

EPCOR Electricity Distribution Ontario Inc.

Cost of Service Application

EB-2022-0028

May 27, 2022

Exhibit 5 – Cost of Capital & Capital Structure

PROVIDING MORE

EPCOR





Contents

5.0	Cost of Capital and Capital Structure	1
5.1	Capital Structure	1
5.2	Cost of Capital.....	4
5.2.1	Short-Term Debt.....	4
5.2.2	Long-Term Debt	5
5.2.3	Preferred Shares	11
5.2.4	Common Equity	11
	APPENDIX A – Promissory Notes	12



1 **5.0 Cost of Capital and Capital Structure**

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3 **5.1 Capital Structure**

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5 In this Exhibit, EEDO presents evidence regarding capital structure, debt financing and the
6 calculation of its return on equity for the 2023 Test Year.

7

8 EEDO seeks to recover a weighted average cost of capital of 5.74% through rates in the 2023
9 Test Year. The utility has followed the “Report of the Board on Cost of Capital for Ontario’s
10 Regulated Utilities” (December 11, 2009), as well as the “Review of the Existing Methodology of
11 the Cost of Capital for Ontario’s Regulated Utilities” (January 14, 2016) in determining the
12 applicable cost of capital.

	%	Rate
Long-term Debt	56.00%	3.98%
Short-term Debt	4.00%	1.17%
Total Debt	60.00%	3.79%
Common Equity	40.00%	8.66%
Preferred Shares	0.00%	0.00%
Total Equity	40.00%	8.66%
Total	100.00%	5.74%

13

14 In calculating the applicable cost of capital, EEDO has used:

- 15
- 16 • The OEB’s deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity;
 - 17 • The most recent published allowed return on equity (ROE) rate of 8.66%, short term debt rate of 1.17% as per the OEB’s prescribed Cost of Capital Parameters published for 2022 Cost of Service applications¹.
 - 18 • A long term debt rate of 3.98% based on existing third party and affiliate debt along with
 - 19
 - 20
 - 21 forecasted affiliate debt. Further explanation on this calculation is provided in section 5.2.

¹ Cost of Capital Parameters for 2022 Cost-Based Rates, October 28, 2021



1 EEDO is not proposing any deviations from the previously approved deemed capital structure of
 2 40% equity, 56% long-term debt, and 4% short term debt. Since acquiring the assets of Collus
 3 PowerStream in October 2018, there has been no material deviation in the financing of rate base
 4 assets as it relates to this capital structure.

5
 6 EEDO acknowledges that the OEB will update the ROE for 2023 at a later date, and will update
 7 this Application to reflect the OEB's updated Cost of Capital Parameters for 2023 applications
 8 and as new information is issued, to the extent that updated information is applicable to the
 9 Application.

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 11 Table 5.1-1 below summarizes the elements of the capital structure last approved by the Board
 12 in EB-2012-0116 for the Test Year 2013.

13
 14 **Table 5.1-1**
 15 **Board Approved Cost of Capital for 2013 Test Year (EB-2012-0116)**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Debt					
1	Long-term Debt	56.00%	\$10,999,999	4.05%	\$445,288
2	Short-term Debt	4.00%	\$785,714	2.07%	\$16,264
3	Total Debt	60.0%	\$11,785,713	3.92%	\$461,552
Equity					
4	Common Equity	40.00%	\$7,857,142	8.98%	\$705,571
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$7,857,142	8.98%	\$705,571
7	Total	100.0%	\$19,642,855	5.94%	\$1,167,123

16 App.2-OA: Capital Structure and Cost of Capital²
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² EB-2012-0116_Dec_PO3_Collus PowerStream_20131010_pg 57 of 107



1 Tables 5.1-2 summaries the capital structure proposed by EEDO in this Application.
 2
 3 Since acquiring the assets in October 2018, EEDO has not issued any preferred shares, has not
 4 retired any long-term debt, nor has it initiated any buy-back of units.
 5

6 **Table 5.1-2**
 7 **Summary of Proposed Cost of Capital in 2023 Test Year (\$)**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$19,166,996	3.98%	\$762,846
2	Short-term Debt	4.00%	\$1,369,071	1.17%	\$16,018
3	Total Debt	60.0%	\$20,536,067	3.79%	\$778,865
	Equity				
4	Common Equity	40.00%	\$13,690,711	8.66%	\$1,185,616
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$13,690,711	8.66%	\$1,185,616
7	Total	100.0%	\$34,226,778	5.74%	\$1,964,480

8
 9 *App.2-OA: Capital Structure and Cost of Capital / RRWF - 7. Cost of Capital*
 10
 11



1 **5.2 Cost of Capital**

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3 The tables below, also available in Chapter 2 App 2-OB_Debt Instruments have been included
4 for historical, bridge year and test years, with respect to the following:

5

- 6 • Short-term debt
- 7 • Long-term debt
- 8 • Preference shares
- 9 • Common equity

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11 **5.2.1 Short-Term Debt**

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13 For the purposes of preparing this Application, EEDO has used the cost of capital parameters
14 issued by the Board on October 28, 2021 which reflects a return on short term debt of 1.17%.
15 Short-term debt is typically used by EEDO to finance capital projects. EEDO will borrow all future
16 short-term debt requirements from its parent company EPCOR Utilities Inc. (“EUI”). Short-term
17 debt is typically refinanced the following year with a combination of cash, equity, and long-term
18 debt that maintains a capital structure as close to the approved capital structure as possible. If
19 appropriate, EEDO will update the return on short-term debt to reflect future Board issued cost of
20 capital parameters for cost of service rate applications with rates that have effective dates in 2023
21 prior to the issuance of the Board’s decision for this Application.

