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February 15, 2022

Delivered by Email & RESS

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

Dear Ms. Marconi:

Re: North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Corporation
MAADs Application under Section 86 of the *Ontario Energy Board Act, 1998* and Related Relief
EB-2021-0312

We are counsel to North Bay Hydro Distribution Limited ("**NBHDL**") and Espanola Regional Hydro Distribution Corporation ("**ERHDC**") (collectively, the "**Applicants**") for the above-noted matter.

Pursuant to the OEB's Procedural Order No. 1, enclosed please find interrogatory responses from the Applicants in the above noted proceeding.

Please do not hesitate to contact the undersigned if you have any questions.

Yours very truly,

J Vellone

BORDEN LADNER GERVAIS LLP
Per: John Vellone
cc: Melissa Casson, Vice President of Finance, NBHDL
Matt Payne, President and Chief Executive Officer, NBHDL

ONTARIO ENERGY BOARD

IN THE MATTER OF Sections 86 and 18 of the Ontario Energy Board Act, 1998 S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application for leave to amalgamate North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Corporation, into an entity referred to in this Application as "New NBHDL", made pursuant to Section 86(1)(c) of the Ontario Energy Board Act, 1998 and other relief as described under Section 2 of this application.

RESPONSES TO INTERROGATORIES

Filed: February 15, 2022

TABLE OF CONTENTS

RESPONSE TO INTERROGATORIES FROM

D. D RENNICK

DDR – 1

Preamble

"The Proposed Amalgamation will positively impact customers of NBHDL and ERHDC with respect to price due to the efficiencies to be generated."

The Handbook to Electricity Distributor and Transmitter Consolidations (Handbook) indicates: "the OEB will assess the underlying cost structures of the consolidating utilities." as well as "it is important for the OEB to consider the impact of a transaction on the cost structure of consolidating entities both now and in the future."[1]

The underlying costs structure includes OM&A, amortization, taxes and the principal and interest payments required to service debts.

Question:

Please provide a cash flow statement specifically related to the repayment of $10,417,694 in long term liabilities shown on ERHDC financial statements as of December 31, 2020. The calculations should indicate the specific source of the funding and the customer group (NBHDL or ERHDC) providing the funds for payments which are scheduled to continue of the next 25 years.

Response:

The impact of the debt of $10,417,694 (which includes all ERHDC related debt) on NBHDL can be assessed with reference to the NBHDL OEB Scorecard filed at Appendix D of the Application and the New NBHDL pro-forma financial statements filed at Appendix F of the Application.

This scorecard shows that for 2020, NBHDL's total debt to equity ratio was 1.14, and due to the impact of the transitional acquisition financing ERHDC's total debt to equity ratio was -7.99.

The notes in the Scorecard go onto explain that:

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

[1] Handbook – p 6

to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Prior to the proposed acquisition, the evidence showed that NBHDL was under levered when compared to the OEB's deemed capital structure.

In addition, the parties to the ERHDC settlement in EB-2020-0020 cited concerns with the continuation of the transitional financing structure noting at page 9 of the OEB approved Settlement Proposal that:

"While this financing structure is acceptable to the Intervenors as an interim measure, it is not, in the Intervenors' view, an appropriate financing structure for ERHDC on a longer-term basis."

Following the proposed amalgamation, based on the Pro-forma financial statements filed at Appendix F in the Application, New NBHDL's total debt to equity ratio is forecasted to increase to 1.29 in 2023. Consistent with the evidence filed at page 39 of the Application:

Once amalgamated, New NBHDL will continue to have strong liquidity and debt service ratios as well as more optimal debt to equity ratios with financial capacity for necessary borrowing.

The Applicants filed a pro-forma income statement, balance sheet and cash flow statement for 2023 at Appendix F of the Application.

With reference to the income statement that was filed, the "Electricity Sales" revenue line item of $85,880,388 includes the cost of capital component of ERHDC's revenue requirement approved in EB-2020-0020 of approximately $392k (calculated by applying IRM indexing to the 2022 cost of service revenue requirement to arrive at a 2023 pro-forma), and the "Finance Costs" expense line item of $1,546,050 includes approximately $223k of interest owing on the acquisition debt. Taken together with the balance of the ERHDC financing costs, the total interest owing on all debt, including the acquisition debt, is $324k. Therefore the rates being paid by ERHDC ratepayers are entirely capable of funding the costs of the acquisition financing.

The OEB's policy on the cost of capital is set out in the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084) (the "2009 Cost of Capital Report") issued on December 11, 2009. It stipulates that distributors, including NBHDL and ERHDC are entitled to earn a fair rate of return on the basis of a deemed capital structure.

DDR – 2

"Table 6-1 is a cost structure analysis showing the forecasted synergies for ERHDC and NBHDL from 2021 to 2027."[2]

Preamble

The 2027 projected OM&A savings of $4.16 per NBHDL customer per year is insignificant and subject to the vagaries of predicting future cost or savings including the personnel numbers required to service the increased customer load.

If the savings estimate was over stated by $200,000 this would result in a combined 2027 OM&A cost per customer of $371.68. This amount is $13.96 higher than the estimated per customer $357.72 [3] if the amalgamation did not occur.

This relatively small error indicates how ephemeral any savings are and how quickly any amalgamation would be harmful as to price for NBHDL customers.

The OM&A savings estimates in this Application were calculated in late 2018 and early 2019 during the Phase 1 application (EB-2019-0015) of this process. Two years later following the formation of the new ERHDC, the Applicant filed a CoS application (EB-2020-0043). In that application concerns were expressed about staffing levels being unsustainable most notably in the administration area where all the suggested savings from amalgamation are estimated to be realized.

One small example of many is contained in the oral transcript of the CoS where it was stated that: *"A lean management is simply unsustainable. The management team was routinely working 60 to 70 hours"* [4]

The Applicant has also suggested its intention to increase staffing levels substantially during the coming years. The following statement is evidence of these plans.

"Having compared its operations with other local distribution companies ("LDCs)" of similar size, NBHDL considered the addition of the following six positions to align with the management structures of other LDCs and fill NBHDL's resource gaps:

- *Purchasing Manager*
- *Risk Management Officer*
- *Controller*
- *Safety Coordinator*
- *Executive Assistant*

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[2] Application – p 26
[3] Application – p 27
[4] EB-2020-0043 – Oral Transcript – p 12 – line 20

- *Departmental administrative support positions"*[5]

This view regarding a lack of staff resources is a complete reversal from the position taken by the Applicant in their previous CoS application (EB-2014-0099) which contained a number of statements indicating that staffing was more than adequate and they did not foresee the situation changing in any way.

It may be helpful to include some of the comments made in EB-2014-0099 to indicate the extent to which the Applicant expressed satisfaction with its staffing levels at that time.

"NBHDL currently has a complement of 48 employees and will maintain this complement level to deliver the 2015 Test Year programs. One of NBHDL's core business objectives is to maintain consistent staffing levels in accordance with its succession plan. To achieve this objective, NBHDL is managing to a target of maintaining 50 full-time employee equivalents or less."[6]

"Having great and empowered employees has allowed NBHDL to implement and achieve the improvements in performance and customer satisfaction described above"[7]

"The universal trend in business is for each employee to do more and to be available at any time to respond to problems. NBHDL has been able to handle this with very little impact to the business and its employees."[8]

The inference to draw from these facts is that the current staff compliment is not sufficient to handle the Applicant's own operations let alone the burden of 3,300 additional customers and raises some question about the accuracy of the savings calculations shown in the Application.

Question:

Please provide an explanation.

Response:

In accordance with Rule 26.02(d) of the OEB's Rules of Practice and Procedure (the "Rules"):

> Interrogatories shall: […]
>
> (d) contain specific requests for clarification of a party's evidence, documents or other information in the possession of the party and relevant to the proceeding

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[5] EB-2020-0043 – NBHDL – IRR – p 182 of 322
[6] EB-2014-0099 – Exhibit 1 – page 44 of 107
[7] Ibid – page 84 of 107
[8] Ibid – page 85 of 107

This interrogatory fails to meet the basic requirement of Rule 26.02(d) of the Rules. Typically, it should be removed from the record. The interrogatory process is not an appropriate forum to engage in argument with the Applicants.

However, the Applicants recognize that you are acting as a self-represented customer and will attempt to address the points you raise in this interrogatory as best it can.

The staffing needs of NBHDL was specified in evidence filed in connection with the EB-2020-0043 cost of service rate application. The OEB made its Decision and Order in connection with that application on September 23, 2021. This Decision and Order was subsequently upheld in a Decision and Order on Motion issued October 21, 2021 in EB-2021-0251 and a Decision on Motion issued December 13, 2021 in EB-2021-0299.

Notably, none of the incremental FTEs that were at issue in the EB-2020-0043 proceeding were related in any way to the acquisition of ERHDC (Phase 1) or the proposed ERHDC amalgamation (Phase 2). NBHDL required that additional FTE capacity to support its business regardless of whether the proposed transaction took place. In addition, and as noted in response to SEC-3 below, NBHDL does not anticipate hiring any new FTEs as a result of the proposed amalgamation.

Finally, this interrogatory includes reference to material that is clearly out of scope of the matters at issue in this Application. To the extent this interrogatory seeks an explanation of irrelevant material, it is being refused on this basis. The purpose of this interrogatory process is not to re-litigate matters that were addressed in EB-2020-0043.

RESPONSE TO INTERROGATORIES FROM

SCHOOL ENERGY COALITION

SEC-1

[p.7] Please provide the services agreement with PUC Services Inc. and advise whether any service agreement between NBHDL and EHRDC exist, and provide such agreement if exists.

Response:

Please see Appendix "A" for the Services Agreement First Amending Agreement between PUC Services Inc. and Espanola Regional Hydro Distribution Corporation dated July 11, 2016 ("**PUC Services Agreement**") and Appendix "B" for the Services Agreement between NBHDL and ERHDC effective January 1, 2022 ("**2022 Services Agreement**").

SEC-2

[p,27] Please provide the underlying calculations (spreadsheets with formulas intact), and explanation of all assumptions, for Table 6-1. Please detail all assumptions made in the calculation.

Response:

Please see 1-Staff-2 a) for the methodology and assumptions used for the OMA spending.

Please see IRR responses filed in EB-2019-0015, specifically DDR-3, and SEC-8 e) for information on the synergies. Page 28, lines 15-21, of the application filed under this proceeding also includes a summary of synergies outside the PUC Services Agreement.

Appendix “C” provides the spreadsheet for Table 6-1 with the formulas intact.

SEC-3

[p. 28] As NBHDL will assume the functions under the PUC Services Agreement, please advise whether NBHDL plans to increase its FTEs for this incremental responsibility? If yes, please provide the increase in FTEs and the new positions being created.

Response:

NBHDL will not be increasing its FTEs for the incremental responsibility of assuming the functions under the PUC Services Agreement.

SEC-4

[p. 28] Please provide details and data relating to the duplication that the Applicants identified in both businesses.

Response:

The narrative provided on page 28 provides the categories of the duplication that the Applicants have identified that are in addition to internal administrative resourcing in ERHDC that is eliminated through the consolidation of back-office functions. Once ERHDC is dissolved, the following costs will be eliminated: Board of Directors per diems ($19.4k), audit costs ($31.5k), USF membership ($9k), software platform ($17k) – approximate costs totalling $77.5k in 2023 as a reference point. On an individual basis, these items are immaterial. All synergy assumptions are increased by 1.2% year over year.

In addition to these synergies, an additional $150k in synergies is available through elimination of redundancies. Additional details about these savings would result in the disclosure of personal information of identifiable individuals which is prohibited pursuant to Section 2 of *Freedom of Information and Protection of Privacy Act, 1990*. This occurs because of the small size of ERHDC.

SEC-5

[p. 29] As the Applicants anticipates there will be substantial infrastructure requirements of ERHDC over the next 10 years, does NBHDL plan to bring any ICM applications before its next rebasing?

Response:

NBHDL has no plans to bring an ICM application at this time, however, NBHDL expressly reserves the right to pursue any form of relief it is eligible for during the differed rebasing period including, without limitation, ICM relief or Z-factor relief.

SEC-6

[p.31] Although ERHDC and NBHDL have similar service territory characteristics, EHDC has significantly better reliability as indicated by its lower SAIDI and SAIFI numbers. Please explain:

a) What is the cause of this discrepancy?

b) Does NBHDL plan post-amalgamation NBHDL to improve its reliability?

c) If yes, how will NBHDL ensure this does not result in attrition in resources allocated to ERHDC territory and negatively impact the reliability for ERHDC customers?

