operator. The Licensee shall provide information in such form and manner, and within such time, as the IESO may reasonably require, in respect of requests for reimbursement. The Licensee shall not seek reimbursement from the Independent Electricity System Operator for any amount above the total referred to in paragraph 24.5(a) or on account of any costs relating to the administration of CEAP-SB.

24.7 The Licensee shall keep the following records for two years, and make them available to the Board upon request:

- a) Copies of all Application Forms received, including recordings of calls where the Application Form is provided by telephone, and copies of any communications with customers about CEAP-SB.
- b) A record of all Application Forms that were accepted as complete and a credit was provided to CEAP-SB eligible accounts, and a record of all Application Forms that were denied.
- c) A record of the credit provided to each CEAP-SB eligible account, as well as the total amount of credits provided to all CEAP-SB eligible accounts.

24.8 The Licensee shall report to the Board, as soon as practicable, the date on which the total amount of CEAP-SB funding referred to in paragraph 24.5(a) has been expended.

24.9 Paragraphs 24.1 to 24.8 govern over any provisions of the Distribution System Code or the Standard Supply Service Code in the event of any inconsistency.

## **SCHEDULE 1                      DEFINITION OF DISTRIBUTION SERVICE AREA**

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1.            The City of Brantford as of January 1, 1996.

## SCHEDULE 2                      PROVISION OF STANDARD SUPPLY SERVICE

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

1.        The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

### SCHEDULE 3                      LIST OF CODE EXEMPTIONS

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

1.        The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.
2.        The Licensee is exempt from the requirement to implement time-of-use pricing as of the mandatory date for its RPP customers with eligible time-of-use meters as required under the Standard Supply Service Code for Electricity Distributors. The mandatory time-of-use pricing date exemption expires on November 30, 2011.

## 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.

**Schedule Q**

**Energy+ Electricity Distribution License (ED-2002-0574)**



# Electricity Distribution Licence

**ED-2002-0574**

**Energy+ Inc.**

**Valid Until**

**March 31, 2023**

*Original signed by*

---

**Brian Hewson**

**Vice President, Consumer Protection and Industry Performance  
Ontario Energy Board**

**Date of Issuance: June 10, 2003**

**Date of Amendment: September 11, 2020**

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

## LIST OF AMENDMENTS

Board File No.	Date of Amendment
EB-2010-0215	November 12, 2010
EB-2010-0337	March 21, 2011
EB-2011-0018	April 25, 2011
EB-2011-0321	November 9, 2011
EB-2012-0096	April 13, 2012
EB-2012-0030	June 7, 2012
EB-2013-0409	March 6, 2014
EB-2014-0324	December 18, 2014
EB-2016-0015	January 28, 2016
EB-2016-0027	February 4, 2016
EB-2017-0101	March 31, 2017
EB-2017-0245	June 29, 2017
EB-2017-0248	August 31, 2017
EB-2017-0318	February 8, 2018
EB-2018-0309	January 24, 2019
EB-2019-0167	September 12, 2019
EB-2019-0251	December 5, 2019
EB-2020-0085	March 2, 2020
EB-2020-0185	September 11, 2020

	<b>Table of Contents</b>	<b>Page No.</b>
1	Definitions .....	1
2	Interpretation .....	2
3	Authorization .....	2
4	Obligation to Comply with Legislation, Regulations and Market Rules .....	2
5	Obligation to Comply with Codes .....	2
6	Obligation to Provide Non-discriminatory Access .....	3
7	Obligation to Connect.....	3
8	Obligation to Sell Electricity .....	4
9	Obligation to Maintain System Integrity .....	4
10	Market Power Mitigation Rebates .....	4
11	Distribution Rates .....	4
12	Separation of Business Activities .....	4
13	Expansion of Distribution System .....	4
14	Provision of Information to the Board.....	4
15	Restrictions on Provision of Information .....	5
16	Customer Complaint and Dispute Resolution .....	5
17	Term of Licence .....	6
18	Fees and Assessments.....	6
19	Communication .....	6