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1 **5.2.2 Long-Term Debt**

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 3 The tables below provide detail on EEDO’s actual long term debt instruments from 2013 actual -
 4 2023 test. Further detail regarding test year debt is included following the tables (Appendix 2-
 5 OB_Debt Instruments).
 6
 7

2013 Actual Debt Instruments

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ 1,710,170	5.58%	\$ 95,427
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 2,300,000	4.67%	\$ 107,410
3	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	1-Aug-12	25	\$ 6,107,632	3.84%	\$ 234,533
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 700,000	4.58%	\$ 32,060
8	Total						\$ 10,817,802	4.34%	\$ 469,431

9 *OSIFA - Ontario Strategic Infrastructure Financing Authority*

10 *OILC – Ontario Infrastructure and Lands Corporation*

11
 12 **2014 Actual Debt Instruments**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ 1,710,170	4.88%	\$ 83,456
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 2,100,000	4.67%	\$ 98,070
3	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	1-Aug-12	25	\$ 5,946,961	3.84%	\$ 228,363
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 688,787	4.58%	\$ 31,546
13	Total						\$ 10,445,918	4.23%	\$ 441,436

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 15 **2015 Actual Debt Instruments**

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ -	0.00%	\$ -
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 1,900,000	4.67%	\$ 88,730
3	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	1-Aug-12	25	\$ 5,780,010	3.84%	\$ 221,952
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 677,055	4.58%	\$ 31,009
5	Financing Agreement	OILC	Third-Party	Fixed Rate	15-Apr-15	20	\$ 975,000	2.76%	\$ 26,910
6	Commercial Loan	TD Commercial	Third-Party	Fixed Rate	24-Dec-15	10	\$ 1,400,000	3.65%	\$ 51,100
7	Commercial Loan	TD Commercial	Third-Party	Fixed Rate	24-Dec-15	10	\$ 1,710,170	3.65%	\$ 62,421
16	Total						\$ 12,442,235	3.87%	\$ 482,123

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2019 Actual Debt Instruments

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ -	0.00%	\$ -
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 1,100,000	4.67%	\$ 51,370
3	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	1-Aug-12	25	\$ 5,044,357	3.84%	\$ 193,703
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 624,427	4.58%	\$ 28,599
5	Financing Agreement	OILC	Third-Party	Fixed Rate	15-Apr-15	20	\$ 775,000	2.76%	\$ 21,390
6	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
7	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
8	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	3-Dec-18	30	\$ 8,100,000	4.30%	\$ 348,300
Total							\$ 15,643,784	4.11%	\$ 643,362

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2020 Actual Debt Instruments

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ -	0.00%	\$ -
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 900,000	4.67%	\$ 42,030
3	Government Agency Loan	OSIFA	Third-Party	Variable Rate	1-Aug-12	25	\$ 4,842,130	3.84%	\$ 185,938
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 609,711	4.58%	\$ 27,925
5	Financing Agreement	OILC	Third-Party	Fixed Rate	15-Apr-15	20	\$ 725,000	2.76%	\$ 20,010
6	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
7	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
8	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	3-Dec-18	30	\$ 8,100,000	4.30%	\$ 348,300
9	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	1-Dec-20	30	\$ 2,020,000	2.88%	\$ 58,176
Total							\$ 17,196,841	3.97%	\$ 682,379

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2021 Actual Debt Instruments

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) ²	Interest (\$) ¹
1	Promissory Note	Town of Collingwood	Affiliated	Variable Rate	1-Nov-01	0	\$ -	0.00%	\$ -
2	Government Agency Loan	OSIFA	Third-Party	Fixed Rate	15-Apr-10	15	\$ 700,000	4.67%	\$ 32,690
3	Government Agency Loan	OSIFA	Third-Party	Variable Rate	1-Aug-12	25	\$ 4,631,998	3.84%	\$ 177,869
4	Financing Agreement	OILC	Third-Party	Fixed Rate	26-Jul-12	30	\$ 594,313	4.58%	\$ 27,220
5	Financing Agreement	OILC	Third-Party	Fixed Rate	15-Apr-15	20	\$ 675,000	2.76%	\$ 18,630
6	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
7	Commercial Loan	TD Commercial bank	Third-Party	Fixed Rate	24-Dec-15	10	\$ -	3.65%	\$ -
8	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	3-Dec-18	30	\$ 8,100,000	4.30%	\$ 348,300
9	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	1-Dec-20	30	\$ 2,020,000	2.88%	\$ 58,176
10	Promissory Note	EPCOR Utilities Inc.	Affiliated	Fixed Rate	15-Dec-21	30	\$ 2,000,000	3.41%	\$ 68,200
Total							\$ 18,721,311	3.91%	\$ 731,084

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Table 5.2-1
Long-Term Cost of Debt – Promissory Note from Affiliate

	A	B
	Dated	Value
1 GoC 30 Year Rate	3-Dec-03	1.57%
2 EEDO Credit Spread		1.84%
3 Transaction Fee		0.05%
4 Total Rate		4.30%

The credit spread of 1.84% is based on market rates observed in December 2018. EEDO's credit spread is based on a top-down internal credit analysis conducted by EPCOR's Treasury group and is consistent with the process undertaken for all subsidiaries. The analysis considered many items including qualitative factors such as business and industry risk as well as quantitative factors such as financial and liquidity risk. Given EEDO's stable industry and scope of operations, the analysis results in a strong investment grade credit rating of BBB. This rating will be assessed periodically overtime to ensure its validity.

The GoC 30 Year Rate is based on a market quote from one of EPCOR's banks and is indicative of the underlying rate on the transaction date (December 3, 2018).

All of EEDO's subsequent long-term debt issuances since 2018 has been priced using this same market-based approach.

EEDO targets a capitalization ratio consistent with current Board policy. The capital requirements of the business, as described in Exhibit 2, will be financed in part with long-term debt sourced from EUJ on similar terms to that of the existing Promissory Notes. For the 2022 Bridge Year and 2023 Test Year the OEB deemed long-term debt rate which were effective January 1, 2022 is not appropriate for the expected 2022 Bridge Year long-term debt issuance nor the expected 2023 long-term debt issuance. Debt markets have moved substantially since the 2022 OEB deemed long-term debt rates were established, using data from the fall of 2021. The OEB's methodology using September 2021 data resulted in a Long Canada Bond Forecast of 2.14%. With the