Response:

a) Please refer to the description of why the reliability indicators differ that was provided in NBHDL's answer to Staff-11 f) in the MAADs Phase 1 Application (EB-2019-0015), provided below for ease of reference.

> "Due to the ownership and configuration of ERHDC's system (fully embedded with HONI) the majority of weather-related events in the service territory cause Loss of Supply outages. This is in contrast to the ownership and configuration of NBHDL's system (not fully embedded in HONI) where the majority of weather events cause local outages and therefore don't receive the same type of exclusions from the statistics. For this reason, the two systems cannot be compared directly as the configurations of the systems and thus how identical outages are classified are quite different. Notwithstanding the foregoing, both systems achieve very strong reliability statistics."

b) NBHDL is always working on improving its reliability while balancing against affordability. Some ways this is accomplished is through increased vegetation management work, ensuring annual completion of preventative maintenance activities, implementation of new maintenance activities (for example cable testing, pole testing) and the implementation of technology where there is a cost benefit to do so. This approach will continue post amalgamation for both service territories.

c) The long-term plan is to maintain the same complement of operational resources in ERHDC as exists pre-amalgamation. NBHDL sees this as critical to the success of the operation in the ERHDC service territory and therefore does not believe attrition in resources will occur nor will there be a negative impact to reliability for ERHDC customers.

SEC-7

[p. 34-35] Considering that Management Service and Control Center of ERHDC will be physically moved out of its service territory to North Bay, please advise whether the Applicants have assessed any negative impact on reliability and customer service performance for ERHDC.

Response:

The Management Service and Control Center of ERHDC currently resides in Sault Ste. Marie governed by the PUC Services Agreement (see SEC-1 above); this doesn’t currently exist in the Espanola service territory. The amalgamation will see those functions move from Sault Ste. Marie to North Bay. The assessment made is that the personnel at ERHDC will not see any impact to those functions with the move from Sault Ste. Marie to North Bay and in turn there is no expectation of negative impacts on reliability and customer service performance for ERHDC. Please note that the current operations centre will remain in ERHDC, along with the current Operations staff which includes one management position.

SEC-8

[p.29 and p.39]

Reference:

It is anticipated that there will be substantial infrastructure requirements of ERHDC over the next 10 years. (p.29)

The Applicants propose a rebasing deferral period of five (5) years from the date of closing of the Proposed Amalgamation. (p.39)

Please estimate the impact of the anticipated capital investment of ERHDC on customers of NBHDL in comparison to stand-alone scenarios. Please advise as result of the proposed transaction whether these capital investments would negatively impact customers of NBHDL after 2027.

Response:

Consistent with the response to SEC-5, there will be no rate impacts on the customers of NBHDL arising from the proposed capital investments for the duration of the deferred rebasing period. It is anticipated that the proposed transaction, including anticipated capital expenditures in both the ERHDC and the NBHDL serviced territories, will result in a net benefit to customers of both NBHDL and ERHDC after 2027.

The net benefits will be driven primarily by between $657k - $686k in OM&A synergies as detailed in Table 6-1 in the Application. The rate impact of any capital expenditures over the deferred rebasing period is anticipated to be minor in comparison to these material OM&A savings.

SEC-9

[General] Please provide in which efficiency cohort each of ERHDC and NBHDL is assigned, and in which cohort would the Applicants anticipate the post-amalgamation entity will be assigned?

Response:

ERHDC is currently in Cohort 2 and NBHDL is in Cohort 3. The Applicants anticipate remaining in Cohort 3 post-amalgamation.

SEC-10

[General] For ERHDC and NBHDL, please provide a table with a side-by-side comparison of the current approved distribution rates, broken down by each component such as monthly service charge, variable rate, group 2 DVAs, low voltage charge etc.

Response:

Please see Appendix “D”.

SEC-11

[General] Please provide further calculation details and explanation to the proposed forecast "net (costs)/synergies" for each year?

Response:

Transition costs are explained on page 30 of the application. 1-Staff-2 a) explains the net (costs) that are reflected in Table 6-1.

Synergies are primarily based on the elimination of the PUC Services Agreement and other items as explained in SEC-2 and SEC- 4 above. These costs are inflated at a rate of 1.2% per year.

RESPONSE TO INTERROGATORIES FROM

OEB STAFF

1-Staff-1

Ref: Application/page 31/Table 6-3

Preamble:

In Table 6-3, North Bay Hydro and Espanola Hydro (collectively, the Applicants) provide the following table of service reliability (SAIDI and SAIFI) in each of their respective service areas for each of the years from 2016 to 2020.

Table 6-3: Historic Service Quality Indicators 1 of ERHDC and NBHDL

Service Quality Indicators					
	2020	**2019**	**2018**	**2017**	**2016**
SAIDI:					
ERHDC	0.21	0.35	0.16	0.35	0.55
NBHDL	1.08	1.16	1.95	1.11	2.29
SAIFI:					
ERHDC	0.06	0.17	0.06	1.1	0.1
NBHDL	0.78	1.35	1.40	0.94	1.98

Espanola Hydro’s SAIDI statistics are lower, indicating better performance, than North Bay Hydro’s SAIDI statistics in all years. For SAIFI, Espanola Hydro’s statistics are lower (i.e., better) than North Bay Hydro’s for all years except 2017.

Question(s):

a) Please update Table 6-3 with 2021 actuals.

b) A few lines below Table 6-3, the Applicants indicate that one benefit of the merger will be the extension of North Bay Hydro’s SCADA system to Espanola Hydro’s service territory. What impact is this expected to have on the reported reliability statistics, based on the historical differences shown in Table 6-3?

Responses:

a) Table 6-3 is updated for 2021 actuals, please see below:

Service Quality Indicators						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**
SAIDI:						
ERHDC	0.31	0.21	0.35	0.16	0.35	0.55
NBHDL	0.74	1.08	1.16	1.95	1.11	2.29
SAIFI:						
ERHDC	0.15	0.06	0.17	0.06	1.1	0.10
NBHDL	0.77	0.78	1.35	1.40	0.94	1.98

b) The expected impact on the reported reliability statistics have not been quantified in terms of SAIDI/SAIFI/CAIDI improvement. The fact that ERHDC has such strong reliability performance metrics will make any metric improvements brought on by NBHDL's SCADA system relatively small. However, the extension of SCADA will allow faster access to information, the ability to understand what is happening on the system in real time, and the ability to make decisions and control assets remotely from the NBHDL control room. The implementation of SCADA will also enable faster communication of outage situations to the ERHDC customer base when the website outage map functionality is implemented for the ERHDC service territory. The SCADA improvements will be implemented when assets are replaced and not retrofitted to existing assets in efforts to create the most economical implementation strategy.

1-Staff-2

Ref: Appendix F – Pro Forma Financial Statements for 2023

In Appendix F of the application, the pro-forma statements for 2023, the first year after amalgamation, show Income/Loss from Operating Activities forecasted at $2.88 million.

Question(s):

a) Please explain the methodology used to forecast amounts in the pro forma financial statements.

b) Please provide the pro forma income statements for the newly amalgamated company for 2022 – which includes the sum of the two companies for the stub period prior to the merger and the post-merger portion of 2022 - and provide a comparison to the 2023 pro forma income statements, explaining any material variances, including identification of amounts attributable to merger-related activities.

c) For the pro forma income statement for 2022 referred to in b), please also include a comparison between that year and the combination of the approved revenues and expenses for North Bay Hydro and Espanola Hydro in their respective 2021 cost of service proceedings, and explain any material variances.

Responses:

a) The methodology used to forecast amounts in the pro forma financial statements are as follows:

> Distribution revenue, including SSA charges, and other revenues were forecasted based on the 2021 COS for each LDC as a starting point with a 2.2% increase for ERHDC and 1.9% increase for NBHDL for 2022 and 2023. NBHDL's forecast was done at a more detailed level and assumed the 1.9% increase starting in May of each year utilizing the COS customer count and a 3-year average for consumption and demand for the GS classes. Foregone revenue rate riders end in September 2022 for NBHDL. It is important to note that some components classified as "Other Revenue" in COS process are classified in multiple sections of the applicant's pro-forma statements. NBHDL continues to halt late fee charges on customer bills and anticipates that continuing to July 2022. These revenues were assumed included in full as a revenue offset in the COS. Electricity revenues and costs (cost of power) are a pass-through and net to $0 in the income statement.
>
> 2021 COS rate applications were used as the base amounts for OMA spending in 2022 and 2023, adjusted primarily by inflation assumptions of 1.9% and the synergies referenced in Table 6-1 on page 27 of the application. Total synergies of $647k and $656k are incorporated into 2022 and 2023 respectively, with $75k of transition costs offsetting those synergies in 2022. The applicants note that while transaction and transition costs of $300k are expected, deferred revenue from the balance sheet will be

utilized to offset the majority of these costs reducing the impact in OMA. The applicants reiterate that transition costs are not, and will not, be recovered through underlying OMA cost structures, but funded through company residual earnings.

Finance costs are based on loan amortization schedules currently in place and estimates of future borrowing.

Capital spending is based on the 2021 DSP for NBHDL and historical average for ERHDC, with associated depreciation amounts reflecting 2020 actuals plus estimates for 2021 through 2023.

Balance sheets were forecasted using 2020 actuals for both companies, adjustments for inflation, capital spending, financing, and other working capital adjustments.

b) Appendix “E” provides the pro forma income statements for the newly amalgamated company for 2022, and includes the sum of the two companies for the stub period prior to the merger and the post-merger portion of 2022. Included in this appendix is a comparison to the 2023 pro forma income statements, an explanation of material variances, and identification of amounts attributable to merger-related activities.

c) Appendix “E” includes a comparison between 2022 and the combination of the approved revenues and expenses for NBHDL and ERHDC in their respective 2021 cost of service proceedings, including an explanation of material variances.

3-Staff-3

Ref: Application/page 15

Preamble:

The Applicants state that, if necessary and for the period between the expiration of the Service Agreement between PUC Distribution Inc. and Espanola Hydro on February 28, 2022 and the date of the closing of the proposed merger, they intend to put a service agreement in place for North Bay Hydro to provide services to Espanola Hydro, that is equivalent to the existing Service Agreement with PUC Distribution Inc. and is compliant with the *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC).

Question(s):

a) Please provide a status update on the proposed interim service agreement between North Bay Hydro and Espanola Hydro that would come into effect on March 1, 2022.

b) Please provide further details on what terms and conditions of the proposed service agreement are different from the existing Service Agreement between PUC Distribution Inc. and Espanola Hydro in order to ensure compliance with the ARC.

c) Are there services currently being provided to Espanola Hydro by North Bay Hydro (i.e., separate from the services provided by PUC Distribution Inc. through the latter's Service Agreement with Espanola Hydro)?

d) If the response to c) is yes, please provide the following:

   i) A description of the services provided and of the arrangements between North Bay Hydro and Espanola Hydro, including a description of how the service arrangement is ARC-compliant.

   ii) Please confirm that this service arrangement will continue until the closing of the proposed merger, assuming OEB approval. In the alternative, please explain any changes to existing service provided by North Bay Hydro to Espanola Hydro and the service arrangements for the provision of these services.

e) Both Espanola Hydro and North Bay Hydro were approved rates in their recent cost of service applications to rebase their distribution rates.[9] Please confirm the following:

[9] EB-2020-0020 for Espanola Regional Distribution and EB-2020-0043 for North Bay Hydro, both of which applications were for 2021 distribution rates.

i) Costs paid by Espanola Hydro to PUC Distribution Inc. or to North Bay Hydro have been factored into Espanola Hydro's approved revenue requirement and are being recovered through Espanola Hydro's approved distribution rates.

ii) Revenues received from Espanola Hydro to North Bay Hydro for services provided by the latter to the former are factored into North Bay Hydro's revenue requirement (as a revenue offset) and are thus not recovered from North Bay Hydro's distribution customers.

