



EXHIBIT 5

COST OF CAPITAL AND CAPITAL STRUCTURE

EB-2022-0016

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5 COST OF CAPITAL AND CAPITAL STRUCTURE

5.0 Overview

Bluewater Power Distribution Corporation (“Bluewater”) was incorporated October 20, 2000, in accordance with the requirements of the Electricity Act, 1998, S.O. 1998, c.15, Schedule A.

Bluewater is wholly owned by Bluewater Power Corporation, which in turn is owned by six municipalities, which includes The City of Sarnia, The Town of Petrolia, The Village of Point Edward, The Municipality of Brooke-Alvinston, The Township of Warwick and The Village of Oil Springs.

Share capital consists of 10,000 common shares in the amount of \$18,022,105. Bluewater does not have preferred shares. There has been no change in the share capital since incorporation and as such, there has been no profit or loss associated with the redemption of shares.

This application is submitted in compliance with the deemed capital structure dictated by the OEB for rate making purposes, and utilizing the current Cost of Capital parameters set by the Board by letter dated October 28, 2021. Bluewater intends to update this application with the OEB’s 2023 Cost of Capital Parameters when they are issued. This exhibit contains a description of the capital structure and the calculation of the weighted average cost of long-term debt for the 2023 Test Year.

5.1 Capital Structure

Bluewater’s current OEB approved capital structure for ratemaking purposes is 60% debt and 40% equity. This capital structure was determined in the OEB’s *Report of the Board on Cost of Capital for Ontario’s Regulated Utilities* dated December 11, 2009 (“Cost of Capital Report”). The 60% debt component is comprised of two parts, 4% deemed short-term debt and 56% deemed long-term debt.

Bluewater continues to have an actual debt/equity structure that departs from the OEB deemed structure. Bluewater is not proposing any changes to its current capital structure.

Bluewater has completed the Chapter 2 Appendices including Tabs 2-OA and 2-OB, which outlines Bluewater's capital structure and debt instruments respectively.

Presented as **Table 1** below is OEB Appendix 2-OA 'Capital Structure and Cost of Capital'. This Appendix summarizes Bluewater's capital structure, including the calculation of cost for each capital component, for both the 2023 Test Year and for 2013, Bluewater's last OEB-approved year.

Table 1: OEB Appendix 2-OA 'Capital Structure and Cost of Capital'

Test Year: 2023				
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$54,069,705	4.58%	\$2,476,392
Short-term Debt	4.00% (1)	\$3,862,122	1.17%	\$45,187
Total Debt	60.0%	\$57,931,826	4.35%	\$2,521,579
Equity				
Common Equity	40.00%	\$38,621,218	8.66%	\$3,344,597
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$38,621,218	8.66%	\$3,344,597
Total	100.0%	\$96,553,044	6.08%	\$5,866,177

Last OEB-approved year: 2013				
Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$36,662,518	3.94%	\$1,444,171
Short-term Debt	4.00% (1)	\$2,618,751	2.07%	\$54,208
Total Debt	60.0%	\$39,281,269	3.81%	\$1,498,379
Equity				
Common Equity	40.00%	\$26,187,513	8.98%	\$2,351,639
Preferred Shares		\$ -		\$ -
Total Equity	40.0%	\$26,187,513	8.98%	\$2,351,639
Total	100.0%	\$65,468,782	5.88%	\$3,850,018

Presented as **Table 2** below is OEB Appendix 2-OB 'Debt Instruments'. This Appendix summarizes Bluewater's debt instruments for the 2013 OEB Approved, 2013 to 2021 Actual, 2022 Bridge Year, and the 2023 Test Year.