1 movements in the underlying 30 year rates in the market, the current 30 year rate has been in the
2 2.60% to 3.00% range in April and May of 2022. In addition, the OEB's data on credit spreads is
3 from September 2021 and market credit spread have also significantly increased due to market
4 uncertainty. Based on market information from one of EPCOR's banks, EPCOR's (A- rated) credit
5 spread over 30 Year underlying rates was 1.85% in early May 2022 and clearly shows that credit
6 spreads have also significantly increased since the OEB's deemed long-term rate calculations
7 were prepared using September 2021 actual data. As a result of the significant movement in both
8 underlying rates and credit spreads, EEDO does not believe that using the 2022 OEB deemed
9 cost of long-term debt is reasonable for the 2022 Bridge Year nor the 2023 Test Year debt
10 issuances anticipated. EEDO has calculated long-term debt rates for the 2022 Bridge Year and
11 2023 Test Year using bank forecasts of the 30 Year underlying rates for Q4 of 2022 and 2023
12 respectively and has used current market data for credit spreads (BBB rating). The calculated
13 rates for 2022 Bridge Year and 2023 Test Year are shown in Table 5.2-2 below:

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Table 5.2-2
Long-Term Cost of Debt – 2002 Bridge Year and 2023 Test Year

	A	B	C
	Dated	2022 Bridge Year	2023 Test Year
1 GoC 30 Year Rate	Forecast	3.07%	2.85%
2 EEDO Credit Spread	Current Market Data	2.13%	2.13%
3 Transaction Fee		0.05%	0.05%
4 Total Rate		5.25%	5.03%

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EEDO expects to add \$1.20 million of new long-term debt in the 2022 Bridge Year and \$1.20 million of new long-term debt in the 2023 Test Year in order to finance capital expenditures and maintain an appropriate capitalization ratio. When combined with the existing long-term debt, the weighted average cost of long-term debt in 2023 is estimated to be 3.98%. This is shown in the 2023 Test Year Debt Instruments table above.



1 **5.2.3 Preferred Shares**

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3 EEDO does not currently have any preferred shares nor does it have any plans to issue preferred
4 shares.

5 **5.2.4 Common Equity**

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7 EEDO is a subsidiary of EPCOR Utilities Inc., which includes the City of Edmonton as its sole
8 shareholder. For the purposes of preparing this Application, EEDO has used the cost of capital
9 parameters issued by the Board on October 28, 2021 which reflects a return on equity of 8.66%.

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11 If appropriate, EEDO will update the return on equity to reflect future Board issued cost of capital
12 parameters for cost of service rate applications with rates that have effective dates in 2023 prior
13 to the issuance of the Board's decision for this Application.

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APPENDIX A – Promissory Notes

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

PROMISSORY NOTE

To be Dated December 3, 2018

To Mature December 3, 2048

FOR VALUE RECEIVED the undersigned, EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC., an Alberta corporation having its head office in Edmonton, Alberta, (the “**Borrower**”) hereby promises to pay to the order of EPCOR Utilities Inc. (the “**Lender**”) at the City of Edmonton, Alberta, the Principal Sum, such Principal Sum to be payable per attached Schedule A.

1. Loan

The Borrower and the Lender acknowledge that this promissory note (this “**Note**”) is being executed and delivered by the Borrower in favour of the Lender.

2. Use of Proceeds

The net proceeds will be used for general corporate purposes.

3. Principal Sum

For the purposes here of “Principal Sum” shall mean the sum of \$8,100,000.00 in the lawful money of Canada (Canadian EIGHT MILLION ONE HUNDRED THOUSAND DOLLARS AND ZERO CENTS).

4. Term and Maturity

The term of the loan is 30 years with final maturity date of December 3, 2048.

5. Repayment

The Borrower agrees to repay the Principal Sum in accordance with Schedule A.

6. Prepayment

The Borrower may, upon five (5) business days’ written notice to the Lender, prepay all or any part of the Principal Sum outstanding at the greater of the Canada Yield Price and the Principal Sum, whichever the Lender determines, together with accrued and unpaid interest to the date of prepayment. “Canada Yield Price”, for the purposes of this Note, means the price, equal to the net present value of all scheduled payments of interest (other than accrued and unpaid interest) and principal, using as a discount rate the sum of the Canada Yield and 50 basis points. “Canada Yield”, for the purposes of this Note, means, on any date, the arithmetic average (rounded to the nearest 1/100 of 1%) of the respective percentages determined by two Reference Dealers to be the yield to maturity, determined on such date in accordance with generally accepted financial practice, assuming semi-annual compounding, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada at 100% of its principal amount, on such date with a term to maturity

approximately equal to the remaining term to maturity of this Note. A “Reference Dealer”, for the purposes of this Note, means any nationally recognized Canadian investment dealer selected by the Lender.

7. Interest

The Borrower agrees to pay interest at the rate of 4.30% per annum and payable semi-annually and in arrears, on December 3rd and June 3rd of each year commencing on June 3, 2019, in accordance with Schedule A. Upon default in payment of any payment when due hereunder, in addition to any other remedy of the Lender, the undersigned covenants to pay interest on the entire unpaid balance of the principal amount and accrued interest and on subsequent overdue interest at the rate aforesaid, both before and after judgment, until paid in full.

8. Representation and Warranties of the Borrower

The Borrower represents and warrants:

- a) it is a corporation incorporated under the laws of Alberta, and that it is duly registered or qualified to carry on business in all jurisdictions where the nature of its properties, assets or its business makes such registration or qualification necessary;
- b) the execution and delivery of this Note have been duly authorized by all necessary actions and does not (i) violate any law, regulation or rule by which it is bound, (ii) violate any provision of its constating documents, by-laws or any unanimous shareholder agreement to which it is subject or (iii) result in a breach of, a default under, or the creation of any encumbrance on its properties and assets or under any agreement or instrument to which it is a party or by which it or any of its properties and assets may be bound or affected; and
- c) no event has occurred which constitutes, or which with giving of notice, lapse of time or other condition would constitute, a default having a material adverse effect on its financial condition under or in respect of any agreement, undertaking or instrument to which it or any of its properties or assets may be subject.