20	Copies of the Licence.....	6
21	Conservation and Demand Management .....	6
22	Pole Attachments .....	6
23	Administration of COVID-19 Energy Support Program.....	7
24	Administration of COVID-19 Energy Support Program – Small Business.....	9
SCHEDULE 1	DEFINITION OF DISTRIBUTION SERVICE AREA .....	13
SCHEDULE 2	PROVISION OF STANDARD SUPPLY SERVICE .....	15
SCHEDULE 3	LIST OF CODE EXEMPTIONS .....	16
APPENDIX A	17	
	MARKET POWER MITIGATION REBATES.....	17
2.	Information Given to IESO .....	17
2.	Information Given to IESO .....	19

## 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;

**“IESO”** means the Independent Electricity System Operator;

**“Licensee”** means Energy+ Inc.;

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

**“OPA”** means the Ontario Power Authority;

**“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;

**“Rate Order”** means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

**“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**

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:
- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;
  - b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and
  - c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

## **4 Obligation to Comply with Legislation, Regulations and Market Rules**

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

## **5 Obligation to Comply with Codes**

- 5.1 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.

5.2 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.

**6 Obligation to Provide Non-discriminatory Access**

- 6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

**7 Obligation to Connect**

- 7.1 The Licensee shall connect a building to its distribution system if:

- a) the building lies along any of the lines of the distributor's distribution system; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

- 7.2 The Licensee shall make an offer to connect a building to its distribution system if:

- a) the building is within the Licensee's service area as described in Schedule 1; and
- b) the owner, occupant or other person in charge of the building requests the connection in writing.

- 7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

- 7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

## **8 Obligation to Sell Electricity**

- 8.1 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 the Licensee's Rate Order as approved by the Board.

## **9 Obligation to Maintain System Integrity**

- 9.1 The Licensee shall maintain its distribution system 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.

## **10 Market Power Mitigation Rebates**

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

## **11 Distribution Rates**

- 11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

## **12 Separation of Business Activities**

- 12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

## **13 Expansion of Distribution System**

- 13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.
- 13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

## **14 Provision of Information to the Board**

- 14.1 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.
- 14.2 Without limiting the generality of paragraph 14.1, 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 of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

## **15 Restrictions on Provision of Information**

- 15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.
- 15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
  - b) for billing, settlement or market operations purposes;
  - c) for law enforcement purposes; or
  - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.
- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

## **16 Customer Complaint and Dispute Resolution**

- 16.1 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.

## **17 Term of Licence**

- 17.1 This Licence shall take effect on June 10, 2003 and expire on March 31, 2023. The term of this Licence may be extended by the Board.

## **18 Fees and Assessments**

- 18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

## **19 Communication**

- 19.1 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.
- 19.2 All official communication relating to this Licence shall be in writing.
- 19.3 All written 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, by registered mail or by courier;
  - b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
  - c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

## **20 Copies of the Licence**

- 20.1 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; 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.

## **21 Conservation and Demand Management**

[Intentionally left blank]

## **22 Pole Attachments**

- 22.1 The Licensee shall provide access to its distribution poles to all Canadian carriers, as defined by the Telecommunications Act, and to all cable companies that operate in the Province of Ontario. For each attachment, with the exception of wireless attachments, the Licensee shall charge the rate approved by the Board and included in the Licensee's tariff.
- 22.2 The Licensee shall:

- a) annually report the net revenue, and the calculations used to determine that net revenue, earned from allowing wireless attachments to its poles. Net revenues will be accumulated in a deferral account approved by the Board;
- b) credit that net revenue against its revenue requirement subject to Board approval in rate proceedings; and
- c) provide access for wireless attachments to its poles on commercial terms normally found in a competitive market.