Responses:

a) The proposed interim service agreement is in progress. NBHDL expects that it will be in the same form as the 2022 Services Agreement attached to the response to c) below. NBHDL proposes to use the exact same pricing as was charged under the PUC Services Agreement, which prices are reflective of market rates, for the duration of the interim period. In addition, these prices are embedded in ERHDC's existing rates. A copy of the PUC Services Agreement is attached as Appendix "A".

b) Since PUC Distribution Inc. was not an affiliate of ERHDC, the contract between those parties did not need to comply with the provisions of *Affiliate Relationships Code for Electricity Distributors and Transmitters* ("**ARC**"). By contrast, the 2022 Services Agreement expressly acknowledges that the relationship is governed by ARC and includes a paramountcy clause at Section 1.1 to ensure that ARC governs. Consistent with the obligations under 2.2.1 of ARC, the 2022 Services Agreement includes the following provisions:

- the type, quantity and quality of service in Section 4 and Schedule 1;
- pricing mechanisms in Section 5;
- cost allocation mechanisms in Schedule 1;
- confidentiality agreements in Section 9;
- the apportionment of risks (including risks related to under or over provision of service) in Section 10; and
- a dispute resolution process for any disagreement arising over the terms or implementation of the services agreement in Section 8.

c) NBHDL began transitioning the financial reporting, accounts payable, and payroll functions from ERHDC/PUC in October 2021, while maintaining PUC oversight and management functions. Please see Appendix "B" attached for the 2022 Services Agreement.

d)

i) Please see c) above. For services that are shared corporate services within the meaning of ARC, NBHDL charges its fully allocated cost with no additional markup consistent with Section 2.3.5.1 of ARC. As noted in Table 1 of Schedule 1 of the 2022 Services Agreement, this calculation includes incorporation of NBHDL's weighted average cost of capital as well as depreciation on furniture, hardware and software. For construction related line work, NBHDL charges a market rate consistent with Section 2.3.2 of ARC – specifically, NBHDL has used the exact rate charged by PUC to ERHDC for the provision of equivalent services as a reasonable benchmark for market rates.

ii) Assuming OEB approval, the applicants confirm that this service arrangement will continue until the closing of the proposed merger. Should the amalgamation not be approved, NBHDL will continue charging ERHDC under the methodology explained in d) i) as these are services outside the material scope of the PUC Services Agreement which covers billing, customer service, and management/oversight functions.

e)

i) The applicants confirm that the costs paid by Espanola Hydro to PUC Distribution Inc. or to North Bay Hydro have been factored into Espanola Hydro's approved revenue requirement and are being recovered through Espanola Hydro's approved distribution rates.

ii) NBHDL's COS was for the 2021 Test Year and NBHDL did not include any revenues received from Espanola Hydro to North Bay Hydro for services as the PUC Services Agreement does not expire until February 28, 2022. NBHDL did begin transitioning financial reporting and payroll services, as described in d) above, in October and have charged Espanola $16.7k for these services. This amount, which the applicants believe to be immaterial, is based on cost plus a 15% administration fee. Executive support in 2021 has also been charged out ($16.3k) and is aligned with the explanations provided in EB-2020-0043, Exhibit 4, Section 2.4.3.3 (Shared Services/Corporate Cost Allocation), page 65.

4-Staff-4

Ref: Application/page 40

Preamble:

On page 40, the Applicants document their proposal for the Earnings Sharing Mechanism (ESM) to be in place following year 5 after the closing of Phase 1. The Applicants state the following on page 40:

In accordance with the MAADs Decision, by way of correspondence, NBEAI notified the OEB of the closing of the Phase 1 transaction on October 1, 2019.[23] Therefore, year six following the closing would be starting October 1, 2025, which is when the ESM is proposed to commence.

23 EB-2019-0015 – Letter from NBEAI to OEB Re: Securities Purchase Agreement dated October 12, 2018 between The Corporation of the Town of Espanola, The Corporation of the Township of Sables-Spanish Rivers, North Bay Hydro Holdings Ltd. and North Bay (Espanola) Acquisition Inc. dated October 1, 2019.

OEB staff have provided the following table documenting the period subsequent to the Phase 1 closing on October 1, 2019.

Table 1: Years Following the Phase 1 Closing on October 1, 2019

Year	Starting Date	Ending Date
1	October 1, 2019	September 30, 2020
2	October 1, 2020	September 30, 2021
3	October 1, 2021	September 30, 2022
4	October 1, 2022	September 30, 2023
5	October 1, 2023	September 30, 2024
6	October 1, 2024	September 30, 2025
7	October 1, 2025	September 30, 2026
8	October 1, 2026	September 30, 2027

Question(s):

a) Please confirm OEB staff's entries in Table 1.

b) Please provide a copy of the letter referenced in footnote 23. Please also file copies of any correspondence subsequently received from, or sent to, the OEB with respect to North Bay Hydro's letter of October 1, 2019.

c) Please explain why the Applicants propose that the ESM would commence on October 1, 2025, rather than on October 1, 2024, the starting date of the sixth year since the Phase 1 closing.

Responses:

a) The applicants confirm OEB staff's entries in Table 1.

b) NBHDL's October 1, 2019 letter can be found at: https://www.rds.oeb.ca/CMWebDrawer/Record/654108/File/document. We are not aware of any correspondence subsequently received from, or sent to, the OEB.

c) We apologize for this inadvertent error. Based on our response to a) above we agree that the ESM should commence on October 1, 2024.

4-Staff-5

Ref: Application, page 40

Appendix G, Espanola Hydro's 2021 Tariff of Rates and Charges

Page 40 of the application states that:

The Applicants proposed to include an ESM that would share overearnings 300 basis points above the OEB-approved ROE on a 50:50 basis with ratepayers beginning in year six following the closing of the Phase 1 transaction.

The Applicants propose that the ESM would commence on October 1, five years (i.e., beginning of the sixth year) after the closing of the transaction (i.e., acquisition of all shares in Espanola Regional Distribution Co.) approved in Phase 1 MAADs application. The ESM would remain in effect until the Applicants, as the merged entity "New North Bay" would rebase its rates, which the Applicants propose would be five (5) years after the closing of the Phase 2 merger, assuming OEB approval.

OEB staff note that this proposal would have one or more stub periods (i.e., partial years) at the start or end of the period when the ESM would be in place.

OEB staff also notes that, on Espanola Hydro's 2021 Tariff of Rates and Charges provided in Appendix G, the Rate Riders for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) are effective until April 30, 2026.

Question(s):

a) When do the Applicants plan to report and dispose of any non-zero ESM amounts, if any are calculated?

b) Given that the proposed ESM effective period starts before the ending of the LRAM rate riders for Espanola Hydro, please explain whether and how the new amalgamated company would adjust the rate rider revenues from the ESM calculations.

c) Please provide details of how the Applicants propose to deal with the stub periods during its ESM, with respect to calculating the achieved ROE in a stub period. For example, are the Applicants proposing prorating of the calendar year earnings in the calendar year that a stub period would fall in? Please provide the supporting rationale for the proposed approach.

d) Please file a draft accounting order for the proposed account in which amounts to be shared via the ESM are to be recorded, for the OEB's consideration in this proceeding.

Responses:

a) The Applicants plan to report and dispose of any non-zero ESM amounts, if any are calculated, in the first cost of service rebasing application of New NBHDL following the deferred rebasing period.

b) The LRAM rate riders will have no impact on the calculation of ESM amounts. The LRAM rate riders approved in the most recent COS application were for lost revenue from the historical period of 2011-2020 and persistence to 2021. As such, upon approval of new rates in July 2021, the historical revenue was recorded in ERHDC's financial statements and the appropriate DVA asset accounts set-up. Assuming there were no new CDM initiatives from May 1, 2021 – April 30, 2022, the collection period of May 1, 2022 through April 30, 2026 will impact balance sheet accounts only as revenue is already recognized.

c) The applicants would propose the prorating of the calendar year earnings in the calendar year that a stub period would fall in. Given that ROE is determined over a full fiscal year, the applicants feel this is an appropriate and reasonable treatment.

d) Attached as Appendix "F".

5-Staff-6

Ref: Application/page 40
EB-2020-0020, Decision and Rate Order, June 10, 2021
EB-2020-0043, Decision and Rate Order, September 9, 2021

Preamble:

In Appendix G of the application, the Applicants provide their current Tariff of Rates and Charges as approved by the OEB. The Tariff of Rates and Charges for each of the Applicants document that their rates are effective on a May 1 to April 30 rate year.

Question(s):

a) Assuming that New North Bay remains on a May 1 to April 30 rate year, for which year (either beginning May 1, 2027, or May 1, 2028) are the Applicants proposing the next cost of rebasing would be filed for?

Response:

a) Assuming that New NBHDL remains on a May 1 to April 30 rate year, the Applicants are proposing the next cost of rebasing would be filed for new rates effective May 1, 2027 pursuant to Section 5 of the *Handbook to Electricity Distributor and Transmitter Consolidations.*

6-Staff-7

Ref: Application, p. 41

Page 41 of the application states that:

> The Applicants request the OEB's approval to continue to track costs in the deferral and variance accounts currently approved by the OEB for all Ontario LDC's as well as for each of NBHDL and ERHDC.

Question(s):

a) When do the Applicants expect the IESO settlement process for North Bay Hydro and Espanola Hydro to be merged, and when is the newly amalgamated company (New North Bay) expected to receive one consolidated IESO invoice?

b) Please explain whether (and how) the Applicants will be able to maintain separate Group 1 accounts for North Bay Hydro and Espanola Hydro after the IESO invoice is consolidated. If not, how do the Applicants propose to track Group 1 accounts separately?

c) Would the Applicants be open to the notion of consolidating their Group 1 accounts after they start to receive one consolidated IESO invoice, rather than performing allocations and maintaining separate rate zone-level accounts? If not, please explain.

d) Please confirm that North Bay Hydro and Espanola Hydro will continue to keep track and record the transactions separately for all Group 2 accounts during the post-amalgamation period, including Account 1592 sub-account CCA changes? If Group 2 accounts are not kept separately, please explain why not.

Responses:

a) ERHDC is embedded with Hydro One and the settlement process for the service territory is done through Hydro One directly, not the IESO; there will not be one consolidated IESO invoice that includes ERHDC power purchases.

b) As explained in a) above, the applicants will be able to maintain separate Group 1 accounts for NBHDL and ERHDC as settlement happens with two different vendors. The amalgamated company will have separate revenue and expense accounts for settlement purposes.

c) Please see a) and b) above.

d) It is the intention of the newly amalgamated company to continue to track and record transactions separately for all Group 2 accounts. However, with the amalgamation, the two companies will begin filing taxes as New NBHDL and the two individual companies would cease to exist. As such, it would be very difficult to track Account 1592 – CCA changes.

The applicants propose a combined Account 1592 for tracking purposes for the newly amalgamated company, assuming the Board approves amalgamation. The proposed methodology for tracking would be to determine the tax implications combining the two COS Decisions and comparing against the combined company. The 2022 stub periods for ERHDC and NBHDL would also be taken into consideration. The intent would then be to file a harmonized rate rider if applicable.

APPENDIX "A"

PUC Services Agreement

SERVICES AGREEMENT FIRST AMENDING AGREEMENT

This **SERVICES AGREEMENT FIRST AMENDING AGREEMENT** (the "**Agreement**") dated December 21, 2018, between **PUC SERVICES INC.** ("**ServiceCo**") and **ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION** (the "**Client**").

WHEREAS, ServiceCo and Client entered into a Services Agreement executed by ServiceCo on July 11, 2016 and by Client on June 21, 2016 (the "**Services Agreement**");

AND WHEREAS, each of Espanola Regional Hydro Holdings Corporation, The Corporation of the Town of Espanola ("**Espanola**") and The Corporation of the Township of Sables-Spanish Rivers ("**SSR**") are the owners of all of the issued and outstanding shares of the Client;

AND WHEREAS, Espanola, SSR, North Bay Acquisition (Espanola) Inc. (the "**Buyer**") and North Bay Hydro Holdings Inc. entered into a Securities Purchase Agreement dated October 12, 2018 (the "**SPA**"), wherein among other things, the Buyer agreed to purchase all of the issued and outstanding shares of Espanola Regional Hydro Holdings Corporation and the Client (the "**Proposed Transaction**");

AND WHEREAS, in connection with the Proposed Transaction contemplated pursuant to the SPA, ServiceCo and the Client (collectively, the "**Parties**") have agreed to enter into this Agreement to confirm and amend various provisions of the Services Agreement;

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1 TERM

ServiceCo and the Client acknowledge that section 3 of the Services Agreement contained a typographical error requiring correction and ServiceCo and the Client wish to record and give effect to the original intention of ServiceCo and the Client hereby by deleting the reference to "May 31, 2020" and replacing it with "May 31, 2021".

2 TRANSITION PERIOD UPON CHANGE OF CONTROL

The Parties agree to automatically extend the term of the Services Agreement and continue the performance of the Services (as such term is defined in the Services Agreement) upon the completion of the Proposed Transaction (a "**Change of Control**") for a period of time commencing upon the completion of the term (as set forth in Section 1 above) and ending nine months thereafter (the "**Transition Period**") subject to the same terms and conditions (including pricing, subject to an escalation factor) set forth in the Services Agreement, as amended by this Agreement. For certainty and notwithstanding section 3 of the Services Agreement, no further automatic renewal of the term of the Services Agreement will occur after the expiration of the Transition Period.