9. Covenants of the Borrower

- a) *Payment of Obligations.* The Borrower will duly and punctually pay all sums of money due and payable by it under this Note.
- b) *Maintenance of Existence.* The Borrower will take such action to preserve and maintain its existence and all of the material rights, qualifications, authorizations, privileges, licenses and franchises which are necessary in the normal conduct of its business, except where the failure to preserve and maintain such rights, qualifications, authorizations, privileges, licenses and franchises would not have a material adverse effect on the Borrower.
- c) *Other Information.* The Borrower will promptly provide to the Lender all information regarding the financial condition, business, property and operations of the Borrower that the Lender may reasonably request from time to time.
- d) *Records Access.* The Borrower will keep proper and adequate records and books of account in which true and complete entries are made in accordance with generally accepted accounting principles applied on a consistent basis, and upon reasonable notice, the Borrower will permit representatives of the Lender to

examine, copy, make abstracts and audit relevant portions of its books, accounts and records, in each case, at the Borrower's expense.

- e) *Compliance with Constating Documents and Law.* The Borrower will comply at all times and in all respects with its constating documents and by-laws and with all applicable laws and environmental standards, except where the failure to so comply with such Applicable Law would not have material adverse effect on the Borrower.
- f) *Payment of Taxes.* The Borrower will pay all taxes, rates and assessments, government charges or levies lawfully levied, assessed or imposed upon the Borrower or upon its properties or any part thereof, as and when the same become due and payable, except to the extent and for so long as the Borrower shall contest in good faith its obligation to do so, provided that in such case the Borrower shall satisfy the Lender that any such contestation will involve no forfeiture of any material part of the assets of the Borrower and that it will exhibit to the Lender, when required, the receipts and vouchers establishing such payment.
- g) *Notice of Default.* The Borrower will, upon obtaining knowledge thereof, provide prompt notice in writing to the Lender of any default of any of its obligations under this Note.
- h) *Notice of Litigation.* The Borrower will provide the Lender with prompt notice in writing of any action, suit, litigation or other proceeding which is commenced or, to the knowledge of any senior officer of the Borrower after due inquiry, threatened against the Borrower which would have a material adverse effect on the financial condition of the Borrower.

10. **Waiver of Demand, etc.**

The Borrower hereby waives presentment, demand, protest and notice of any kind in connection with the delivery, acceptance, performance and enforcement of the Note.

11. **Default**

This Note shall become and be due and payable as hereafter provided if any one or more of the following events (herein called "**Events of Default**") shall have occurred and be continuing:

- (a) if default shall be made in the due and punctual payment of the principal or interest of this Note when and as the same shall become due and payable whether at the maturity hereof, by acceleration or otherwise, and such default shall have continued unremedied for a period of fourteen (14) days after written notice thereof has been given to the Borrower by the Lender;
- (b) if default shall be made in the performance or observance of any of the covenants, agreements or conditions contained in the Note and the default shall have continued unremedied for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Lender;
- (c) if the Borrower defaults under any debt in excess of \$1,000,000 and as a result of which all such debt becomes due and payable immediately, or the creditor is entitled to exercise any remedies against the Borrower;
- (d) if the Borrower shall admit in writing its inability to pay its debts generally as they become due; file a petition in bankruptcy or a petition to take advantage of any insolvency act; make an assignment for the benefit of its creditors; consent to the appointment of a receiver of itself or of the whole or any substantial

part of its property; on a petition in bankruptcy filed against it; or file a petition or answer seeking reorganization or arrangement under Canadian bankruptcy laws;

- (e) if a court of competent jurisdiction shall enter an order, judgment or decree appointing without consent of the Borrower, a receiver of the Borrower or of the whole or any substantial part of the property of the Borrower or approving a petition filed against the Borrower or seeking reorganization or arrangement of the Borrower under any applicable law or statute of Canada or any province thereof, and the order, judgment or decree shall not be vacated or set aside or stayed with thirty (30) days from the date of the entry thereof;
- (f) if under the provisions of any other law for the relief or aid of debtors, and court of competent jurisdiction shall assume custody and control of the Borrower or of the whole or any substantial part of the property of the Borrower and custody or control shall not be terminated or stayed within thirty (30) days from the date of assumption of custody or control; or
- (g) if there is a change in ownership of the Borrower.

The Principal Sum and all interest accrued and remaining outstanding at the time of such Event of Default, upon notice in writing given by the Lender to the Borrower, shall immediately become due and payable by the Borrower to the Lender, provided that such acceleration of the indebtedness of the Borrower to the Lender with respect the Event of Default listed in item (d) shall be effective immediately upon the occurrence of such Event of Default without the necessity of such notice being such by the Lender to the Borrower. The Lender may proceed to protect and enforce its right either by suit in equity and/or by action and law, whether for the specific performance of any covenant or agreement contained in this Note or in Aid of the exercise of any power granted in the Note, or proceed to enforce the payment of this Note or to enforce any other legal or equitable rights of the Lender.

12. Notices

All notices and demands provided for herein shall be in writing and shall be personally delivered or mailed by prepaid registered mail to the Borrower at 2000, 10423 101 Street, Edmonton, Alberta, T5H 0E8 or to such other address as either party may from time to time designate to the other party by notice in the aforesaid manner. Any notice or demand so personally delivered shall be deemed to have been validly and effectively given and received on the date of such delivery. Any notice or demand so mailed shall be deemed to have been validly and effectively given and received on the fifth day following the date of mailing.

13. Assignment

Neither the Borrower nor the Lender may assign any of their respective rights or obligations hereunder without the prior written consent of the Borrower (in the case of any assignment by the Lender) or the Lender (in the case of any assignment by the Borrower).

In addition, the Lender acknowledges that the Borrower may be amalgamated (any such amalgamated company being herein called "Amalco"). Upon such amalgamation Amalco shall possess, and be subject to, all rights, privileges, liabilities and obligations of the Borrower hereunder and all references to the Borrower shall be deemed to refer to "Amalco".

14. Governing Law

This Note shall be construed, interpreted and enforced in accordance with, and the rights and obligations of the parties shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein and each party hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 3rd day of December 2018.

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

Per: 

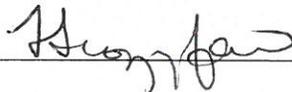
Stephen Stanley
Senior Vice President

Per: 

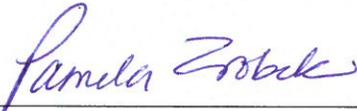
Jaycn Koski
Controller

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 3rd day of December 2018.

EPCOR UTILITIES INC.