## **23 Administration of COVID-19 Energy Support Program**

23.1 For the purposes of paragraphs 23.1 to 23.8:

“Application Form” means the form of application for CEAP approved by the Board, including the use of that form by telephone

“CEAP” means the COVID-19 Energy Assistance Program as described in the Board’s Decision and Order dated June 16, 2020

“CEAP-eligible account” means an account in the Licensee’s residential class that meets all of the following criteria:

- (a) the account was in good standing (i.e. all amounts on account of electricity charges that were payable were fully paid) on March 17, 2020, and the account was not enrolled in an arrears payment for amounts owing prior to March 17, 2020
- (b) complete payment on account of electricity charges has not been made on at least two electricity bills issued since March 17, 2020, and the account has an Overdue Balance on the date of receipt of the Application Form for the account including where the account is enrolled in an arrears payment agreement for amounts incurred following March 17, 2020,
- (c) the account has not received funding under the Low-income Energy Assistance Program or the Ontario Electricity Support Program in 2020; and
- (d) the account holder has provided a complete Application Form and has declared, through the Application Form, that they or their spouse or common-law partner that resides in the same residence:
  - are unemployed on the date that they provide their completed Application Form to the Licensee
  - have received Employment Insurance or the Canada Emergency Response Benefit since March 17, 2020

“Overdue Balance” means the amount by which the account holder’s balance is past due in respect of Electricity Charges at the time the Application Form is received by the Licensee. Amounts that may be on the bill but are not yet past due are not part of the Overdue Balance.

“electricity charges” means:



- (a) charges that appear under the sub-headings “Electricity”, “Delivery”, and “Regulatory Charges” as described in Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) made under the Act, and all applicable taxes on those charges;
- (b) where applicable, charges prescribed by regulations under section 25.33 of the Electricity Act and all applicable taxes on those charges
- (c) Board-approved specific service charges, including late payment charges, and such other charges and applicable taxes associated with the consumption of electricity as may be required by law to be included on the bill issued to the customer or as may be designated by the Board for the purposes of this definition, but not including security deposits, amounts owed by a customer pursuant to a billing adjustment, or amounts under an arrears payment agreement entered into prior to March 17, 2020; and
- (d) any financial assistance provided for under the *Ontario Rebate for Electricity Consumers Act, 2016*

23.2 The Licensee shall start to accept Application Forms as of July 13, 2020.

23.3 The Licensee shall:

- (a) Make copies of the Application Form available on its web site and to any customer on request.
- (b) Process all complete Application Forms in the order in which they are received.
- (c) Accept Application Forms by e-mail or mail, and may also allow the Application Form to be completed online or by telephone, provided that where Application Forms are completed by telephone the call must be recorded and must document confirmation of all information requested on the Application Form, including consent and the applicant's declaration of eligibility.
- (d) Process each complete Application Form within 10 business days of receipt.

23.4 The Licensee shall provide a credit to a CEAP-eligible account in an amount equal to half of the Overdue Balance for the account:

- (a) to a maximum of \$230, where the Application Form declares that the account is for a residence that mainly uses electric heating or in which an eligible medical device is used
- (b) to a maximum of or \$115, in all other cases.

23.5 The credit must be applied on the next bill issued to the CEAP-eligible account after the processing of the Application Form for the account as set out in paragraph 12.3(d), where feasible, and in any event no later than on the following bill.

23.6 Despite paragraph 23.4:

- (a) The Licensee is not required to provide a credit to a CEAP-eligible account if the total amount of CEAP funding available to the Licensee as specified by the Board has been expended; and
  - (b) The Licensee shall not provide a credit to a CEAP-eligible account more than once.
- 23.7 Reimbursement for credits provided by the Licensee to CEAP-eligible accounts, up to the total referred to in paragraph 23.5(a), are recoverable from the Independent Electricity System Operator. The Licensee shall provide information in such form and manner, and within such time, as the IESO may reasonably require, in respect of requests for reimbursement. The Licensee shall not seek reimbursement from the Independent Electricity System Operator for any amount above the total referred to in paragraph 23.5(a) or on account of any costs relating to the administration of CEAP.
- 23.8 The Licensee shall keep the following records for two years, and make them available to the Board upon request:
- (a) Copies of all Application Forms received, including recordings of calls where the Application Form is provided by telephone, and copies of any communications with customers about CEAP.
  - (b) A record of all Application Forms that were accepted as complete and a credit was provided to CEAP-eligible accounts, and a record of all Application Forms that were denied
  - (c) A record of the credit provided to each CEAP-eligible account, as well as the total amount of credits provided to all CEAP-eligible accounts.
- 23.9 The Licensee shall report to the Board, as soon as practicable, the date on which the total amount of CEAP funding referred to in paragraph 23.5(a) has been expended.
- 23.10 Paragraphs 23.1 to 23.8 govern over any provisions of the Distribution System Code or the Standard Supply Service Code in the event of any inconsistency.