Table 2: OEB Appendix 2-OB 'Debt Instruments'

Year		2013	Board Approved						
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	4.12%	\$ 689,261
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	4.12%	\$ 58,954
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	4.12%	\$ 26,994
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	4.12%	\$ 17,382
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	4.12%	\$ 5,767
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 6,177,576	3.37%	\$ 208,184
7	Remaining deemed debt						\$ 11,107,338	3.94%	\$ 437,629
Total							\$36,662,518	3.94%	\$ 1,444,171

Year		2013	Actual						
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	7.62%/6.39%	\$ 1,136,676
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	7.62%/6.39%	\$ 97,222
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	7.62%/6.39%	\$ 44,516
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	7.62%/6.39%	\$ 28,664
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	7.62%/6.39%	\$ 9,511
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 6,177,576	3.37%	\$ 206,899
Total							\$25,555,180	5.96%	\$ 1,523,488

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Year **2014** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.39%	\$ 1,069,024
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.39%	\$ 91,435
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.39%	\$ 41,866
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.39%	\$ 26,959
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.39%	\$ 8,945
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 5,538,167	3.37%	\$ 186,262
Total							\$ 24,915,771	5.72%	\$ 1,424,491

Year **2015** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.39%	\$ 1,069,024
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.39%	\$ 91,435
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.39%	\$ 41,866
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.39%	\$ 26,959
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.39%	\$ 8,945
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 4,877,029	3.37%	\$ 163,656
Total							\$ 24,254,633	5.78%	\$ 1,401,885

Year **2016** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.39%/6.73%	\$ 1,107,100
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.39%/6.73%	\$ 94,692
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.39%/6.73%	\$ 43,358
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.39%/6.73%	\$ 27,919
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.39%/6.73%	\$ 9,263
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 4,193,422	3.37%	\$ 140,300
Total							\$ 23,571,026	6.04%	\$ 1,422,632

Year **2017** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.73%	\$ 1,125,905
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.73%	\$ 96,300
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.73%	\$ 44,094
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.73%	\$ 28,393
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.73%	\$ 9,421
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 3,486,583	3.37%	\$ 116,445
Total							\$ 22,864,187	6.21%	\$ 1,420,558

Year **2018** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.73%/6.98%	\$ 1,153,978
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.73%/6.98%	\$ 98,702
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.73%/6.98%	\$ 45,193
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.73%/6.98%	\$ 29,101
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.73%/6.98%	\$ 9,656
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 2,755,724	3.37%	\$ 91,779
Total							\$ 22,133,328	6.45%	\$ 1,428,409

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Year **2019** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.98%	\$ 1,167,728
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.98%	\$ 99,878
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.98%	\$ 45,732
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.98%	\$ 29,448
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.98%	\$ 9,771
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 2,000,027	3.37%	\$ 66,275
Total							\$ 21,377,631	6.64%	\$ 1,418,832

Year **2020** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.98%	\$ 1,167,728
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.98%	\$ 99,878
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.98%	\$ 45,732
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.98%	\$ 29,448
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.98%	\$ 9,771
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 1,218,649	3.37%	\$ 39,904
7	Term Loan	CIBC	Third-Party	Variable Rate	1-Mar-20	10	\$ 8,166,668	1.11%	\$ 90,890
Total							\$ 28,762,921	5.16%	\$ 1,483,351

Year **2021** Actual

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.98%	\$ 1,167,728
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.98%	\$ 99,878
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.98%	\$ 45,732
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.98%	\$ 29,448
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.98%	\$ 9,771
6	Debenture	Infrastructure Ontario	Third-Party	Fixed Rate	15-Sep-11	10	\$ 410,716	3.37%	\$ 12,637
7	Term Loan	CIBC	Third-Party	Variable Rate	1-Mar-20	10	\$ 5,833,336	1.17%	\$ 68,352
Total							\$ 25,621,656	5.60%	\$ 1,433,546

Year **2022** Bridge Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	6.98%	\$ 1,167,728
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	6.98%	\$ 99,878
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	6.98%	\$ 45,732
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	6.98%	\$ 29,448
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	6.98%	\$ 9,771
6	Term Loan #1	CIBC	Third-Party	Variable Rate	1-Mar-20	10	\$ 4,833,336	2.50%	\$ 72,500
Total							\$ 24,210,940	5.89%	\$ 1,425,057