Per: 

Tony Scozzafava
Senior Vice President & Chief Financial Officer

Per: 

Pam Zrobek
Treasurer

Schedule A - Payment Schedule for Promissory Note to EPCOR Utilities Inc.

issued by

EPCOR Electricity Distribution Ontario Inc.

Cdn. \$8.1 Million 30 Year Note @ 4.3% Due December 3, 2048

<u>Date</u>	<u>Opening Principal</u>	<u>Interest Rate</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Closing Principal</u>
3-Dec-18	8,100,000	4.30%	-	-	-	8,100,000
3-Jun-19	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-19	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-20	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-20	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-21	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-21	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-22	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-22	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-23	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-23	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-24	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-24	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-25	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-25	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-26	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-26	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-27	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-27	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-28	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-28	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-29	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-29	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-30	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-30	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-31	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-31	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-32	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-32	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-33	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-33	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-34	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Dec-34	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000
3-Jun-35	8,100,000	4.30%	(174,150)	(174,150)	(174,150)	8,100,000

3-Dec-35	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-36	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-36	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-37	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-37	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-38	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-38	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-39	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-39	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-40	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-40	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-41	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-41	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-42	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-42	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-43	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-43	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-44	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-44	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-45	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-45	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-46	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-46	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-47	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-47	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Jun-48	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
3-Dec-48	8,100,000	4.30%	(174,150)	(174,150)	8,100,000	(174,150)	8,100,000
			(8,274,150)	(8,100,000)		(174,150)	-
Total Paid			(18,549,000)	(8,100,000)		(10,449,000)	

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

PROMISSORY NOTE

To be Dated December 1, 2020

To Mature December 1, 2050

FOR VALUE RECEIVED the undersigned, EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC., an Alberta corporation having its head office in Edmonton, Alberta, (the “**Borrower**”) hereby promises to pay to the order of EPCOR Utilities Inc. (the “**Lender**”) at the City of Edmonton, Alberta, the Principal Sum, such Principal Sum to be payable per attached Schedule A.

1. Loan

The Borrower and the Lender acknowledge that this promissory note (this “**Note**”) is being executed and delivered by the Borrower in favour of the Lender.

2. Use of Proceeds

The net proceeds will be used for general corporate purposes.

3. Principal Sum

For the purposes here of “Principal Sum” shall mean the sum of \$2,020,000.00 in the lawful money of Canada (Canadian TWO MILLION TWENTY THOUSAND DOLLARS AND ZERO CENTS).

4. Term and Maturity

The term of the loan is 30 years with final maturity date of December 1, 2050.

5. Repayment

The Borrower agrees to repay the Principal Sum in accordance with Schedule A.

6. Prepayment

The Borrower may, upon five (5) business days’ written notice to the Lender, prepay all or any part of the Principal Sum outstanding at the greater of the Canada Yield Price and the Principal Sum, whichever the Lender determines, together with accrued and unpaid interest to the date of prepayment. “Canada Yield Price”, for the purposes of this Note, means the price, equal to the net present value of all scheduled payments of interest (other than accrued and unpaid interest) and principal, using as a discount rate the sum of the Canada Yield and 50 basis points. “Canada Yield”, for the purposes of this Note, means, on any date, the arithmetic average (rounded to the nearest 1/100 of 1%) of the respective percentages determined by two Reference Dealers to be the yield to maturity, determined on such date in accordance with generally accepted financial practice, assuming semi-annual compounding, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada at 100% of its principal amount, on such date with a term to maturity

approximately equal to the remaining term to maturity of this Note. A “Reference Dealer”, for the purposes of this Note, means any nationally recognized Canadian investment dealer selected by the Lender.

7. Interest

The Borrower agrees to pay interest at the rate of 2.88% per annum and payable semi-annually and in arrears, on December 1st and June 1st of each year commencing on June 1, 2021, in accordance with Schedule A. Upon default in payment of any payment when due hereunder, in addition to any other remedy of the Lender, the undersigned covenants to pay interest on the entire unpaid balance of the principal amount and accrued interest and on subsequent overdue interest at the rate aforesaid, both before and after judgment, until paid in full.

8. Representation and Warranties of the Borrower

The Borrower represents and warrants:

- a) it is a corporation incorporated under the laws of Alberta, and that it is duly registered or qualified to carry on business in all jurisdictions where the nature of its properties, assets or its business makes such registration or qualification necessary;
- b) the execution and delivery of this Note have been duly authorized by all necessary actions and does not (i) violate any law, regulation or rule by which it is bound, (ii) violate any provision of its constating documents, by-laws or any unanimous shareholder agreement to which it is subject or (iii) result in a breach of, a default under, or the creation of any encumbrance on its properties and assets or under any agreement or instrument to which it is a party or by which it or any of its properties and assets may be bound or affected; and
- c) no event has occurred which constitutes, or which with giving of notice, lapse of time or other condition would constitute, a default having a material adverse effect on its financial condition under or in respect of any agreement, undertaking or instrument to which it or any of its properties or assets may be subject.

9. Covenants of the Borrower

- a) *Payment of Obligations.* The Borrower will duly and punctually pay all sums of money due and payable by it under this Note.
- b) *Maintenance of Existence.* The Borrower will take such action to preserve and maintain its existence and all of the material rights, qualifications, authorizations, privileges, licenses and franchises which are necessary in the normal conduct of its business, except where the failure to preserve and maintain such rights, qualifications, authorizations, privileges, licenses and franchises would not have a material adverse effect on the Borrower.
- c) *Other Information.* The Borrower will promptly provide to the Lender all information regarding the financial condition, business, property and operations of the Borrower that the Lender may reasonably request from time to time.
- d) *Records Access.* The Borrower will keep proper and adequate records and books of account in which true and complete entries are made in accordance with generally accepted accounting principles applied on a consistent basis, and upon reasonable notice, the Borrower will permit representatives of the Lender to

examine, copy, make abstracts and audit relevant portions of its books, accounts and records, in each case, at the Borrower's expense.