## **24 Administration of COVID-19 Energy Support Program – Small Business**

24.1 For the purposes of paragraphs 24.1 to 24.8:

“Application Form” means the form of application for CEAP-SB approved by the Board, including the use of that form by telephone

“CEAP-SB” means the COVID-19 Energy Assistance Program – Small Business as described in the Board’s Decision and Order dated August 7, 2020

“CEAP-SB eligible account” means an account for premises in the Licensee’s GS<50 class (for electricity distributors) / relevant commercial class and whose annual usage is less than 150,000 kWh (for USMPs) that meets all of the following criteria:

- a) the account holder has a registered business number or charitable registration number for the business or registered charity operating out of the premises,

- b) the account was in good standing (i.e. all amounts on account of electricity charges that were payable were fully paid) on March 17, 2020, and the account was not enrolled in an arrears payment agreement for amounts owing prior to March 17, 2020,
- c) complete payment on account of electricity charges has not been made on at least two electricity bills issued since March 17, 2020, and the account has an Overdue Balance on the date of receipt of the Application Form for the account including where the account is enrolled in an arrears payment agreement for amounts incurred following March 17, 2020,
- d) the account holder has confirmed in the Application Form that it is not applying for a CEAP-SB credit for another location or electricity account anywhere in the Province of Ontario for the same small business or registered charity,
- e) the account holder has provided a complete Application Form and has declared, through the Application Form, that their small business or registered charity's premises was required to close to the public for regular operations for at least 15 days as a result of a government order or inability to comply with public health recommendations.

Note that the Licensee is only required to verify the information in items (b), (c), and (e) above.

"electricity charges" means:

- a) charges that appear under the sub-headings "Electricity", "Delivery", and "Regulatory Charges" as described in Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) made under the Act, and all applicable taxes on those charges;
- b) where applicable, charges prescribed by regulations under section 25.33 of the Electricity Act and all applicable taxes on those charges
- c) Board-approved specific service charges, including late payment charges, and such other charges and applicable taxes associated with the consumption of electricity as may be required by law to be included on the bill issued to the customer or as may be designated by the Board for the purposes of this definition, but not including security deposits, amounts owed by a customer pursuant to a billing adjustment, or amounts under a payment agreement entered into prior to March 17, 2020; and
- d) any financial assistance provided for under the *Ontario Rebate for Electricity Consumers Act, 2016*; and

"Overdue Balance" means the amount by which the account holder's balance is past due in respect of Electricity Charges at the time the Application Form is received by the Licensee. Amounts that may be on the bill but are not yet past due are not part of the Overdue Balance.