Year 2023 Test Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%)	Interest (\$)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		\$ 16,729,636	3.49%	\$ 583,864
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		\$ 1,430,914	3.49%	\$ 49,939
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		\$ 655,187	3.49%	\$ 22,866
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		\$ 421,886	3.49%	\$ 14,724
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		\$ 139,981	3.49%	\$ 4,885
6	Term Loan #1	CIBC	Third-Party	Variable Rate	1-Mar-20	10	\$ 3,833,336	3.40%	\$ 130,333
7	Term Loan #2 (new)	CIBC	Third-Party	Fixed Rate	1-Jan-23	10	\$ 14,250,000	6.37%	\$ 908,153
Total							\$ 37,460,940	4.58%	\$ 1,714,764

5.2 Cost of Capital (Return on Equity and Cost of Debt)

5.2.1 Return on Equity

Bluewater has applied a rate for Return on Equity ("ROE") set at 8.66% for the 2023 Test Year, which is based on the most recent cost of capital parameters issued by the OEB (October 28, 2021). Bluewater recognizes that the ROE rate will be updated at the time of approval based on the updated cost of capital parameters determined by the OEB for rates effective May 1, 2023.

5.2.2 Cost of Debt

5.2.2.1 Short-Term Debt

The Short-Term Debt ("STD") rate has been set at 1.17% for the 2023 Test Year, which is based on the latest cost of capital parameters issued by the OEB (October 28, 2021). Bluewater recognizes that the STD rate will be updated at the time of approval based on the STD rate determined by the OEB for rates effective May 1, 2023.

Bluewater's historical short-term debt is primarily from the use of its revolving line of credit. It has access to a \$9,100,000 credit facility with its bank. This short term credit facility is secured and has a borrowing cost equal to the bank's prime rate less 1.0%. Bluewater is not proposing any changes to its revolving line of credit.

1 In 2021, Bluewater borrowed \$3.5 million from its parent company, Bluewater Power Corporation. This
2 short-term revolving advance will be fully repaid in early 2023.

4 **5.2.2.2 Long-Term Debt**

5 The Long-Term Debt ("LTD") rate has been set at the actual weighted average rate of 4.58% for the 2023
6 Test Year. The calculation of this rate is set out in **Table 2**, specifically the section for the 2023 Test Year.
7 The calculation is based on third party debt and affiliate debt. For third party debt with a chartered bank,
8 the bank's interest rate is applied to the 2023 average of the starting and ending balances. For affiliate
9 debt with municipal shareholders, the OEB deemed long-term rate of 3.49% is applied. This rate is based
10 on the latest cost of capital parameters issued by the OEB (October 28, 2021).

11
12 The resulting actual weighted average rate of 4.58% is notionally extended to Bluewater's deemed debt
13 (56% of ratebase) of \$54,069,705, which is comprised of \$37,460,940 of actual debt plus \$16,608,765 of
14 remaining deemed debt.

15
16 Bluewater recognizes that the LTD rate used for affiliate debt will be updated at the time of OEB approval
17 based on the LTD rate determined by the OEB for rates effective May 1, 2023. This will in turn update the
18 weighted average long-term rate ultimately used for the 2023 Test Year.

20 Existing Bank Term Loan

21 Bluewater has a non-revolving installment loan with its bank, which was taken out in early 2020. The loan
22 is amortized over a 10 year period, is secured with a first priority ranking, and bears interest at the monthly
23 Banker's Acceptance (BA) rate plus a stamping fee of 0.75%. At December 31, 2021, the BA rate was
24 0.44% (2020 - 0.47%), plus the stamping fee of 0.75%, for a total interest rate of 1.19% (2020 - 1.22%).
25 This rate will change each month in conjunction with the underlying monthly change in the BA rate. It has
26 a maturity date of April 2030 and is payable in monthly principal installments of \$83,333 (or \$1 million per
27 year) plus interest. A \$3 million prepayment was made at the end of 2020.