Following completion of the Proposed Transaction the Parties shall work together in good faith to develop a detailed transition plan setting out each of the Parties' respective roles and responsibilities during the Transition Period. The objective of the transition plan shall be the implementation of a seamless transition of the performance of Services from ServiceCo to the Client or such other service provider as the Client may direct in order to minimize operational impacts to the Client. The Client shall pay the additional costs and expenses incurred by ServiceCo in connection with such transition activities; provided, however that ServiceCo receives the prior written consent of the Client (acting reasonably) to incur such additional costs and expenses in connection with such transition activities. Without limiting the generality of the foregoing, during the Transition Period ServiceCo shall provide all assistance reasonably requested by Client, including the following:

(a) transfer of all Client-owned tangible and intangible assets to Client;
(b) transfer of all Client related data and information to Client, including data conversion assistance, as applicable;
(c) knowledge transfer for the ongoing conduct of the Services, including all applicable procedures, standards and operating schedules applied by ServiceCo in the provision of the Services;
(d) reasonable access to the applicable data used by the ServiceCo to provide the Services; and
(e) such consents and assistance to transfer third party contracts used by ServiceCo in the provision of the Services and requested by Client for assignment.

3 CONFIRMATION

ServiceCo acknowledges and confirms that the Change of Control contemplated pursuant to the SPA is not subject to the provisions of Section 16.4 of the Services Agreement.

4 PROPOSED TRANSACTION NOT COMPLETED

The Client shall deliver a written notice to ServiceCo if the Proposed Transaction is not completed or terminated in accordance with the SPA no later than November 30, 2020 and, in such event, the provisions of Section 2 of this Agreement shall be inoperative and of no further force and effect.

5 GOVERNING LAW

This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

6 BENEFIT OF THE AGREEMENT

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

7 FURTHER ASSURANCES

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to effect the matters contemplated by this Agreement.

8 SEVERABILITY

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. To the extent permitted by applicable law, the parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

9 EXECUTION AND DELIVERY

This Agreement may be executed by the parties in counterparts and may be executed and delivered by email and all such counterparts or emails together constitute one and the same agreement.

[Remainder of page left intentionally blank. Execution page follows.]

Each of the Parties has executed and delivered this Amending Agreement as of the date noted at the beginning of this Amending Agreement.

PUC SERVICES INC.

By: ____________________
Name: Robert Brewer
Title: President & CEO

By: ____________________
Name:
Title:

ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION

By: ____________________
Name: KELLY MCLELLAN
Title: TREASURER, ERHDC

By: ____________________
Name:
Title:

Services Agreement

THIS AGREEMENT IS BETWEEN:

PUC SERVICES INC.

(Hereinafter referred to as "**ServiceCo**")

- And -

ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION

(Hereinafter referred to as the "**Client**")

In consideration of the mutual covenants contained in this Agreement and the sum of ten dollars now paid by each party to the other, receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1 - Definitions and Interpretation

1. In this Agreement, unless otherwise expressly defined or the context otherwise requires:

1.1. "Agreement" means this Services Agreement and the Schedule 'A'-Services, Schedule 'B'-Fees and Schedule 'C" – Proposal.

1.2. "Confidential Information" means any oral, written or electronic data and information now or hereafter existing during the currency of this Agreement, relating to the business and management of either party which is treated by such party as confidential, to which access is granted or obtained by the other party, but does not include any data or information which was known to the recipient prior to the disclosure to it by the other party; or (ii) was independently developed by the recipient as evidenced by records; or (iii) is subsequently lawfully obtained by the recipient from a third party, without breach of this Agreement by the recipient; or (iv) becomes publicly available other than through a breach of this Agreement; or (v) is disclosed where the other party has provided its prior written consent to such disclosure by the recipient; or (vi) is disclosed by legal requirement.

1.3. "Data" means all information in hard copy or in electronic form, which is used in the performance of Services under this Agreement.

1.4. "Due Date" means thirty days after the date of the invoice.

1.5. "Service" means a service as specified in the Services Schedule, which ServiceCo provides to Client under this Agreement.

1.6. "Service Level" means a service level agreed in writing by the parties as applicable to a particular measurable component of a Service.

1.7. "Services Schedule" the Schedule 'A'- Services, attached hereto which describes the Services to be provided by ServiceCo to Client and any additional terms and conditions relating specifically to such Services.

1.8. "Services Agreement" means this agreement between ServiceCo and Client as may be amended from time to time as provided in this Agreement.

1.9. "Software" means computer programs, regardless of format or medium, their documentation and specifications.

ARTICLE 2 - Interpretation

2. In this Agreement, unless otherwise expressly provided or as the context otherwise requires:

2.1. headings are solely for convenience of reference and are not intended to be complete or accurate descriptions of content or to be guides to interpretation of this Agreement or any part of it;

2.2. an accounting term not otherwise defined in this Agreement has the meaning assigned to it, and every calculation to be made under this Agreement is to be made, in accordance with accounting principles generally accepted in Canada applied on a consistent basis;

2.3. reference to currency means Canadian currency;

2.4. a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and every statute or regulation that supplements or supersedes such statute or regulations;

2.5. a reference to an entity includes any successor to that entity;

2.6. a word importing the masculine gender includes the feminine and neuter, a word in the singular includes the plural, a word importing a corporate entity includes an individual, and vice versa;

2.7. a reference to "approval", "authorization" or "consent" means written approval, authorization or consent;

2.8. if there is any conflict or inconsistency between the terms of this Services Agreement and the Services Schedule, the terms of the Services Schedule will prevail;

2.9. the word "including", when following a general statement or term, is not to be construed as limiting the general statement or term to any specific item or matter set forth or to similar items or matters, but rather as permitting the general statement or term to refer also to all other items or matters that could reasonably fall within its broadest possible scope; and

2.10. a reference to a Part or Article is to a Part or Article of this Agreement.

ARTICLE 3 - Term

3. This Agreement shall remain in full force and effect for a period of five years commencing on June 1, 2016 to May 31, 2020 subject to early termination as hereinafter provided. The Agreement includes for an option to extend it for an additional five year term, subject to negotiation between the parties and mutually agreeable terms and conditions. The term will automatically renew for one year extensions unless written notification is received by either party 90 days prior to the expiration date of the current term.

ARTICLE 4 - ServiceCo Responsibilities

4. In the performance of Services, ServiceCo agrees to:

4.1. perform the Services as described in the Services Schedule and otherwise in accordance with the terms of this Agreement and the policies and procedures in place by Client;

4.2. ensure that experienced and properly qualified personnel perform the Services by ServiceCo;

4.3. liaise with Client through Client's Board of Directors Chair or designate on matters of a material nature related to the Services Schedule and through the Financial Officer or designate on other Services and operations of Client;

4.4. notify Client, whenever practicable, if expenses beyond the charges set forth within the Services Schedule may be incurred together with any explanation therefor;

4.5. invoice Client according to the terms of the Services Schedule for the Services performed;

4.6. notify Client, as appropriate, of any planned or anticipated material changes to ServiceCo procedures in the provision of Services;

4.7. work cooperatively with Client and its customers as may be reasonable to facilitate the efficient provision of the Services;

4.8. perform the Services contemplated herein on terms not less favourable than those provided to its own customers;

4.9. observe and comply with any and all applicable government laws and regulations now or hereafter in force or effect;

4.10. observe Client's reasonable policies and procedures in relation to the performance of the Services such that Client's customers will not encounter any noticeable difference in the services formerly provided by Client and the Services now provided by ServiceCo in accordance with this Agreement; and

4.11. maintain adequate comprehensive general liability insurance showing Client as an additional insured.

ARTICLE 5 - Client's Responsibilities

5. Client agrees to:

5.1. provide all necessary Data or other required materials to ServiceCo on schedule or in a timely fashion to enable ServiceCo to provide the Services;

5.2. liaise with ServiceCo through Client's Financial Officer or designate for normal operations and/or the Board of Directors Chair or designate to make material decisions on behalf of Client in relation to the implementation of this Agreement and the Services and any changes thereto;

5.3. reasonably provide advance consent or direction for the release of Client's reports and other information by ServiceCo to any third party, as required in the performance of the Service;

5.4. restrict Client's employees and agents from interfering with, and from any unauthorized use of equipment which is owned by ServiceCo, in ServiceCo's possession, or under ServiceCo's control;

5.5. ensure the accuracy, legibility, and completeness of all Data supplied to ServiceCo and be responsible for the results obtained from Client's use of any of the Services;

5.6. provide information in addition to that specified in the Services Schedule as ServiceCo may reasonably require from time to time to perform the Service;

5.7. allow ServiceCo the sole responsibility and authority to make any and all decisions with respect to the day-to-day operations of Client as outlined in the Services Schedule;

5.8. authorize ServiceCo to make expenditures and enter into contracts for items as approved in the annual budget subject to agreed upon expenditure limits;

5.9. within a reasonable time period provide a decision on the acceptance or rejection of recommendations from ServiceCo pertaining to the operation of Client;

5.10. provide reasonable access to Client's computer hardware and software strictly for the purposes of correcting and repairing any problems with the equipment, hardware and/or software as they relate to this Agreement;

5.11. provide adequate office space, furnishings, computer, office equipment, supplies, and communication devices for ServiceCo to perform its obligations under the Agreement; and

5.12. perform any other activities as defined in the Services Schedule.

ARTICLE 6 - Data

6.1 All Data supplied by Client related to the performance of a Service remains Client's exclusive property. All supplied Data must be on media compatible with ServiceCo processing equipment and, where applicable, in the format which ServiceCo, acting reasonably, prescribes.

6.2 Client will arrange transportation of Data and reports between Client's location and ServiceCo's processing centre at its expense. Client may specify in writing an agent for the collection of Data and reports from ServiceCo's location and ServiceCo will use such service on Client's behalf. All risk of loss or damage during transportation (save and except for situations where ServiceCo is negligent or willfully reckless) will remain Client's responsibility.

6.3 If Client provides Software for use by ServiceCo in the provision of Services, Client warrants that:

6.3.1 Client has obtained any necessary permission, right and licence to enable the Software to be copied, modified and run by ServiceCo on equipment under ServiceCo's control without infringing any third party right;

6.3.2 in using the Software to furnish the Services, ServiceCo will not be infringing the rights of any third parties; and

6.3.3 the disclosure to ServiceCo or the use by ServiceCo of the Software will not involve a breach of any confidential or contractual relationship.

6.4 Client agrees to defend, indemnify and hold harmless ServiceCo against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim arising from any breach of the warranties stated under Article 6.3 above.

6.5 All Data, Software, methodology, know-how, ideas, techniques, concepts, information and processes supplied or developed by ServiceCo in the performance of a service remains ServiceCo's exclusive property.

ARTICLE 7 - Software

7.1. In the performance of Services, either party may provide Software to the other. Both parties agree to the following with respect to the handling of the other's Software:

7.1.1. not to modify the Software, except as permitted under the terms of this Agreement;

7.1.2. to copy the Software only as required for use on a processor under the control of either party;

7.1.3. to use the Software only as required for the applicable Service;

7.1.4. to confine the use of the Software to the employees or agents of either party who require it for the Services;

7.1.5. to maintain and disallow the removal of any proprietary or copyright notices; and

7.1.6. to return the Software to the other party promptly on the termination of the applicable Service Schedule and warrant in writing that all copies have been returned and removed from all computers on which they were installed and that no further use will be made of them.

7.2. ServiceCo may inspect any of Client's Software required in the performance of this Agreement and which requires access to system control program instructions, system libraries or other secure data. If reasonably required by Client from time to time, Client may inspect any of ServiceCo's Software used in relation to the performance of this Agreement.

ARTICLE 8 - Confidentiality

8.1 Each of the parties agrees:

8.1.1 to keep all Confidential Information of the other party to which access is or has been granted to or obtained in strictest confidence and not to disclose or permit disclosure of all or any portion of such Confidential Information to any person, firm, corporation, business or other entity, except as otherwise expressly permitted by this Agreement or with the prior written consent of the other party which consent may be unreasonably withheld;

8.1.2 to exercise a degree of care in protecting the confidentiality of the Confidential Information of the other party which is at least equivalent to that which the party uses to protect its own Confidential Information;

8.1.3 not to use all or any portion of the Confidential Information of the other party in any way which may be reasonably considered detrimental to the business operations of the other party;

8.1.4 not to reproduce any Confidential Information of the other party without the prior written consent of such party, which consent may be unreasonably withheld, except to make available the Confidential Information to such of its directors, officers, employees, agents and subcontractors who need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Article; and

8.1.5 to provide access to the Confidential Information of the other party only to such of its directors, officers, agents and subcontractors with a need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Article.