24.2 The Licensee shall start to accept Application Forms as of August 31, 2020.

24.3 The Licensee shall:

- a) Make copies of the Application Form available on its web site and to any customer on request.
  - b) Process all complete Application Forms in the order in which they are received.
  - c) Accept Application Forms by e-mail or mail, and may also allow the Application Form to be completed online or by telephone, provided that where Application Forms are completed by telephone the call must be recorded and must document confirmation of all information requested on the Application Form, including consent and the applicant's declaration of eligibility.
  - d) Process each complete Application Form within 10 business days of receipt.
- 24.4 The Licensee shall provide a credit to a CEAP-SB eligible account up to the amount of the Overdue Balance for the account:
- a) to a maximum of \$850, where the Application Form declares that the account is for small business or registered charity premises that primarily uses electricity for heating; or
  - b) to a maximum of or \$425, in all other cases.
- The credit must be applied on the next bill issued to the CEAP-SB eligible account after the processing of the Application Form for the account as set out in paragraph 24.3(d), where feasible, and in any event no later than on the following bill.
- 24.5 Despite paragraph 24.4:
- a) The Licensee is not required to provide a credit to a CEAP-SB eligible account if the total amount of CEAP-SB funding available to the Licensee as specified by the Board has been expended; and
  - b) The Licensee shall not provide a credit to a CEAP-SB eligible account more than once.
- 24.6 Reimbursement for credits provided by the Licensee to CEAP-SB eligible accounts, up to the total referred to in paragraph 24.5(a), are recoverable from the Independent Electricity System Operator. The Licensee shall provide information in such form and manner, and within such time, as the IESO may reasonably require, in respect of requests for reimbursement. The Licensee shall not seek reimbursement from the Independent Electricity System Operator for any amount above the total referred to in paragraph 24.5(a) or on account of any costs relating to the administration of CEAP-SB.
- 24.7 The Licensee shall keep the following records for two years, and make them available to the Board upon request:
- a) Copies of all Application Forms received, including recordings of calls where the Application Form is provided by telephone, and copies of any communications with customers about CEAP-SB.
  - b) A record of all Application Forms that were accepted as complete and a credit was provided to CEAP-SB eligible accounts, and a record of all Application Forms that were denied.

- c) A record of the credit provided to each CEAP-SB eligible account, as well as the total amount of credits provided to all CEAP-SB eligible accounts.
- 24.8 The Licensee shall report to the Board, as soon as practicable, the date on which the total amount of CEAP-SB funding referred to in paragraph 24.5(a) has been expended.
- 24.9 Paragraphs 24.1 to 24.8 govern over any provisions of the Distribution System Code or the Standard Supply Service Code in the event of any inconsistency.

## **SCHEDULE 1                      DEFINITION OF DISTRIBUTION SERVICE AREA**

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1. The City of Cambridge and the Township of North Dumfries as at January 1, 1978,
  - Excluding the customers located at the following physical addresses:
    - i. 250 Kossuth Road, Cambridge, ON N2H 5H5
    - ii. 1000 Black Bridge Road
    - iii. 4640, 4670, 4700, 4790, 4860, 4880, and 4910 Townline Road
    - iv. 537 River Road
    - v. 6549, 6555, 6563, 6567, 6569, 6575, 6581, 6587, 6591, 6627, 6647, 6717, 6725, 6735, 6743, 6747, 6753, 6763 and 6833 Gore Road
    - vi. 1084 and 1102 Shouldice Road
2. The customers in the County of Brant located at:
  - 542, 548, 552, 564, 568, 572, 606, 616, 642 (2 customers), 670, 674, 764 (2 customers), 790, 794, 800, 802, 806, 872, 896, and 900 Brant Waterloo Road
  - The following customers acquired from Hydro One Networks Inc. in August 2019:
    - i. 526 and 602 Brant Waterloo Road in the County of Brant
    - ii. 9 and 11 Puttown Rd., Burford, now within the County of Brant
  - The following customers acquired from Hydro One Networks Inc. in January 2019:
    - i. 33 Elliott Road, Oakland, now within the County of Brant
    - ii. 1259 Lockie Rd., South Dumfries, now within the County of Brant
  - The following customers acquired from Hydro One Networks Inc. in August 2017:
    - i. 1516 Bateman Line, Six Nations 40FN
    - ii. 385, 389, 393, 395 and 401 Bishopsgate Road, Burford, now within the County of Brant
    - iii. 4, 18, 25, 26, 31 and 32 Elliot Road, Oakland, now within the County of Brant
    - iv. 167, 169, 189, 207, 239, 241, 253, 257, 263, 301, 321, 323, 325, 327, 329, 573, 579, 585, 587, 591, 609, 643, 649, 663, 669, and 677 Governors Rd. E., South Dumfries, now within the County of Brant
    - v. 945, 963, 965, 983, 989, 993 and 999 Governors Rd. W., South Dumfries, now within the County of Brant
    - vi. 6, 32, and 33 Lyons Rd., now within the County of Brant
    - vii. 95 Old Onondaga Rd. E., Onondaga, now within the County of Brant
    - viii. 15 Puttown Rd., Burford, now within the County of Brant
    - ix. 657 East River Rd., South Dumfries, now within the County of Brant
    - x. 1101, 1183, 1255, 1269, 1413, 1453, 1483, 1503, and 1597 Lockie Rd., South Dumfries, now within the County of Brant
    - xi. 533 St George Rd., South Dumfries, now within the County of Brant
    - xii. 2043 West River Rd., South Dumfries, now within the County of Brant