28
29 As of August 2022 the rate has increased to 3.40% (2.65% BA rate plus 0.75% stamping fee). This loan has
30 a total variable interest rate of approximately 3.40% applied to it at the time of preparing this rate

1 application. The increase in this lending rate since the 2021 year end is a reflection of the current
2 economic inflationary environment.

3
4 Bluewater requests that the rates associated with the existing third party debt be updated at the time of
5 OEB approval of this rate application. This will allow the application to reflect the most recent and
6 relevant lending rates to be reflected in Bluewater's revenue requirement.

7
8 Proposed Bank Term Loan

9 Bluewater is planning to take out a second third party, non-revolving, installment loan in the amount of
10 \$15 million with its bank in late 2022. This loan has a forecast fixed interest rate of 6.373% applied to it
11 based on a quote from Bluewater's bank at the time of preparing this rate application plus 0.5% to account
12 for potential increases in borrowing costs. It will be secured and have a fixed annual principle repayment
13 of \$1.5 million over 10 years.

14
15 Bluewater notes that the new \$15 million term loan will first used to repay the \$3.5 million short-term
16 advance from its parent company, Bluewater Power Corporation, as disclosed in Note 6 in the 2021
17 audited financial statements. The remaining \$11,500,000 will be used to finance Bluewater's planned
18 capital spending which has grown over recent years as discussed in Exhibit 2.

19
20 Bluewater requests that the rates associated with its new third party debt be updated at the earlier of
21 Bluewater securing the new long-term debt or at the time of OEB approval of this rate application. This
22 will allow the application to reflect the most recent and relevant lending rates to be reflected in
23 Bluewater's revenue requirement.

24
25 Promissory Notes with Affiliates

26 Bluewater has Promissory Notes with five of its municipal shareholders. The terms of the Promissory
27 Notes with each of the shareholders are identical and copies of the notes have been provided with this
28 Exhibit as Attachment 5-1: Promissory Notes. The sixth shareholder, the Village of Oil Springs, does not
29 have a promissory note with Bluewater. The total of the five promissory notes is \$19,377,604. This
30 amount remains outstanding and is unchanged.

Former Infrastructure Ontario Loan

Bluewater entered into a 10 year fixed rate term loan with Infrastructure Ontario in 2011. This loan was secured and had a fixed interest rate of 3.37% per annum. This loan had semi-annual payments of \$421,126 principle and interest and was fully repaid in 2021.

5.3 Historical Return on equity (ROE) Achieved

Bluewater's historical achieved ROE is presented in **Table 3** below. These ROEs are found in the annual Scorecard as prepared by the OEB each year. Bluewater has consistently been within the 3% deadband since its last COS rate application.

Table 3: Historical ROE Achieved

ROE Achieved	2013 OEB Approved	2013 Actual	2014 Actual	2015 Actual	2016 Actual
	8.98%	11.40%	10.17%	11.83%	11.86%

ROE Achieved	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
	10.31%	11.86%	10.93%	10.80%	9.39%

5.4 Not-For-Profit Corporations

Bluewater is a for-profit corporation.



ATTACHMENT 5 – 1

PROMISSORY NOTES

AMENDING AND CLARIFYING AGREEMENT

THIS AMENDING AND CLARIFYING AGREEMENT (the "Agreement") made as of the 3 day of MARCH, 2014.