8.2 Notwithstanding anything to the contrary in this Agreement, ServiceCo will not be required to keep confidential, and may use or license without restriction, any ideas, concepts, know-how or techniques related to information processing which are developed by ServiceCo in the performance of services.

ARTICLE 9 - Patents and Copyrights

9.1 If a third party claims that any Software or a Service provided by either party (the "Providing Party") infringes a patent, copyright, trade secret or other intellectual property right, the Providing Party will defend, indemnify and hold harmless the other party (the "Indemnified Party") against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim. The Indemnified Party will promptly notify the Providing Party of any such claims and the Providing Party will have the right, in consultation with the Indemnified Party, to defend or settle such claim. The Indemnified Party may not settle or compromise any claim, action or proceeding in respect of which it may seek indemnification without the prior written consent of the Providing Party.

9.2 If such claim is made, the Providing Party may modify the Service delivered by it or the payments made by it as it determines necessary or advisable to address the claim, provided that any such modification will not result in a material deterioration in Services or security standards.

ARTICLE 10 – Fees and Charges

10.1 Fees and charges for ServiceCo's services will be specified in the Schedule 'A'-Services and Schedule 'B'-Fees. ServiceCo will, increase the charges specified in the Schedule 'B'-Fees table effective the first day of each contract year during the Term.

10.2 The services to be provided and the fees quoted reflect the applicable current legislated, regulatory requirements and guidelines specified by the Municipality, Federal and Ontario Provincial Government, by the Ontario Energy Board, and the Independent Electricity System Operator. If there should be a material change in the legislation, regulations or guidelines that affects the nature of the services provided, the fees shall be adjusted accordingly after agreement with Client.

10.3 Client will also be responsible to ServiceCo for its reasonable expenses associated with any additional services or incremental costs incurred by ServiceCo in providing the services caused by Client's failure to perform any of its obligations under this Agreement, where Client has been advised in writing of its failure to perform its obligations under this Agreement and has been given a reasonable opportunity to correct any deficiency.

ARTICLE 11 - Invoicing and Payment

11.1 Unless otherwise stated within the Service Schedule, ServiceCo will invoice Client in advance thirty days prior to the beginning of each month for charges for the Services to be provided in that forthcoming month. Payment of invoiced amounts will be due on the Due Date. Amounts remaining unpaid will bear interest from the Due Date at an annual rate that is the lesser of:

11.1.1 the rate of interest set forth on the applicable invoice; and

11.1.2 the rate that is five percentage points above the prime commercial annual lending rate of interest designated by the Royal Bank of Canada in effect in Canada from time to time for its most creditworthy commercial Clients on Canadian dollar loans.

11.1.3 Any other amount payable under this Agreement will bear interest at the rate set out above.

ARTICLE 12 - Taxes

12.1 Client will make timely payment of any taxes, duties or government levies related to this Agreement.

ARTICLE 13 - Warranty

13.1 ServiceCo represents and warrants that the service level provided by it under this agreement shall be as good as, or superior to those service levels generally enjoyed by ServiceCo's own customers and other utilities of a similar size within the Province of Ontario.

13.2 Except as expressly stated in this Article, ServiceCo makes no warranty, representation, condition or covenant of any kind, express or implied, oral or written, statutory or otherwise, including but not limited to, the implied warranties, representations, conditions or covenants of merchantable quality or fitness for a particular purpose or warranties arising from a course of dealing or usage of trade.

13.3 ServiceCo warrants that it will use reasonable skill and care in providing any Customer Services and that it will, at its expense:

13.3.1 make commercially reasonable attempts to correct any errors for which ServiceCo is directly and solely responsible by rerunning the Service, provided that the Data necessary to correct such errors is available to ServiceCo;

13.3.2 or at ServiceCo's option, provide a credit to Client equivalent to the charge that would have been applicable for correcting that portion of the Service that is in error, such credit will be only for errors due solely to malfunction of a system or Software provided by ServiceCo or any error made by ServiceCo's personnel in the performance of the Service; and

13.3.3 if ServiceCo provides hardware, Software or firmware as part of the Services, it will make commercially reasonable efforts to obtain assurances from the vendors of such hardware and Software that such hardware and Software is capable of processing date sensitive information.

13.4 To obtain the rerun Service or the credit, Client must notify ServiceCo in writing of such errors within thirty days of receipt of the Data or reports believed to contain the errors.

ARTICLE 14 - Indemnity

14.1 Client will indemnify and hold ServiceCo harmless, to the extent that Client is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by ServiceCo in good faith in reliance on instructions or orders received from Client arising in connection with ServiceCo's performance of its obligations under this Agreement. ServiceCo will be without liability to Client with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and with reasonable skill and care and without willful or wanton misconduct on ServiceCo's part.

14.2 Subject to Article 14, ServiceCo will indemnify and hold Client, its officers, directors, employees and servants harmless, to the extent that ServiceCo is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by Client in good faith in reliance on instructions or orders received from ServiceCo arising in connection with Client's performance of its obligations under this Agreement. Client will be without liability to ServiceCo with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and without negligence or willful or wanton misconduct on Client's part.

14.3 ServiceCo agrees to indemnify and save Client, its officers, directors, employees and servants, harmless from all damages, expenses or losses on account of the misuse, loss, theft or forgery of any documents or other Confidential Information.

ARTICLE 15 - Notices

15.1 Any notice or demand to be given by either party to the other under this Agreement will be in writing and may be delivered personally, by facsimile, e-mail or by first class prepaid mail to the following addresses:

If to ServiceCo:	PUC SERVICES INC. 500 Second Line East P.O. Box 9000 Sault Ste. Marie, Ontario P6A 6P2 Attention: Vice-President, Customer Engagement & Business Development
If to Client:	ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION 598 Second Avenue Espanola, Ontario P5E 1C4 Attention: Chair, Board of Directors

15.2 Notices delivered in person, by e-mail or by facsimile will be effective on the date of such delivery. Notices issued by mail will be effective on the third business day following the date that the envelope containing the notice is post-marked unless between the time of mailing and the time the notice is deemed effective there is an interruption in postal service, in which case, the notice will not be effective until actually received. In the event of a postal strike or lockout, notices or demands under this Agreement must be delivered personally, by e-mail or by facsimile.

ARTICLE 16 - Termination

16.1 In the event of a material breach, as defined herein, of the Agreement by a party (the "Defaulting Party"), the other party (the "Non-Defaulting Party") will have the right to give written notice to the Defaulting Party to remedy the breach within thirty days after the date of such notice (the "Notice"). The Defaulting Party will make all reasonable efforts to rectify the breach to the satisfaction of the Non-Defaulting Party at the earliest possible time. If the Defaulting Party fails to remedy the breach specified in the Notice to the satisfaction of the Non-Defaulting Party within thirty days after the date of the Notice, then the Non-Defaulting Party will have the right to terminate the Agreement on giving 30 days' notice to the Defaulting Party. If the Defaulting Party corrects the breach to the satisfaction of the Non-Defaulting Party within the time prescribed in the Notice, the notice of termination of the Agreement will be void.

16.2 In the event that the Agreement is terminated in accordance with 16.1 or 16.4, then:

16.2.1 ServiceCo. will cooperate fully with Client and act in good faith toward Client and its customers in order to allow for the smooth and orderly transition of the Services to Client or its nominee. In addition, ServiceCo will make reasonable efforts to continue the Services to the extent mutually agreed to by the parties at mutually agreed to prices; and

16.2.2 ServiceCo will return to Client, Client's Data and supplies.

16.3 For the purposes of this agreement material breach shall include without limitation failure by ServiceCo to perform any of its obligations stated in Article 4 of this Agreement to the standards contained herein.

16.4 If Client determines to sell its business and the purchaser is not prepared to accept an assignment of this Agreement or in the event of regulatory change which results in the frustration of this Agreement, Client shall have the option to terminate this Agreement at any time after one year on 60 days prior written notice to ServiceCo and upon payment of the following amounts as liquidated damages:

16.4.1 During years 2 and 3; 50% of the estimated annual cost set forth in the Services Schedule.

16.4.2 During years 4 and 5; 25% of the estimated annual cost set forth in the Services Schedule.

ARTICLE 17 - Mediation

17. In the event a dispute arises out of or in connection with this Agreement, including a dispute as to what constitutes a material breach for the purposes of Article 18 or in respect of any defined legal relationship associated with or derived from this Agreement, the parties will follow the step-by-step correction and resolution procedure set out below:

Step 1. The non-breaching party will advise the other party in writing of the alleged breach.

Step 2. The party allegedly in breach will investigate the allegation and provide a written report to the other party within five business days of receiving the notice alleging breach given under Step 1 to the effect that

(a) the investigation reveals that the alleged breach was not committed;
(b) the breach has been cured; or
(c) the breach remains uncured.

Step 3. If the party alleging the breach

(a) is not satisfied that the other party is not, or is no longer in breach; or
(b) wishes to pursue the dispute, then the party will immediately notify the other party in writing that it wishes to escalate the dispute to Step 4.

Step 4. Each party, will within two business days after receipt of the notice in Step 3, submit to the following people, or their delegates, a written report on the facts of the dispute, any relevant provisions of this Agreement and any other relevant information:

ServiceCo - Vice-President, Customer Engagement & Business Development
Client: - Chair, Board of Directors

Step 5. If the parties referred to in Step 4 cannot resolve the dispute through mediation, the dispute may be referred to arbitration in accordance with the arbitration provisions of this Agreement.

ARTICLE 18 - Arbitration

18. Except for applications for injunctions or restraining orders, any disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom, including any failure of the parties to reach agreement will be referred to and finally resolved or

determined by arbitration under the Arbitrations Act (Ontario). In the event that this Agreement has been terminated in accordance with Article 14 above and an arbitrator under this article determines that a material breach did not exist, the arbitrator's jurisdiction shall be limited to the extent of awarding compensation for damages resulting from the failure to give proper notice of termination.

ARTICLE 19 - General

19.1 Neither party will be responsible for any failure to fulfill its respective obligations under this Agreement due to causes beyond its reasonable ability to control provided that the party affected by such cause has used and continues to use all reasonable efforts to perform its obligations and makes reasonable attempts to notify the other party in writing within five business days of its inability to fulfill its obligations under this Agreement. Regardless of the foregoing, ServiceCo will continue to provide all Services deemed by Client to be critical to its business, notwithstanding any strike by or labour dispute with ServiceCo's personnel.

19.2 Client and ServiceCo agree not to assign or transfer this Agreement or any of their respective rights or obligations under this Agreement, without the prior written consent of the other party, which such consent shall not be unreasonably or arbitrarily withheld, notwithstanding the foregoing in the event of a sale of its business Client shall have the right to assign this Agreement without the consent of ServiceCo provided that the Purchaser agrees to assume Client's obligations under this Agreement.

19.3 If either party becomes insolvent or bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada), the other party may, with notice in writing, immediately terminate this Agreement.

19.4 No changes to the terms and conditions of this Agreement will be effective unless specified in an amendment to the Agreement signed by both parties.

19.5 If any portion of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion will be severed from this Agreement and will not affect the validity, legality or enforceability of the remaining provisions of this Agreement and the remainder of the Agreement will continue in full force and effect.

19.6 Nothing contained herein and no actions taken in accordance with this Agreement shall constitute ServiceCo, or any of its officers, directors, employees, or servants as employees of Client and the parties agree that the nature of ServiceCo's relationship with Client is that of independent contractor.

19.7 Any waiver by either party of any obligation under this Agreement must be in writing and will not be deemed or constitute a waiver of that or any other provision (whether or not similar) nor will such waiver constitute a continuous waiver unless otherwise expressly provided.

19.8 On termination of this Agreement, all accrued obligations or liabilities and the provisions that by their nature are intended to endure beyond such termination will remain in effect including without limitation, obligations of confidentiality.

19.9 This Agreement will be binding on and inure to the benefit of both parties and their respective successors and permitted assigns.

19.10 This Agreement will be governed by the laws of the Province of Ontario and in the event that the parties are required to make application to court, the parties agree to be subject to the jurisdiction of the courts of the Province of Ontario.

19.11 Each party will execute and deliver such further and other agreements, documents and instruments and do such further acts and things as are within its power and as may be necessary or desirable to fully implement and carry out the intent of this Agreement.

ARTICLE 20 - Acceptance

20. Both parties, by authorized signatures below, agree that this Agreement is the complete agreement between the parties and replaces all prior communications, agreements and understandings related to the subject matter of this Agreement. There are no warranties, representations, conditions, covenants or other agreements between the parties in connection with the subject matter of this Agreement except those specifically set out herein. The execution of this Agreement has not been induced by, nor do either of the parties rely on or regard as material, any representations not included in this Agreement. No supplement, modification or waiver of this Agreement will be binding unless executed by the parties.