3. The customers in the Township of Blanford-Blenheim located at:
  - 4045 Trussler Road, and
  - 4573 Trussler Road.
4. The following customers located in the City of Hamilton:
  - The North Half of Lot 12, Conc. 9, City of Hamilton, #2120 10<sup>th</sup> Concession West.
  - 4339 Powerline Road, formerly Ancaster
  - 4431 Powerline Road. W. formerly Ancaster
  - CN Rail tracks (coordinates 43.208, -80.195), just east of 4339 Powerline Road W., formerly Ancaster
  - 4457 Bethel Church Road
5. The Town of Paris as of December 31, 1998, now within the County of Brant,
  - Excluding Property described as the “James Wilkes Grant Augustus Jones Track”, part of Lot 23, Concession 1, Brantford Township, County of Brant (civic address 620 Governors Road East, Paris
6. The Township of Brantford as of December 31, 1998, now within the County of Brant,
  - Excluding the customer located at the following municipal addresses:
    - i. 20 and 42 Baptist Church Road, Brantford
    - ii. 457 and 463 Bateman Line, Scotland
    - iii. 26, 32, 70, 94, 122, 132 and 162 Indian Line, Mount Pleasant
    - iv. 256 Langford Church Road
    - v. 1957, 2085, 2105 and 2201 Lost Mile Road, Brantford
    - vi. 68 Misener Road, Brantford
    - vii. 136 and 140 Oxbow Road, Brantford
    - viii. 290 Parsonage Road, Brantford
    - ix. 4128 PowerLine Road, Lynden
    - x. 24, 27 and 49 Ronald Road, Brantford
7. The Village of Burford as of December 31, 1998, now within the County of Brant, including the customer located at 185 King Street, Burford, Ontario.
8. The Police Village of St. Georges as of December 31, 1980, now within the County of Brant.

## **SCHEDULE 2                      PROVISION OF STANDARD SUPPLY SERVICE**

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.



### **SCHEDULE 3                      LIST OF CODE EXEMPTIONS**

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

1.        Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.
2.        The Licensee is exempt from the requirement for meter enrollment testing and time-of-use pricing as of the mandatory date for RPP customers with eligible time-of-use meters as required under the Standard Supply Service Code for Electricity Distributors. The meter enrollment testing date exemption expires on August 26, 2011 and the mandatory time-of-use pricing date exemption expires on February 1, 2012.