BETWEEN:

THE CORPORATION OF THE CITY OF SARNIA

(hereinafter referred to as the "City")

-and-

BLUEWATER POWER DISTRIBUTION CORPORATION

(hereinafter referred to as "BPDC")

WHEREAS BPDC is a *Business Corporation Act* (Ontario) corporation created under Section 142 of the *Electricity Act* by the merger of the Hydro Electric Commissions of the municipalities of: Sarnia, Petrolia, Point Edward, Watford (now Township of Warwick), Alvinston (now Municipality of Brooke-Alvinston), and Oil Springs (collectively the "**Municipal Founders**");

AND WHEREAS the assets of the City's former Hydro Electric Commission were transferred to BPDC pursuant to a Transfer By-law No. 169 of 2000 passed by the City on October 30, 2000;

AND WHEREAS the consideration received by the City from BPDC in exchange for the assets so transferred was twofold: (i) one-half of the value of the transferred assets was reflected in the issuance by BPDC of shares in its capital; and (ii) the remaining one-half of the value of the transferred assets was reflected in the principal amount of a promissory note issued by BPDC to the City;

AND WHEREAS the promissory note so issued by BPDC was dated March 27, 2002, a copy of which is attached as Schedule "A" to this Agreement (the "**Promissory Note**");

AND WHEREAS the Promissory Note provides, amongst other terms and conditions, for the payment of interest on the amount outstanding thereunder at a rate of interest defined as the "Permitted Rate", which Permitted Rate was, at the time of the issuance of the Promissory Note, 7.25% per annum;

AND WHEREAS the meaning of the term "Permitted Rate" has been the subject of necessary interpretation by the parties over the term of the Promissory Note;

AND WHEREAS one of the potential interpretations of the term "Permitted Rate" as of May 1, 2013 would result in an interest rate of 4.12% per annum, which would create a situation wherein the rate of interest received by the note holders (including the City) would not properly reflect the credit and other risks to a lender associated with the extension of a debt upon terms and conditions similar to those set out in the Promissory Note;

AND WHEREAS, as the alternative to the City amending the terms of the Promissory Note, imposing covenants upon BPDC to better reflect a reduced (below market) interest rate for such

a debt and/or demanding repayment of the debt, in full, the parties have agreed to amend and clarify the definition of "Permitted Rate", as such term is used in the Promissory Note;

AND WHEREAS the parties have further agreed that such amendment and clarification of the "Permitted Rate" can be accomplished in keeping with the intention of the original definition of "Permitted Rate", which intention was to ensure that the interest rate paid to the City reflected the interest actually collected by BPDC through distribution rates to service long-term debt (net of any payments to third-party long-term debt holders), while ensuring such payments did not negatively impact BPDC's electricity distribution ratepayers;

AND WHEREAS the Promissory Note provides that, with written notice, *"any of the terms of this Promissory note may be revised, changed or restated by the City in consultation with BPDC"*;

AND WHEREAS the City and BPDC have agreed to enter into this Agreement to evidence their agreement with respect to the amendment and clarification certain of the terms of the Promissory Note;

NOW THEREFORE IN CONSIDERATION OF the covenants and agreements set out below and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties), the parties agree as follows:

1. The parties acknowledge that the recitals to this Agreement set out above are true and accurate in all respects.
2. The term "Permitted Rate", as such term is used in the Promissory Note, shall be amended to read:

"Permitted Rate means the rate of 6.39% per annum, being the Intended Rate effective as of and from May 1, 2013; provided that the rate of interest shall be adjusted on May 1, 2014 and each year thereafter if such rate, is determined as of such date, outside of a band of tolerance defined as 0.25% above or below the Intended Rate (the **"Band of Tolerance"**). In the event the interest rate does fall outside the Band of Tolerance, the Permitted Rate shall be adjusted effective immediately to the Intended Rate, which shall continue until such time as that adjusted Permitted Rate falls outside of the Band of Tolerance. For the sake of clarity, under no circumstance shall the Permitted Rate be adjusted if the result is to produce a rate of interest greater than the Market Rate or less than the deemed Long-Term debt rate for Cost of Service applications as set by the Ontario Energy Board from time-to-time."

3. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Intended Rate means the rate determined by dividing the total amount of interest that BPDC recovers through distribution rates, less interest obligations for unsecured long-term debt with third-parties, divided by the total amount outstanding under all promissory notes issued by BPDC to the Municipal Founders."

4. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Market Rate means the rate of interest available from an arm's length lender for a commercial loan on terms and conditions substantially the same as or similar to the terms and conditions set out in the Promissory Note, such interest rate

defined as the One month Bankers' Acceptance in effect at the time plus 6.5% per annum."

5. The parties waive the notice period required under the fourth paragraph of the Promissory Note which otherwise requires twelve (12) months' prior written notice for a change to any of the terms of the Promissory Note.
6. The parties further agree that, notwithstanding the date of this Agreement, this Agreement and the amendments to and clarification of the Promissory Note set out herein shall be effective as of and from May 1, 2013.
7. The intention of the parties in entering into this Agreement is to clarify the terms of the Promissory Note and to better reflect the original intention of the parties. Nothing in this Agreement shall be read to novate, void, supersede, replace or restate the Promissory Note or the debt evidenced thereby created pursuant to the Transfer By-law referred to in the above recitals under the *Electricity Act*.
8. BPDC acknowledges that the Promissory Note continues in full force and effect and that BPDC remains indebted to the City on the same terms and conditions as set out in the Promissory Note, save and except for those matters specifically amended and clarified by this Agreement.
9. The City acknowledges that the Promissory Note continues in full force and effect and that the terms and conditions of the debt evidenced by the Promissory Note remain the same, save and except for those matters specifically amended and clarified by this Agreement.
10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
11. This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above but with effect as of May 1, 2013.

**THE CORPORATION OF THE CITY OF
SARNIA**

Per: 

Name: M. Bradley

Title: Mayor

Per: 

Name: B. Knott

Title: City Solicitor/Clerk

I/We have the authority to bind the corporation

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

Per: 

Name: James M. Michael-Dennis

Title: President & C.E.O.

Per: 

Name: Alex Palimaka

Title: VP Corporate Services

I/We have the authority to bind the corporation

By: J L McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

AMENDING AND CLARIFYING AGREEMENT

THIS AMENDING AND CLARIFYING AGREEMENT (the “**Agreement**”) made as of the 18th day of February, 2014.

BETWEEN:

THE CORPORATION OF THE TOWN OF PETROLIA
(hereinafter referred to as the “**Town**”)

-and-

BLUEWATER POWER DISTRIBUTION CORPORATION
(hereinafter referred to as “**BPDC**”)

WHEREAS BPDC is a *Business Corporation Act* (Ontario) corporation created under Section 142 of the *Electricity Act* by the merger of the Hydro Electric Commissions of the municipalities of: Sarnia, Petrolia, Point Edward, Watford (now Township of Warwick), Alvinston (now Municipality of Brooke-Alvinston), and Oil Springs (collectively the “**Municipal Founders**”);

AND WHEREAS the assets of the Town’s former Hydro Electric Commission were transferred to BPDC pursuant to a Transfer By-law No. 74-2000 passed by the Town on October 30, 2000;

AND WHEREAS the consideration received by the Town from BPDC in exchange for the assets so transferred was twofold: (i) one-half of the value of the transferred assets was reflected in the issuance by BPDC of shares in its capital; and (ii) the remaining one-half of the value of the transferred assets was reflected in the principal amount of a promissory note issued by BPDC to the Town;

AND WHEREAS the promissory note so issued by BPDC was dated March 27, 2002, a copy of which is attached as Schedule “A” to this Agreement (the “**Promissory Note**”);

AND WHEREAS the Promissory Note provides, amongst other terms and conditions, for the payment of interest on the amount outstanding thereunder at a rate of interest defined as the “Permitted Rate”, which Permitted Rate was, at the time of the issuance of the Promissory Note, 7.25% per annum;

AND WHEREAS the meaning of the term “Permitted Rate” has been the subject of necessary interpretation by the parties over the term of the Promissory Note;

AND WHEREAS one of the potential interpretations of the term “Permitted Rate” as of May 1, 2013 would result in an interest rate of 4.12% per annum, which would create a situation wherein the rate of interest received by the note holders (including the Town) would not properly reflect the credit and other risks to a lender associated with the extension of a debt upon terms and conditions similar to those set out in the Promissory Note;