PUC SERVICES INC.

Per:________________________
Name: D. Parrella
Position: President & C.E.O.

Per:________________________
Name: K. D. Bell
Position: Vice President, Customer Engagement & Business Development

Date: 2016-07-11

We have the authority to bind the Corporation.

ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION

Per:________________________
Name:
Position:

Per:________________________
Name:
Position:

Date: June 21, 2016

I/ We have the authority to bind the Corporation.

SCHEDULE 'A' - SERVICES

The intent of this agreement is to have ServiceCo undertake the oversight, management and control of the business for Client as well as providing identified regular ongoing utility functions, with the aim of providing a stable and reliable electricity distribution service to its customers at a reasonable cost through the provision of the services described below.

DESCRIPTION OF MANAGEMENT SERVICES

The following summary description is intended to set forth the various activities to be undertaken by ServiceCo on behalf of Client under provision of Management Services:

1. Board attendance in person on a quarterly basis or by conference call/video for those meetings not attended to in person.
2. Provision of management oversight and direction to Client's Supervisor, Line Operations.
3. Provision of human resource functions including the evaluation of staff performance, hiring, discharge, promotion, remuneration and planning for training.
4. Oversight, awareness and monitoring for the following requirements:
   - Ongoing operation of the utility including work planning,
   - Regulatory and legislative requirements,
   - Contract administration including labour negotiations and collective agreement as well as third party contracts,
   - Purchasing of capital and operational items,
   - Financial requirements including the review of monthly and annual financial statements, cash flow, regulatory reporting and statistical reporting.
5. Preparation of annual capital and OM&A budgets including a 5 year forecast.
6. Recommending policy to the Board and ensuring that approved policy is carried out.
7. Provision of monthly management reports.

DESCRIPTION OF CUSTOMER SERVICES

The following summary description is intended to set forth the various activities to be undertaken by ServiceCo on behalf of Client under provision of Customer Services:

1. Customer invoice preparation and mailing for both electricity and water consumption. This will include inputting consumption reads provided to ServiceCo by Client, data validation, invoice generation, reporting of hi/low readings, and billing adjustments. This does not include requirements which are the result of the provincial government smart meter initiative, integration with the IESO's MDM/R and implementation and MDMR administration of time-of-use billing.
2. Scheduling and arranging for hydro meter readings having regard to the current time or times that same are scheduled by Client.
3. Cash processing including inputting and processing payments to customer accounts.
4. Collections including monitoring account activity, notifying customers of past due accounts and advising Client of past due accounts as specified by Client policies.
5. Customer service activities including handling customer calls with respect to service, rates, consumption and billing, and issuing customer notifications as required by regulation. Calls not related to services covered by this Agreement will be redirected to Client.
6. Procedures and applications required to support billing requirements as of the date of this Agreement stipulated in the Standard Service Supply and Retail Settlement codes. This will include Electronic Business Transactions, Retail Settlement and MDMA – MV90 services.
7. Billing for unmetered electricity customers including sentinel lights and street lighting.
8. The cost per meter per month rate is to provide the above services for up to 3,700 meters for residential and general service customers.

9. Hosting of the Harris Customer Information System (CIS) and eCare software. This includes administration of software updates and program fixes as covered under the Harris Software Maintenance Agreement. Enhancements for requirements specific to Client and those that are the result of new legislative requirements will be billed at cost plus 10%. Direct software licence and maintenance fees payable by Client are subject to change in accordance with the price schedule from Harris.
10. Costs payable for Electronic Business Transaction (EBT) hub services for retail electricity customers is premised on fees payable to our EBT Service Provider. Current fees are $0.25 per customer and are subject to a minimum monthly charge of $150.00. Invoices will be billed at cost plus 15%. Fees payable by Client are subject to change in accordance with the price schedule from the EBT Service Provider.

CLIENT RESPONSIBILITIES

Client's permanent staff that is in place at the start of the Agreement will continue to perform their current duties. Any changes to Client's staffing levels will be agreed to by ServiceCo and Client.

1. Maintenance on software other than as provided in the Service Schedule.
2. Customization of any software to meet requirements specific to Client.
3. Setup, operations and any charges for communications service between Sault Ste. Marie and Espanola.
4. Any additional licensing fees (Unix, Terminal Server, GUI, etc.) Client will maintain an adequate service level with respect to the number of users.
5. Purchase of additional software that may be required to meet legislative and regulatory requirements.
6. Staff input to annual capital and OM&A budget.

ADDITIONAL SERVICES

The costs of the following services are not included in the estimated cost of services noted above:

- Cost-of-service study
- Rate applications
- Application of legislation, regulations and code changes
- Ongoing costs related to Smart Meter initiative and the IESO Smart Metering Entity (SME) contract requirements including AMI Network operations
- Engineering services including distribution system design
- Client obligations for IESO FIT Program
- Ontario Regulation 22/04 requirements and compliance
- Accounting services including payroll, account payable, inventory, miscellaneous billing
- Purchasing
- Training required to satisfy legislation and due diligence
- Implementation of International Financial Reporting Standards (IFRS)
- Conservation and Demand Management (CDM) Code requirements and compliance inclusive of the development of a CDM Strategy and achievement of OEB energy conservation targets.

These services will be performed as approved by Client as part of the budget process. The services may be performed by ServiceCo or a third party as approved by Client subject to clause 5.8 above or as otherwise approved by Client. ServiceCo agrees to cooperate and work with such third parties for the purposes of its performance under this agreement.

SCHEDULE 'B' – FEES

Price Table

Price (*)	Year 1	Year 2	Year 3	Year 4	Year 5
Management Services	$156,141.32	$160,044.86	$164,045.98	$167,326.90	$170,673.44
Customer Services	$5.26/ meter/month	$5.39/ meter/month	$5.53/ meter/month	$5.64/ meter/month	$5.75/ meter/month
IT Server Hosting Services	$7,500.00	$7,687.50	$7,879.69	$8,037.28	$8,198.03

Please Note: (*) Applicable taxes not included.

	June 1 2016: 2.75%	June 1 2017: 2.50%	June 1 2018: 2.50%	June 1 2019: 2.0%	June 1 2020: 2.0%

APPENDIX “B”

2022 Services Agreement

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (this "**Agreement**") made as of the 1st day of January, 2022

BETWEEN:

North Bay Hydro Distribution Limited

("**NBHDL**")

and

Espanola Regional Hydro Distribution Corporation.

("**ERHDC**")

WHEREAS ERHDC desires NBHDL to provide to ERHDC the Services referred to herein;

AND WHEREAS NBHDL wishes to provide the Services to ERHDC upon the terms and conditions set forth herein;

AND WHEREAS both NBHDL and ERHDC wish to ensure that the Services are provided in accordance with the Affiliate Relationship Code;

NOW THEREFORE in consideration of the mutual covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, NBHDL and ERHDC (together, the "**Parties**") agree as follows:

1. PURPOSE

1.1 **Purpose.** The purpose of this Agreement is to describe the Services to be provided by NBHDL to ERHDC, the charges to be paid for the performance of such Services, and the working relationship between NBHDL and ERHDC relating to such Services. The Services and this Agreement are governed by the Affiliate Relationships Code and to the extent of any conflict or inconsistency between the terms of this Agreement and the Affiliate Relationships Code, the terms of the Affiliate Relationships Code shall prevail.

2. DEFINITIONS AND INTERPRETATION

2.1 **Defined terms.** As used in this Agreement, the following terms shall have the following meanings:

(a) “**Affiliate Relationships Code**” means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board on April 1, 1999, including any and all amendments, revisions or replacements made thereto;

(b) “**Agreement**” means this Services Agreement and all instruments supplemental to it or in amendment or confirmation of it;

(c) “**Confidential Information**”) shall have the meaning prescribed to it in Section 9 of this Agreement;

(d) “**Disclosing Party**” shall have the meaning prescribed to it in Section 9 of this Agreement;

(e) “**Parties**” means NBHDL and ERHDC collectively, and “**Party**” means any one of them;

(f) “**Recipient**” shall have the meaning prescribed to it in Section 9 of this Agreement;

(g) “**Representatives**” means any employee, agent, or subcontractor, of the Party in question, including without limitation any third party retained to perform any or all of the Services pursuant to Section 4 of this Agreement;

(h) “**Services**” shall have the meaning prescribed to it in Section 4.1 of this Agreement;

(i) “**Term**” shall have the meaning prescribed to it in Section 3.1 of this Agreement; and

(j) “**Transfer Price(s)**” shall have the meaning prescribed to it in Section 5 of this Agreement.

2.2 **Interpretation.** The inclusion of headings and a table of contents in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, references to Articles, Sections and Schedules are references to Articles, Sections and Schedules in this Agreement. In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders. Except where otherwise expressly provided, all amounts in this Agreement are stated, and shall be paid, in Canadian dollars and cents, and shall be rounded to the nearest cent. Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done, shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next business day following if the last day of the period is not a business day. A reference to a statute includes all regulations and rules made pursuant to the statute and, unless otherwise specified, the provisions of any statute, regulation or rule which amends, supplements or supersedes any such statute, regulation or rule.

2.3 **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with the subject matter of this Agreement except as specifically set forth or referred to in this Agreement.

2.4 **Waiver, Amendment.** Except as expressly provided in this Agreement, no amendment or waiver of any provision of this Agreement shall be binding unless executed in writing by the Party to be bound thereby and no amendment of any provision of this Agreement shall be binding unless executed in writing by both Parties. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver or operate as a waiver of, or estoppel with respect to, any subsequent failure to comply, unless otherwise expressly provided.

2.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

2.6 **Schedules.** The following Schedules are attached to, and form, an integral part of this Agreement:

Schedule "1" Services Provided by NBHDL to ERHDC

3. TERM AND TERMINATION

3.1 **Term.** The Parties agree that the term of this agreement shall commence effective January 1, 2022 and shall expire on December 31, 2026 ("**Term**").

3.2 **Termination for Convenience.** This Agreement will remain in effect for the duration of the Term unless and until terminated by either Party, in whole or in part, upon no less than sixty (60) days prior written notice to the other Party. Upon any termination for convenience, the Parties shall negotiate in good faith to make any necessary adjustments that may be required to ensure that the Transfer Price(s) remain compliant with the Affiliate Relationships Code. Any partial termination of the Agreement shall be evidenced by a written agreement as between the Parties specifying the specific Services to be terminated, and the adjustment in Transfer Price pursuant to such partial termination.

3.3 **Termination for Cause.** Either Party may terminate this agreement upon written notice to the other Party if the other Party defaults in performance of any material covenant in this Agreement that cannot be corrected. Either Party may terminate this agreement on no less than fourteen (14) days written notice to the other Party if the other Party defaults in performance of any material covenant in this Agreement, where such default is correctable but is not corrected by the defaulting Party following the expiry of such fourteen (14) day period.

4. SHARED SERVICES

4.1 **The Services.** During the Term NBHDL shall provide ERHDC with the type of Services listed in Schedule "1" attached hereto. This is an exclusive service agreement as between NBHDL and ERHDC. ERHDC shall not have the right to provide itself, or retain a third party to provide, any of the Services unless a Change is agreed to by NBHDL in accordance with Section 4.4.

4.2 **Quality of Service.** The Services shall be provided honestly, in good faith in a timely, professional, diligent and competent manner by personnel appropriately skilled in the performance of the Services.

4.3 **Quantity of Service.** The Services will be provided on an as needed basis, as required by ERHDC.

4.4 **Changes.** Either Party may, at any time and from time to time, request in writing additions, deletions, amendments or any other changes to the type, quantity or quality of Services (each, a "**Change**"). The request (a "**Change Request**") shall include a reasonably detailed description of the scope and nature of the requested Change, an estimate of fees, expenses and other changes to this Agreement necessitated by the Change. No Change shall come into effect unless and until it has been approved by NBHDL and ERHDC in writing in accordance with this Section 4.4. An approved Change Request shall become part of this Agreement.

4.5 **Subcontracting.** NBHDL may in its sole and absolute discretion subcontract the performance of any portion of the Services without the obligation to obtain prior written consent of ERHDC. The subcontracting of any Services hereunder shall not relieve NBHDL of its obligations under this Agreement, and NBHDL shall remain liable for the actions and omissions of its subcontractors.