- e) *Compliance with Constating Documents and Law.* The Borrower will comply at all times and in all respects with its constating documents and by-laws and with all applicable laws and environmental standards, except where the failure to so comply with such Applicable Law would not have material adverse effect on the Borrower.
- f) *Payment of Taxes.* The Borrower will pay all taxes, rates and assessments, government charges or levies lawfully levied, assessed or imposed upon the Borrower or upon its properties or any part thereof, as and when the same become due and payable, except to the extent and for so long as the Borrower shall contest in good faith its obligation to do so, provided that in such case the Borrower shall satisfy the Lender that any such contestation will involve no forfeiture of any material part of the assets of the Borrower and that it will exhibit to the Lender, when required, the receipts and vouchers establishing such payment.
- g) *Notice of Default.* The Borrower will, upon obtaining knowledge thereof, provide prompt notice in writing to the Lender of any default of any of its obligations under this Note.
- h) *Notice of Litigation.* The Borrower will provide the Lender with prompt notice in writing of any action, suit, litigation or other proceeding which is commenced or, to the knowledge of any senior officer of the Borrower after due inquiry, threatened against the Borrower which would have a material adverse effect on the financial condition of the Borrower.

10. **Waiver of Demand, etc.**

The Borrower hereby waives presentment, demand, protest and notice of any kind in connection with the delivery, acceptance, performance and enforcement of the Note.

11. **Default**

This Note shall become and be due and payable as hereafter provided if any one or more of the following events (herein called "**Events of Default**") shall have occurred and be continuing:

- (a) if default shall be made in the due and punctual payment of the principal or interest of this Note when and as the same shall become due and payable whether at the maturity hereof, by acceleration or otherwise, and such default shall have continued unremedied for a period of fourteen (14) days after written notice thereof has been given to the Borrower by the Lender;
- (b) if default shall be made in the performance or observance of any of the covenants, agreements or conditions contained in the Note and the default shall have continued unremedied for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Lender;
- (c) if the Borrower defaults under any debt in excess of \$1,000,000 and as a result of which all such debt becomes due and payable immediately, or the creditor is entitled to exercise any remedies against the Borrower;
- (d) if the Borrower shall admit in writing its inability to pay its debts generally as they become due; file a petition in bankruptcy or a petition to take advantage of any insolvency act; make an assignment for the benefit of its creditors; consent to the appointment of a receiver of itself or of the whole or any substantial

part of its property; on a petition in bankruptcy filed against it; or file a petition or answer seeking reorganization or arrangement under Canadian bankruptcy laws;

- (e) if a court of competent jurisdiction shall enter an order, judgment or decree appointing without consent of the Borrower, a receiver of the Borrower or of the whole or any substantial part of the property of the Borrower or approving a petition filed against the Borrower or seeking reorganization or arrangement of the Borrower under any applicable law or statute of Canada or any province thereof, and the order, judgment or decree shall not be vacated or set aside or stayed with thirty (30) days from the date of the entry thereof;
- (f) if under the provisions of any other law for the relief or aid of debtors, and court of competent jurisdiction shall assume custody and control of the Borrower or of the whole or any substantial part of the property of the Borrower and custody or control shall not be terminated or stayed within thirty (30) days from the date of assumption of custody or control; or
- (g) if there is a change in ownership of the Borrower.

The Principal Sum and all interest accrued and remaining outstanding at the time of such Event of Default, upon notice in writing given by the Lender to the Borrower, shall immediately become due and payable by the Borrower to the Lender, provided that such acceleration of the indebtedness of the Borrower to the Lender with respect the Event of Default listed in item (d) shall be effective immediately upon the occurrence of such Event of Default without the necessity of such notice being such by the Lender to the Borrower. The Lender may proceed to protect and enforce its right either by suit in equity and/or by action and law, whether for the specific performance of any covenant or agreement contained in this Note or in Aid of the exercise of any power granted in the Note, or proceed to enforce the payment of this Note or to enforce any other legal or equitable rights of the Lender.

12. Notices

All notices and demands provided for herein shall be in writing and shall be personally delivered or mailed by prepaid registered mail to the Borrower at 2000, 10423 101 Street, Edmonton, Alberta, T5H 0E8 or to such other address as either party may from time to time designate to the other party by notice in the aforesaid manner. Any notice or demand so personally delivered shall be deemed to have been validly and effectively given and received on the date of such delivery. Any notice or demand so mailed shall be deemed to have been validly and effectively given and received on the fifth day following the date of mailing.

13. Assignment

Neither the Borrower nor the Lender may assign any of their respective rights or obligations hereunder without the prior written consent of the Borrower (in the case of any assignment by the Lender) or the Lender (in the case of any assignment by the Borrower).

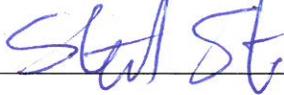
In addition, the Lender acknowledges that the Borrower may be amalgamated (any such amalgamated company being herein called "Amalco"). Upon such amalgamation Amalco shall possess, and be subject to, all rights, privileges, liabilities and obligations of the Borrower hereunder and all references to the Borrower shall be deemed to refer to "Amalco".

14. Governing Law

This Note shall be construed, interpreted and enforced in accordance with, and the rights and obligations of the parties shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein and each party hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 2nd day of December 2020.

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

Per:  _____

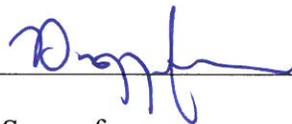
Stephen Stanley
Senior Vice President, Commercial Services

Per:  _____

Jacyn Koski
Treasurer and Commercial Services Controller

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 2nd day of December 2020.

EPCOR UTILITIES INC.

Per:  _____

Tony Scozzafava
Senior Vice President & Chief Financial Officer

Per:  _____

Jacyn Koski
Treasurer and Commercial Services Controller

Schedule A - Payment Schedule for Promissory Note to EPCOR Utilities Inc.

issued by

EPCOR Electricity Distribution Ontario Inc.