AND WHEREAS, as the alternative to the Town amending the terms of the Promissory Note, imposing covenants upon BPDC to better reflect a reduced (below market) interest rate for such a debt and/or demanding repayment of the debt, in full, the parties have agreed to amend and clarify the definition of “Permitted Rate”, as such term is used in the Promissory Note;

AND WHEREAS the parties have further agreed that such amendment and clarification of the “Permitted Rate” can be accomplished in keeping with the intention of the original definition of “Permitted Rate”, which intention was to ensure that the interest rate paid to the Town reflected the interest actually collected by BPDC through distribution rates to service long-term debt (net of any payments to third-party long-term debt holders), while ensuring such payments did not negatively impact BPDC’s electricity distribution ratepayers;

AND WHEREAS the Promissory Note provides that, with written notice, “*any of the terms of this Promissory note may be revised, changed or restated by the Town in consultation with BPDC*”;

AND WHEREAS the Town and BPDC have agreed to enter into this Agreement to evidence their agreement with respect to the amendment and clarification certain of the terms of the Promissory Note;

NOW THEREFORE IN CONSIDERATION OF the covenants and agreements set out below and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties), the parties agree as follows:

1. The parties acknowledge that the recitals to this Agreement set out above are true and accurate in all respects.
2. The term “Permitted Rate”, as such term is used in the Promissory Note, shall be amended to read:

“**Permitted Rate** means the rate of 6.39% per annum, being the Intended Rate effective as of and from May 1, 2013; provided that the rate of interest shall be adjusted on May 1, 2014 and each year thereafter if such rate, is determined as of such date, outside of a band of tolerance defined as 0.25% above or below the Intended Rate (the “**Band of Tolerance**”). In the event the interest rate does fall outside the Band of Tolerance, the Permitted Rate shall be adjusted effective immediately to the Intended Rate, which shall continue until such time as that adjusted Permitted Rate falls outside of the Band of Tolerance. For the sake of clarity, under no circumstance shall the Permitted Rate be adjusted if the result is to produce a rate of interest greater than the Market Rate or less than the deemed Long-Term debt rate for Cost of Service applications as set by the Ontario Energy Board from time-to-time.”

3. A new definition shall be added to Schedule “A” of the Promissory Note as follows:
“**Intended Rate** means the rate determined by dividing the total amount of interest that BPDC recovers through distribution rates, less interest obligations for unsecured long-term debt with third-parties, divided by the total amount outstanding under all promissory notes issued by BPDC to the Municipal Founders.”

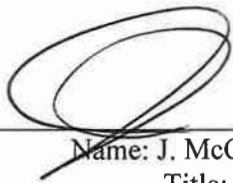
4. A new definition shall be added to Schedule “A” of the Promissory Note as follows:
“**Market Rate** means the rate of interest available from an arm’s length lender for a commercial loan on terms and conditions substantially the same as or similar to the terms and conditions set out in the Promissory Note, such interest rate defined as the One month Bankers’ Acceptance in effect at the time plus 6.5% per annum.”

5. The parties waive the notice period required under the fourth paragraph of the Promissory Note which otherwise requires twelve (12) months’ prior written notice for a change to any of the terms of the Promissory Note.
6. The parties further agree that, notwithstanding the date of this Agreement, this Agreement and the amendments to and clarification of the Promissory Note set out herein shall be effective as of and from May 1, 2013.
7. The intention of the parties in entering into this Agreement is to clarify the terms of the Promissory Note and to better reflect the original intention of the parties. Nothing in this Agreement shall be read to novate, void, supersede, replace or restate the Promissory Note or the debt evidenced thereby created pursuant to the Transfer By-law referred to in the above recitals under the *Electricity Act*.
8. BPDC acknowledges that the Promissory Note continues in full force and effect and that BPDC remains indebted to the Town on the same terms and conditions as set out in the Promissory Note, save and except for those matters specifically amended and clarified by this Agreement.
9. The Town acknowledges that the Promissory Note continues in full force and effect and that the terms and conditions of the debt evidenced by the Promissory Note remain the same, save and except for those matters specifically amended and clarified by this Agreement.
10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
11. This Agreement shall be binding upon and shall ensure to the benefit of the parties and their respective successors and permitted assigns.