4.6 **No Partnership or Joint Venture.** Nothing contained in this Agreement shall be construed or deemed to create a partnership or joint venture relationship between the Parties and each Party expressly disclaims any intention to create a partnership or a joint venture or, except as expressly indicated otherwise in this Agreement or a Change, to designate the other Party as its agent with respect to the subject matter of this Agreement.

5. TRANSFER PRICING

5.1 **Transfer Price.** The Services will be charged as delivered at transfer prices calculated using the pricing methodology specified in Schedule "1" (the "**Transfer Price**" or "**Transfer Price(s)**"). Payment by ERHDC of undisputed charges shall be made within thirty (30) days of receipt of the applicable invoice from NBHDL.

5.2 **Invoicing.** NBHDL shall submit invoices for the Transfer Prices to ERHD on a periodic basis. Such invoices will include sufficient information to detail the Services delivered and to show the calculation of the Transfer Prices owing, setting forth the total amount due to the Party providing the Services in respect of each of the Services provided during the previous period and the amount of any taxes which receiving Party has an obligation to pay.

5.3 **Taxes.** Except as expressly stated otherwise, the Transfer Prices are exclusive of applicable Canadian, provincial and municipal sales taxes, including provincial sales tax, harmonized sales tax and GST, as applicable. ERHDC agrees to pay to NBHDL all such applicable sales taxes when invoiced by Contractor and Contractor agrees to remit such taxes as required by applicable laws.

5.4 **Obligation to Negotiate.** The Parties agree and acknowledge that they shall, once per calendar year, renegotiate the Services and Transfer Prices described in Schedule 1 hereto in order to ensure that the Transfer Prices remain consistent with the requirements of the Affiliate Relationships Code.

5.5 **Invoicing.** Invoices shall be rendered to the Party receiving the Services on or before the 15th day of each month (or such other time as may be agreed),.

5.6 **Survival.** This Article 5 shall survive any termination of this Agreement or the expiry of the Term for a period of twelve (12) months from the date on which the last invoice is rendered to ERHDC pursuant to this Agreement.

6. NOTICES AND CONTACTS

6.1 **Notice.** Any notice or communication required as between the Parties pursuant to this Agreement shall be delivered by the means set out below to the following individuals, or to such other individual as either Party may stipulate by notice to the other:

For NBHDL: Matt Payne – President & CEO
74 Commerce Crescent
North Bay, ON, P1B 8G4
Telephone: 705-474-8100 x 259
Email: mpayne@northbayhydro.com

For ERHDC: Melissa Casson – Vice President of Finance
74 Commerce Crescent
North Bay, ON, P1B 8G4
Telephone: 705-474-8100 x 300
Email: mcasson@northbayhydro.com

7. GENERAL

7.1 **Amendments.** If at any time during the term of this Agreement the Parties deem it necessary or expedient to make any alteration or addition to this Agreement, they may do so by means of a written agreement between them which shall be supplemental and form part of this Agreement.

7.2 **Further Assurances.** The Parties agree that each of them shall, upon reasonable request of the other, do or cause to be done all further lawful acts, deeds and assurances whatever for the better performance of the terms and conditions of this Agreement.

7.3 **Assignment.** This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties, provided however that neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.

7.4 **Severability.** If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and everything else in this Agreement shall continue in full force and effect.

7.5 **Counterparts.** This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

8. DISPUTE RESOLUTION

8.1 **Informal Dispute Resolution.** The Parties will use their best efforts to resolve, at an operational level, any disputes which may arise concerning this Agreement. Any issues which remain unresolved for more than fifteen (15) days will be referred to the most senior executives of each of the Parties. The parties agree to use their best efforts to resolve all disputes in a timely and professional manner utilizing a process appropriate to the issues involved.

8.2 **Mediation.** In the event the Parties are unable to resolve the dispute in accordance with Section 8.1 within 30 days, either Party may by written notice to the other Party request the appointment of a mediator. The meditator shall be an individual selected by the Parties acting reasonably.

8.3 **Arbitration.** If the Parties are not successful in resolving the dispute using mediation within 60 days, at any time any one of the Parties to the dispute may provide written notice to the other Party that it wishes to submit the dispute to arbitration. The Parties agree that the dispute shall then be referred to and settled by binding arbitration pursuant to the following provisions: (i) the place of arbitration shall be North Bay, Ontario**;** (ii) the governing law, both substantive and procedural, shall be that of the Province of Ontario; (iii) the language of the arbitration proceedings shall be English; and (iv) the arbitration shall be conducted under the rules and procedures in the *Arbitration Act, 1991* (Ontario). The arbitration will be conducted by a single arbitrator chosen by and acceptable to all of the Parties to the Dispute. If the Parties thereto fail to agree on the selection of the arbitrator within fifteen (15) days after the date of the notice of arbitration mentioned above, then any Party may apply to the court to appoint one pursuant to the *Arbitration Act,* 1991 (Ontario). The arbitration award will be binding on all of the parties to the dispute and recognized and enforced by the court and there shall be no appeal from the award except on a question of law and only with leave.

9. CONFIDENTIALITY

9.1 "**Confidential Information**" means all information, whether disclosed orally, in writing, or otherwise, designated as being confidential, which is disclosed by one party (the "**Disclosing Party**") to the other party (the "**Recipient**") relating to the business of the Disclosing Party or in connection with the subject matter of this Agreement and includes, but is not limited to, business, financial, and marketing information, plans and strategies, contractual, customer and supplier information, technical information related to hardware, software and firmware, and know-how, trade secrets and any other intellectual property rights, and the terms of this Agreement.

9.2 **Exclusions.** Notwithstanding the foregoing, Confidential Information shall not include information which (i) now is, or hereafter properly becomes, generally available to the public other than as a result of disclosure in breach of this Agreement; (ii) is required to be disclosed in compliance with any applicable law, under order of a court of competent jurisdiction or other similar requirement of a governmental agency, so long as the Recipient provides the Disclosing Party with prior written notice of any required disclosure pursuant to such law, order or requirement and cooperates, to the extent permitted by law with the Disclosing Party in seeking an order eliminating or restricting the disclosure or a protective order or otherwise ensuring the confidential treatment of the Confidential Information; (iii) is disclosed with the prior written approval of an authorized officer of the Disclosing Party; (iv) is previously known to the Recipient at the time of disclosure; (v) is discovered by the Recipient without reference to the Confidential Information of the Disclosing Party; or (vi) is lawfully obtained from a third party which was not bound by a confidentiality agreement respecting the disclosure.

9.3 **Commitments.** Each Party agrees not to disclose any Confidential Information of the other Party to any person except those of its Representatives who have a need to know such Confidential Information in connection with this Agreement and who are informed of the confidential nature of the Confidential Information and who agree to be bound by the terms of this Section 9. The Recipient will not use any Confidential Information relating to the Disclosing Party for any purpose other than in connection with the performance of its obligations, or exercise of its rights, under this Agreement, and will exercise the same security measures normally exercised with respect to its own Confidential Information, and at a minimum a reasonable degree of care, to safeguard the Confidential Information from disclosure to anyone other than as permitted hereby.

9.4 **Return or Deletion of Confidential Information.** Upon expiry or termination of this Agreement, or upon written notice from the Disclosing Party requesting return of any or all Confidential Information, the Recipient shall forthwith return all such Confidential Information to the Disclosing Party and shall keep no copies. Where deletion of information is necessary to fulfill this requirement, it shall be performed within the confines afforded by existing technology limitations, and shall exclude archival or long term back up storage. Upon request, the Recipient shall provide to the Disclosing Party an officer's certificate confirming that such actions have been completed and that there are no tangible and/or electronic versions of the Confidential Information in the Recipient's possession or control, except for archival purposes, long term back up storage of such versions or copies required to be maintained to comply with applicable laws or the terms of this Agreement, and for which the obligations of confidentiality herein shall continue.

9.5 **Survival.** The provisions of this Section 9 shall survive termination of this Agreement. In the event of any breach of this Section 13, the Disclosing Party shall be entitled to seek interim and permanent injunctive relief, which remedy shall be in addition to any other rights or remedies to which such Party may be entitled under this Agreement or otherwise under applicable laws.

9.6 **Security.** ERHDC shall comply at all time with the data management and data access protocols implemented by NBHDL to protect access to Confidential Information.

10. APPORTIONMENT OF RISK

10.1 **Limitation of Liability**. Liability against either Party shall be excluded, to the extent such damages, losses or expenses are not direct damages, for consequential, incidental, exemplary or punitive damages, losses or expenses and a claim for damages shall be limited to the amount paid or owing under this Agreement in the previous twelve (12) months.

10.2 **Insurance.** NBHDL shall, during the Term of this Agreement, carry or put in place Commercial General Liability Insurance with limits and coverage that a prudent person in the business of providing the Services would reasonably be expected to have in place.

10.3 **Over and Under Provision of Services.** Services will be billed in arrears based on actual Services delivered over a given time period. To the extent ERHDC utilizes no Services over a given period, it shall not be charged for that period and NBHDL shall be at risk for such internal costs. To the extent ERHDC utilizes more Services over a given period than is typical, it shall be charged for the actual Services delivered and NBHDL may recover more over that period than is typical.

IN WITNESS WHEREOF, the Parties have executed this agreement effective as of the date first above written as attested by the hands of their respective officers duly authorized in that behalf:

NORTH BAY HYDRO DISTRIBUTION LIMITED

Matt Payne

I have authority to bind the Corporation

ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION

Melissa Casson

I have authority to bind the Corporation

SCHEDULE “1”

Services provided by NBHDL to ERHDC

1. NBHDL shall provide the Services listed in Table 1 to ERHDC.

2. Payment– ERHDC shall pay to NBHDL for the Services actually provided monthly in arrears based on the Pricing Methodology and Documentation detailed in Table 1 below.

3. Cost Allocation Mechanism –

Table 1: Services Offered and Pricing Methodology

Service Offered	Pricing Methodology	Documentation Used and Calculation of Transfer Price(s)
Executive Services	Fully-Allocated Cost	Time sheet (wages & benefits) - incorporates WACC % and depreciation on office furniture & computer hardware/software - incorporates fully allocated rental costs
Financial and Administrative Services	Fully-Allocated Cost	Time sheet (wages & benefits) - incorporates WACC % and depreciation on office furniture & computer hardware/software - incorporates fully allocated rental costs
ERHDC Payroll Services	Fully-Allocated Cost	Time sheet (wages & benefits) - incorporates WACC % and depreciation on office furniture & computer hardware/software - incorporates fully allocated rental costs
Information Technology Services	Fully-Allocated Cost	IT department costs excluding specific LDC costs (CIS system, etc.) / number of employees
Purchases of Materials and Contractor Services	Fully-Allocated Cost	Purchase order or stores issue
Human Resources	Fully-Allocated Cost	HR department costs excluding specific LDC costs / number of employees
Construction Work (Line Work)	Competitive Market Cost	Benchmark to PUC Billable Work

APPENDIX “C”

Table 6-1 – PH2 MAADs Application

OM&A Costs	**2021**	**2022**	**2023***	**2024**	**2025**	**2026**	**2027**
ERHDC	1,573	1,603	1,634	1,665	1,696	1,729	1,762
NBHDL	7,816	7,912	8,059	8,212	8,368	8,527	8,689
Status Quo OM&A Costs	9,389	9,515	9,693	9,877	10,065	10,256	10,451
Synergies	75	-572	-657	-667	-676	-686	-686
Proposed OM&A Costs	**9,464**	**8,943**	**9,036**	**9,211**	**9,389**	**9,570**	**9,765**
**Amalgamation = partial year 2022 ~ full year 2023*							
ERHDL Customers	3,328	3,328	3,328	3,328	3,328	3,328	3,328
Avg. cost/customer	$472.79	$481.77	$490.92	$500.25	$509.75	$519.44	**$529.31**
NBHDL Customers	24,290	24,290	24,290	24,290	24,290	24,290	24,290
Avg. cost/customer	$321.78	$325.72	$331.79	$338.09	$344.52	$351.06	**$357.73**
New NBHDL Customer Count							**27,618**
Avg. cost/customer							**$353.57**

	2020 Customers		**Proposed OM&A Cost**	**Proposed OM&A Cost/Customer**	**Status Quo - OM&A / Customer**	**Variance ($/Customer)**	**Variance (%)**
ERHDL	3,328	12%	1,176,689	$353.57	$529.31	**($175.74)**	-33%
NBHDL	24,290	88%	8,588,277	$353.57	$357.73	**($4.16)**	-1%
	27,618	100%	9,764,966				

APPENDIX "D"