## 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.

## **Schedule R**

### **LDC Amalco Proposed Electricity Distribution License Service Area**

1. The City of Brantford as of January 1, 1996.
2. The City of Cambridge and the Township of North Dumfries as at January 1, 1978,
  - Excluding the customers located at the following physical addresses:
    - i. 250 Kossuth Road, Cambridge, ON N2H 5H5
    - ii. 1000 Black Bridge Road
    - iii. 4640, 4670, 4700, 4790, 4860, 4880, and 4910 Townline Road
    - iv. 537 River Road
    - v. 6549, 6555, 6563, 6567, 6569, 6575, 6581, 6587, 6591, 6627, 6647, 6717, 6725, 6735, 6743, 6747, 6753, 6763 and 6833 Gore Road
    - vi. 1084 and 1102 Shouldice Road
3. The customers in the County of Brant located at:
  - 542, 548, 552, 564, 568, 572, 606, 616, 642 (2 customers), 670, 674, 764 (2 customers), 790, 794, 800, 802, 806, 872, 896, and 900 Brant Waterloo Road
    - i. The following customers acquired from Hydro One Networks Inc. in August 2019:
      - 526 and 602 Brant Waterloo Road in the County of Brant
    - ii. 9 and 11 Puttown Rd., Burford, now within the County of Brant
  - The following customers acquired from Hydro One Networks Inc. in January 2019:
    - i. 33 Elliott Road, Oakland, now within the County of Brant
    - ii. 1259 Lockie Rd., South Dumfries, now within the County of Brant
  - The following customers acquired from Hydro One Networks Inc. in August 2017:
    - i. 1516 Bateman Line, Six Nations 40FN
    - ii. 385, 389, 393, 395 and 401 Bishopsgate Road, Burford, now within the County of Brant
    - iii. 4, 18, 25, 26, 31 and 32 Elliot Road, Oakland, now within the County of Brant
    - iv. 167, 169, 189, 207, 239, 241, 253, 257, 263, 301, 321, 323, 325, 327, 329, 573, 579, 585, 587, 591, 609, 643, 649, 663, 669, and 677 Governors Rd. E., South Dumfries, now within the County of Brant
    - v. 945, 963, 965, 983, 989, 993 and 999 Governors Rd. W., South Dumfries, now within the County of Brant
    - vi. 6, 32, and 33 Lyons Rd., now within the County of Brant
    - vii. 95 Old Onondaga Rd. E., Onondaga, now within the County of Brant
    - viii. 15 Puttown Rd., Burford, now within the County of Brant
    - ix. 657 East River Rd., South Dumfries, now within the County of Brant
    - x. 1101, 1183, 1255, 1269, 1413, 1453, 1483, 1503, and 1597 Lockie Rd., South Dumfries, now within the County of Brant
    - xi. 533 St George Rd., South Dumfries, now within the County of Brant
    - xii. 2043 West River Rd., South Dumfries, now within the County of Brant

4. The customers in the Township of Blanford-Blenheim located at:
  - 4045 Trussler Road, and
  - 4573 Trussler Road.
5. The following customers located in the City of Hamilton:
  - The North Half of Lot 12, Conc. 9, City of Hamilton, #2120 10th Concession West.
  - 4339 Powerline Road, formerly Ancaster
  - 4431 Powerline Road. W. formerly Ancaster
  - CN Rail tracks (coordinates 43.208, -80.195), just east of 4339 Powerline Road W., formerly Ancaster
  - 4457 Bethel Church Road
6. The Town of Paris as of December 31, 1998, now within the County of Brant,
  - Excluding Property described as the “James Wilkes Grant Augustus Jones Track”, part of Lot 23, Concession 1, Brantford Township, County of Brant (civic address 620 Governors Road East, Paris
7. The Township of Brantford as of December 31, 1998, now within the County of Brant,
  - Excluding the customer located at the following municipal addresses:
    - i. 20 and 42 Baptist Church Road, Brantford
    - ii. 457 and 463 Bateman Line, Scotland
    - iii. 26, 32, 70, 94, 122, 132 and 162 Indian Line, Mount Pleasant
    - iv. 256 Langford Church Road
    - v. 1957, 2085, 2105 and 2201 Lost Mile Road, Brantford
    - vi. 68 Misener Road, Brantford
    - vii. 136 and 140 Oxbow Road, Brantford
    - viii. 290 Parsonage Road, Brantford
    - ix. 4128 PowerLine Road, Lynden
    - x. 24, 27 and 49 Ronald Road, Brantford
8. The Village of Burford as of December 31, 1998, now within the County of Brant, including the customer located at 185 King Street, Burford, Ontario
9. The Police Village of St. Georges as of December 31, 1980, now within the County of Brant.