Cdn. \$2 Million 30 Year Note @ 2.88% Due December 1, 2050

<u>Date</u>	<u>Opening Principal</u>	<u>Interest Rate</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Closing Principal</u>
1-Dec-20	2,020,000	2.88%	-		-	2,020,000
1-Jun-21	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-21	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-22	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-22	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-23	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-23	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-24	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-24	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-25	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-25	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-26	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-26	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-27	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-27	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-28	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-28	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-29	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-29	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-30	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-30	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-31	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-31	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-32	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-32	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-33	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-33	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-34	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-34	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-35	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-35	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-36	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-36	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-37	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Dec-37	2,020,000	2.88%	(29,088)		(29,088)	2,020,000
1-Jun-38	2,020,000	2.88%	(29,088)		(29,088)	2,020,000

1-Dec-38	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-39	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-39	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-40	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-40	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-41	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-41	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-42	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-42	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-43	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-43	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-44	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-44	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-45	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-45	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-46	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-46	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-47	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-47	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-48	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-48	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-49	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-49	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Jun-50	2,020,000	2.88%	(29,088)	(29,088)	2,020,000	(29,088)	2,020,000
1-Dec-50	2,020,000	2.88%	(2,049,088)	(2,020,000)	(2,020,000)	(29,088)	2,020,000
Total Paid			(3,765,280)	(2,020,000)		(1,745,280)	

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

PROMISSORY NOTE

To be Dated December 15, 2021

To Mature December 15, 2051

FOR VALUE RECEIVED the undersigned, EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC., an Ontario corporation (the “**Borrower**”) hereby promises to pay to the order of EPCOR Utilities Inc. (the “**Lender**”) at the City of Edmonton, Alberta, the Principal Sum, such Principal Sum to be payable per attached Schedule A.

1. Loan

The Borrower and the Lender acknowledge that this promissory note (this “**Note**”) is being executed and delivered by the Borrower in favour of the Lender.

2. Use of Proceeds

The net proceeds will be used for general corporate purposes.

3. Principal Sum

For the purposes here of “Principal Sum” shall mean the sum of \$2,000,000.00 in the lawful money of Canada (Canadian TWO MILLION DOLLARS AND ZERO CENTS).

4. Term and Maturity

The term of the loan is 30 years with final maturity date of December 15, 2051.

5. Repayment

The Borrower agrees to repay the Principal Sum in accordance with Schedule A.

6. Prepayment

The Borrower may, upon five (5) business days’ written notice to the Lender, prepay all or any part of the Principal Sum outstanding at the greater of the Canada Yield Price and the Principal Sum, whichever the Lender determines, together with accrued and unpaid interest to the date of prepayment. “Canada Yield Price”, for the purposes of this Note, means the price, equal to the net present value of all scheduled payments of interest (other than accrued and unpaid interest) and principal, using as a discount rate the sum of the Canada Yield and 50 basis points. “Canada Yield”, for the purposes of this Note, means, on any date, the arithmetic average (rounded to the nearest 1/100 of 1%) of the respective percentages determined by two Reference Dealers to be the yield to maturity, determined on such date in accordance with generally accepted financial practice, assuming semi-annual compounding, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada at 100% of its principal amount, on such date with a term to maturity approximately equal to the remaining term to maturity of this Note. A “Reference Dealer”, for the purposes of this Note, means any nationally recognized Canadian investment dealer selected by the Lender.

7. Interest

The Borrower agrees to pay interest at the rate of 3.41% per annum and payable semi-annually and in arrears, on June 15th and December 15th of each year commencing on June 15th, 2022, in accordance with Schedule A. Upon default in payment of any payment when due hereunder, in addition to any other remedy of the Lender, the undersigned covenants to pay interest on the entire unpaid balance of the principal amount and accrued interest and on subsequent overdue interest at the rate aforesaid, both before and after judgment, until paid in full.

8. Representation and Warranties of the Borrower

The Borrower represents and warrants:

- a) it is a corporation incorporated under the laws of Alberta, and that it is duly registered or qualified to carry on business in all jurisdictions where the nature of its properties, assets or its business makes such registration or qualification necessary;
- b) the execution and delivery of this Note have been duly authorized by all necessary actions and does not (i) violate any law, regulation or rule by which it is bound, (ii) violate any provision of its constituting documents, by-laws or any unanimous shareholder agreement to which it is subject or (iii) result in a breach of, a default under, or the creation of any encumbrance on its properties and assets or under any agreement or instrument to which it is a party or by which it or any of its properties and assets may be bound or affected; and
- c) no event has occurred which constitutes, or which with giving of notice, lapse of time or other condition would constitute, a default having a material adverse effect on its financial condition under or in respect of any agreement, undertaking or instrument to which it or any of its properties or assets may be subject.

9. Covenants of the Borrower

- a) *Payment of Obligations.* The Borrower will duly and punctually pay all sums of money due and payable by it under this Note.
- b) *Maintenance of Existence.* The Borrower will take such action to preserve and maintain its existence and all of the material rights, qualifications, authorizations, privileges, licenses and franchises which are necessary in the normal conduct of its business, except where the failure to preserve and maintain such rights, qualifications, authorizations, privileges, licenses and franchises would not have a material adverse effect on the Borrower.
- c) *Other Information.* The Borrower will promptly provide to the Lender all information regarding the financial condition, business, property and operations of the Borrower that the Lender may reasonably request from time to time.
- d) *Records Access.* The Borrower will keep proper and adequate records and books of account in which true and complete entries are made in accordance with generally accepted accounting principles applied on a consistent basis, and upon reasonable notice, the Borrower will permit representatives of the Lender to examine, copy, make abstracts and audit relevant portions of its books, accounts and records, in each case, at the Borrower's expense.

- e) *Compliance with Constating Documents and Law.* The Borrower will comply at all times and in all respects with its constating documents and by-laws and with all applicable laws and environmental standards, except where the failure to so comply with such Applicable Law would not have material adverse effect on the Borrower.
- f) *Payment of Taxes.* The Borrower will pay all taxes, rates and assessments, government charges or levies lawfully levied, assessed or imposed upon the Borrower or upon its properties or any part thereof, as and when the same become due and payable, except to the extent and for so long as the Borrower shall contest in good faith its obligation to do so, provided that in such case the Borrower shall satisfy the Lender that any such contestation will involve no forfeiture of any material part of the assets of the Borrower and that it will exhibit to the Lender, when required, the receipts and vouchers establishing such payment.
- g) *Notice of Default.* The Borrower will, upon obtaining knowledge thereof, provide prompt notice in writing to the Lender of any default of any of its obligations under this Note.
- h) *Notice of Litigation.* The Borrower will provide the Lender with prompt notice in writing of any action, suit, litigation or other proceeding which is commenced or, to the knowledge of any senior officer of the Borrower after due inquiry, threatened against the Borrower which would have a material adverse effect on the financial condition of the Borrower.