2021 Rate Tariffs

RESIDENTIAL SERVICE CLASSIFICATION		NBHDL		ERHDC	
Service Charge	$		32.64		21.70
Rate Rider for Recovery of Foregone Revenue	$	30-Sep-22	1.44	30-Apr-22	1.53
Rate Rider for Disposition of LRAM Variance Account	$	30-Sep-22	0.04		
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$	30-Sep-22	(1.53)	30-Apr-22	(2.07)
Rate Rider Group 2 Accounts - *Pole Attachment Variance and CCA*					
Smart Metering Entity Charge	$	31-Dec-22	0.57	31-Dec-22	0.57
Distribution Volumetric Rate	$/kWh				0.0184
Low Voltage Service Rate	$/kWh		0.00015		0.0067
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020)	$/kWh	31-Oct-21	0.0008	30-Apr-26	0.0006
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)	$/kWh				
Rate Rider for Disposition of Deferral/Variance Accounts	$/kWh	30-Sep-22	(0.0003)	30-Apr-26	0.0022
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh			30-Apr-22	0.0050
Rate Rider for Recovery of Foregone Revenue - Variable	$/kWh			30-Apr-22	0.0002
Retail Transmission Rate - Network Service Rate	$/kWh		0.0086		0.0069
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh		0.0069		0.0050

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION		NBHDL		ERHDC	
Service Charge	$		26.84		31.66
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	0.77	30-Apr-22	1.29
Smart Metering Entity Charge - effective until December 31, 2022	$	31-Dec-22	0.57	31-Dec-22	0.57
Distribution Volumetric Rate	$/kWh		0.0206		0.0260
Low Voltage Service Rate	$/kWh		0.00014		0.00600
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020)	$/kWh	31-Oct-21	0.0007		
Rate Rider for Disposition of Deferral/Variance Accounts	$/kWh	30-Sep-22	(0.0002)	30-Apr-26	0.0022
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh			30-Apr-22	0.0050
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kWh	30-Sep-22	(0.0015)	30-Apr-22	(0.0021)
Rate Rider Group 2 Accounts - *Pole Attachment Variance and CCA*	$/kWh				
Rate Rider for Disposition of LRAM Variance Account	$/kWh	30-Sep-22	0.0010	30-Apr-26	0.0015
Rate Rider for Recovery of Foregone Revenue - Variable	$/kWh	30-Sep-22	0.0006	30-Apr-22	0.0008

Retail Transmission Rate - Network Service Rate	$/kWh		0.0082			0.0064
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh		0.0061			0.0045

GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION			**NBHDL**			**ERHDC**
Service Charge	$		345.89			196.43
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	12.56			
Distribution Volumetric Rate	$/kW		2.8704			4.6411
Low Voltage Service Rate	$/kW		0.05359			2.3267
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020)	$/kW	31-Oct-21	0.1090			
Rate Rider for Disposition of Deferral/Variance Accounts	$/kW	30-Sep-22	0.0178		30-Apr-26	0.8239
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh				30-Apr-22	0.0050
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kW	30-Sep-22	(0.3241)		30-Apr-22	(0.3609)
Rate Rider Group 2 Accounts - Pole Attachment Variance and CCA						
Rate Rider for Disposition of LRAM Variance Account	$/kW	30-Sep-22	0.2970		30-Apr-26	0.2591
Rate Rider for Recovery of Foregone Revenue - Variable	$/kW	30-Sep-22	0.0977	$/kWh	30-Apr-22	0.0004
Retail Transmission Rate - Network Service Rate	$/kW		3.2616			2.5889
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW		2.4190			1.7589
Retail Transmission Rate - Network Service Rate - Interval Metered	$/kW					2.9103
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	$/kW					2.4365

GENERAL SERVICE GREATER THAN 3,000 KW SERVICE CLASSIFICATION			**NBHDL**			**ERHDC - N/A**
Service Charge	$		7,228.64			
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	206.03			
Distribution Volumetric Rate	$/kW		1.2846			
Low Voltage Service Rate	$/kW		0.05923			
Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2020)	$/kW	31-Oct-21	0.3146			
Rate Rider for Disposition of Deferral/Variance Accounts	$/kW	30-Sep-22	0.0038			
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kW	30-Sep-22	(0.3473)			
Rate Rider for Disposition of LRAM Variance Account	$/kW	30-Sep-22	0.2215			
Rate Rider for Recovery of Foregone Revenue - Variable	$/kW	30-Sep-22	0.0195			
Retail Transmission Rate - Network Service Rate - Interval Metered	$/kW		3.4598			
Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered	$/kW		2.6732			

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION			NBHDL			ERHDC
Service Charge (per connection)	$		5.94			15.42
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	0.17		30-Apr-22	0.63
Distribution Volumetric Rate	$/kWh		0.0136			0.0197
Low Voltage Service Rate	$/kWh		0.00014			0.0060
Rate Rider for Disposition of Deferral/Variance Accounts	$/kWh	30-Sep-22	(0.0001)		30-Apr-26	0.0024
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh				30-Apr-22	0.0050
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kWh	30-Sep-22	(0.0015)		30-Apr-22	(0.0028)
Rate Rider Group 2 Accounts **-** *Pole Attachment Variance and CCA*						
Rate Rider for Disposition of LRAM Variance Account	$/kWh				30-Apr-26	(0.0006)
Rate Rider for Recovery of Foregone Revenue - Variable	$/kWh	30-Sep-22	0.0004		30-Apr-22	0.0008
Retail Transmission Rate - Network Service Rate	$/kWh		0.0082			0.0064
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh		0.0061			0.0045

SENTINEL LIGHTING SERVICE CLASSIFICATION			NBHDL			ERHDC
Service Charge (per connection)	$		5.47			3.39
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	0.15		30-Apr-22	0.25
Distribution Volumetric Rate	$/kW		19.0942			27.3183
Low Voltage Service Rate	$/kW		0.04143			1.8361
Rate Rider for Disposition of Deferral/Variance Accounts	$/kW	30-Sep-22	0.0981		30-Apr-26	0.8173
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh				30-Apr-22	0.0050
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kW	30-Sep-22	(4.4870)	$/kWh	30-Apr-22	(0.0061)
Rate Rider Group 2 Accounts **-** *Pole Attachment Variance and CCA*						
Rate Rider for Disposition of LRAM Variance Account	$/kW				30-Apr-26	(0.5741)
Rate Rider for Recovery of Foregone Revenue - Variable	$/kW	30-Sep-22	0.5442	$/kWh	30-Apr-22	0.0056
Retail Transmission Rate - Network Service Rate	$/kW		2.4720			1.9623
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW		1.9089			1.3880

STREET LIGHTING SERVICE CLASSIFICATION			NBHDL			ERHDC
Service Charge (per connection)	$		1.41			1.27
Rate Rider for Recovery of Foregone Revenue - Fixed	$	30-Sep-22	(1.52)		30-Apr-22	(0.28)
Distribution Volumetric Rate	$/kW		7.5730			15.9433
Low Voltage Service Rate	$/kW		0.04229			1.7986

Rate Rider for Disposition of Deferral/Variance Accounts	$/kW	30-Sep-22	0.4798		30-Apr-26	0.8614
Rate Rider for Disposition of Global Adjustment Account (Non-RPP Customers)	$/kWh				30-Apr-22	0.0050
Rate Rider for Disposition of Deferral/Variance Accounts Group 2 Accounts	$/kW	30-Sep-22	(1.1270)		30-Apr-22	(1.7862)
Rate Rider Group 2 Accounts - Pole Attachment Variance and CCA						
Rate Rider for Disposition of LRAM Variance Account	$/kW				30-Apr-26	33.7000
Rate Rider for Recovery of Foregone Revenue - Variable	$/kW	30-Sep-22	(8.1590)	$/kWh	30-Apr-22	(0.0054)
Retail Transmission Rate - Network Service Rate	$/kW		2.4600			1.9526
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW		1.8698			1.3596

APPENDIX “E”

Pro-Forma Financial Statements

New North Bay Hydro Distribution Ltd.
Pro-forma Income Statement
Fiscal Period 2021 COS — 2022 — 2022

	2021 COS	2022	2023	Variance '22 vs. '21 COS		Variance '23 vs. '22	
Commodity Revenue	62,894,328	68,370,068	69,669,100	5,475,740		1,299,031	
Distribution Revenue	15,762,542	16,193,587	16,211,288	431,045	(1)	17,701	
Electricity Sales	78,656,870	84,563,656	85,880,388	5,906,786		1,316,732	
Other Revenue	950,905	1,006,175	1,025,292	55,269		19,117	
Total Revenue	**79,607,776**	**85,569,831**	**86,905,680**	**5,962,055**		**1,335,850**	
Cost of Power	62,894,328	68,370,068	69,669,100	5,475,740		1,299,031	
Net commodity/cost of power							
Operating Expenses							
Operations & Maintenance	4,402,905	4,534,357	4,621,560	131,452	(2)	87,203	(1)
Billing, Collecting & Administration	4,893,393	4,367,001	4,375,769	(526,391)	(2)	8,767	
Depreciation and Amortization, Disposals	3,480,293	3,774,821	3,977,327	294,528	(3)	202,506	(2)
Total Operating Expenses	**75,670,919**	**81,046,248**	**82,643,755**	**5,375,329**		**1,597,507**	
Income from Operating activities	**3,936,856**	**4,523,582**	**4,261,925**	**586,726**		**(261,657)**	
Finance Income	335,600	219,617	302,479	(115,983)	(4)	82,862	(3)
Finance Costs	1,406,849	1,575,339	1,546,050	168,490	(5)	(29,289)	
Other Income / (Expenses)	(15,000)	(15,000)	(15,000)	-		-	
Income before provision for PILs	**2,850,607**	**3,152,860**	**3,003,354**	**302,253**		**(149,506)**	
Income Tax	94,760	129,025	117,321	34,265		11,704	
Net Income	**2,755,847**	**3,023,835**	**2,886,033**	**267,988**		**(161,211)**	

Variance Explanations

2022 vs. 2021 COS

1) '22 includes foregone rate riders approved until September 2022 plus assumptions for IRM rate increase
2) OMA spending increased by IRM inflation assumptions, offset by anticipated synergies of $572k and $75k in transition costs
3) Depreciation increase incorporates forecasted capital spending additions for 2022
4) NBHDL continues to cease late payment charges as a method of COVID-19 relief, COS incorporated full revenue offset
5) Interest costs reflect existing loans and new annual borrowing

2023 vs. 2022

1) OMA spending increased by IRM inflation assumptions, offset by anticipated synergies of $657k
2) Depreciation increase incorporates forecasted capital spending additions for 2023
3) NBHDL anticipates reinstating late payment charges in July 2022 and forecasts full 12 months in 2023

APPENDIX "F"

Draft Accounting Order – 2435

Rate-Payer Benefit

OEB File Number: EB-2021-0312

DATED: February 15, 2022

Draft Accounting Order

2435 - Accrued Rate-Payer Benefit (Earnings Sharing Mechanism "ESM")

In its Decision and Order in EB-2021-0312 (the "Decision"), the Ontario Energy Board ("OEB") approved the Applicants proposed Earnings Sharing Mechanism ("ESM") along with the establishment of a new deferral account ("ESM Deferral Account"). The ESM Deferral Account will record 50% of earnings above the 300-basis point deadband that will be shared with ratepayers of "New NBHDL", the company that will be formed upon completion of the approved amalgamation of North Bay Hydro Distribution Ltd. ("NBHDL") and Espanola Regional Hydro Distribution Corporation ("ERHDC").

The account will be established as Account 2435, Accrued Rate-Payer Benefit, and will record the ESM benefits New NBHDL customers will be entitled to beginning October 1, 2024, until April 30, 2027, the year the Applicants have proposed coming forward for rate harmonization in a Cost of Service Application. New NBHDL will record interest on the balance recorded in this deferral account using OEB-prescribed interest rates.

Disposition of material balances in this account are subject to review through the annual IRM process, and are expected to be achieved through a rate rider. The deferral account is expected to cease when New NBHDL puts forward its next Cost of Service Application.

Accounting Entries:

New NBHDL will share overearnings 300 basis points above the OEB-approved ROE on a 50:50 basis with ratepayers effective October 1, 2024.

The sample journal entries are provided below:

Dr. 4395 Rate-Payer Benefit Including Interest

Cr. 2435 - Accrued Rate-Payer Benefit

To record 50% of the amounts over the return on equity ceiling that will be returned to ratepayers as part of the Phase 2 MAADs application ESM agreement.

Dr. 4395 Rate-Payer Benefit Including Interest

Cr. 2435 - Accrued Rate-Payer Benefit

To record the carrying charges, at the OEB approved amount, on the opening balance of the monthly principal amount in 2435 - Accrued Rate-Payer Benefit.