10. **Waiver of Demand, etc.**

The Borrower hereby waives presentment, demand, protest and notice of any kind in connection with the delivery, acceptance, performance and enforcement of the Note.

11. **Default**

This Note shall become and be due and payable as hereafter provided if any one or more of the following events (herein called “**Events of Default**”) shall have occurred and be continuing:

- (a) if default shall be made in the due and punctual payment of the principal or interest of this Note when and as the same shall become due and payable whether at the maturity hereof, by acceleration or otherwise, and such default shall have continued unremedied for a period of fourteen (14) days after written notice thereof has been given to the Borrower by the Lender;
- (b) if default shall be made in the performance or observance of any of the covenants, agreements or conditions contained in the Note and the default shall have continued unremedied for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Lender;
- (c) if the Borrower defaults under any debt in excess of \$1,000,000 and as a result of which all such debt becomes due and payable immediately, or the creditor is entitled to exercise any remedies against the Borrower;
- (d) if the Borrower shall admit in writing its inability to pay its debts generally as they become due; file a petition in bankruptcy or a petition to take advantage of any insolvency act; make an assignment for the benefit of its creditors; consent to the appointment of a receiver of itself or of the whole or any substantial part of its property; on a petition in bankruptcy filed against it; or file a petition or answer seeking reorganization or arrangement under Canadian bankruptcy laws;

- (e) if a court of competent jurisdiction shall enter an order, judgment or decree appointing without consent of the Borrower, a receiver of the Borrower or of the whole or any substantial part of the property of the Borrower or approving a petition filed against the Borrower or seeking reorganization or arrangement of the Borrower under any applicable law or statute of Canada or any province thereof, and the order, judgment or decree shall not be vacated or set aside or stayed with thirty (30) days from the date of the entry thereof;
- (f) if under the provisions of any other law for the relief or aid of debtors, and court of competent jurisdiction shall assume custody and control of the Borrower or of the whole or any substantial part of the property of the Borrower and custody or control shall not be terminated or stayed within thirty (30) days from the date of assumption of custody or control; or
- (g) if there is a change in ownership of the Borrower.

The Principal Sum and all interest accrued and remaining outstanding at the time of such Event of Default, upon notice in writing given by the Lender to the Borrower, shall immediately become due and payable by the Borrower to the Lender, provided that such acceleration of the indebtedness of the Borrower to the Lender with respect the Event of Default listed in item (d) shall be effective immediately upon the occurrence of such Event of Default without the necessity of such notice being such by the Lender to the Borrower. The Lender may proceed to protect and enforce its right either by suit in equity and/or by action and law, whether for the specific performance of any covenant or agreement contained in this Note or in Aid of the exercise of any power granted in the Note, or proceed to enforce the payment of this Note or to enforce any other legal or equitable rights of the Lender.

12. Notices

All notices and demands provided for herein shall be in writing and shall be personally delivered or mailed by prepaid registered mail to the Borrower at 2000, 10423 101 Street, Edmonton, Alberta, T5H 0E8 or to such other address as either party may from time to time designate to the other party by notice in the aforesaid manner. Any notice or demand so personally delivered shall be deemed to have been validly and effectively given and received on the date of such delivery. Any notice or demand so mailed shall be deemed to have been validly and effectively given and received on the fifth day following the date of mailing.

13. Assignment

Neither the Borrower nor the Lender may assign any of their respective rights or obligations hereunder without the prior written consent of the Borrower (in the case of any assignment by the Lender) or the Lender (in the case of any assignment by the Borrower).

In addition, the Lender acknowledges that the Borrower may be amalgamated (any such amalgamated company being herein called "Amalco"). Upon such amalgamation Amalco shall possess, and be subject to, all rights, privileges, liabilities and obligations of the Borrower hereunder and all references to the Borrower shall be deemed to refer to "Amalco".

14. Governing Law

This Note shall be construed, interpreted and enforced in accordance with, and the rights and obligations of the parties shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein and each party hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 21st day of December 2021.

EPCOR ELECTRICITY DISTRIBUTION ONTARIO INC.

Per: 

John Elford
Senior Vice President, Commercial Services

Per: 

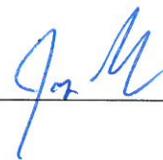
Jacyn Koski
Treasurer and Commercial Services Controller

The undersigned agrees to the foregoing terms. DATED and executed at Edmonton, Alberta as of the 21st day of December 2021.

EPCOR UTILITIES INC.

Per: 

Tony Scozzafava
Senior Vice President & Chief Financial Officer

Per:  _____

Jacyn Koski
Treasurer and Commercial Services Controller

Schedule A - Payment Schedule for Promissory Note to EPCOR Utilities Inc.

issued by

EPCOR Electricity Distribution Ontario Inc.**Cdn. \$2 Million 30 Year Note @ 3.41% Due December 15, 2051**

Date	Opening Principal	Interest Rate	Total Payment	Principal Payment	Interest Payment	Closing Principal
15-Dec-21	2,000,000	3.41%	-	-	-	2,000,000
15-Jun-22	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-22	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-23	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-23	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-24	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-24	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-25	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-25	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-26	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-26	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-27	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-27	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-28	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-28	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-29	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-29	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-30	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-30	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-31	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-31	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-32	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-32	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-33	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-33	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-34	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-34	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-35	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-35	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-36	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-36	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-37	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-37	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Jun-38	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000
15-Dec-38	2,000,000	3.41%	(34,100)	(34,100)	(34,100)	2,000,000

15-Jun-39	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-39	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-40	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-40	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-41	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-41	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-42	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-42	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-43	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-43	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-44	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-44	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-45	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-45	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-46	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-46	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-47	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-47	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-48	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-48	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-49	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-49	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-50	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-50	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Jun-51	2,000,000	3.41%	(34,100)		(34,100)	2,000,000
15-Dec-51	2,000,000	3.41%	(2,034,100)	(2,000,000)	(34,100)	-
Total Paid			(4,046,000)	(2,000,000)	(2,046,000)	