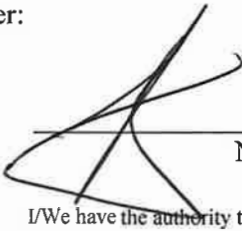
IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above but with effect as of May 1, 2013.

THE CORPORATION OF THE TOWN OF PETROLIA

Per:


Name: J. McCharles
Title: Mayor


Per:


Name: M. Baron
Title: C.A.O.
I/We have the authority to bind the corporation


Witness:

BLUEWATER POWER DISTRIBUTION CORPORATION

Per:


Name: Michael Dunn
Title: CEO

Per:


Name: Aker Palimod
Title: V.P. Corporate Sales
I/We have the authority to bind the corporation

Witness:

SCHEDULE "A"
TO
AMENDING AND CLARIFYING AGREEMENT
PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Town of Petrolia (the "Town") the principal sum of One Million Four Hundred and Thirty Thousand Nine Hundred and Fourteen Dollars (\$1,430,914) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Town (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Town may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Town shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Town, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Town on October 30, 2000 as By-law No.74-2000 and of a Merger Agreement entered into with the Town as of October 30, 2000.

This Promissory Note is not assignable by the Town without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By:  _____

By:  _____

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

AMENDING AND CLARIFYING AGREEMENT

THIS AMENDING AND CLARIFYING AGREEMENT (the "Agreement") made as of the 25th day of February, 2014.

BETWEEN:

THE CORPORATION OF THE VILLAGE OF POINT EDWARD

(hereinafter referred to as the "Village")

-and-

BLUEWATER POWER DISTRIBUTION CORPORATION

(hereinafter referred to as "BPDC")

WHEREAS BPDC is a *Business Corporation Act* (Ontario) corporation created under Section 142 of the *Electricity Act* by the merger of the Hydro Electric Commissions of the municipalities of: Sarnia, Petrolia, Point Edward, Watford (now Township of Warwick), Alvinston (now Municipality of Brooke-Alvinston), and Oil Springs (collectively the "**Municipal Founders**");

AND WHEREAS the assets of the Village's former Hydro Electric Commission were transferred to BPDC pursuant to a Transfer By-law No. 23 of 2000 passed by the Village on October 30, 2000;

AND WHEREAS the consideration received by the Village from BPDC in exchange for the assets so transferred was twofold: (i) one-half of the value of the transferred assets was reflected in the issuance by BPDC of shares in its capital; and (ii) the remaining one-half of the value of the transferred assets was reflected in the principal amount of a promissory note issued by BPDC to the Village;

AND WHEREAS the promissory note so issued by BPDC was dated March 27, 2002, a copy of which is attached as Schedule "A" to this Agreement (the "**Promissory Note**");

AND WHEREAS the Promissory Note provides, amongst other terms and conditions, for the payment of interest on the amount outstanding thereunder at a rate of interest defined as the "Permitted Rate", which Permitted Rate was, at the time of the issuance of the Promissory Note, 7.25% per annum;

AND WHEREAS the meaning of the term "Permitted Rate" has been the subject of necessary interpretation by the parties over the term of the Promissory Note;

AND WHEREAS one of the potential interpretations of the term "Permitted Rate" as of May 1, 2013 would result in an interest rate of 4.12% per annum, which would create a situation wherein the rate of interest received by the note holders (including the Village) would not properly reflect the credit and other risks to a lender associated with the extension of a debt upon terms and conditions similar to those set out in the Promissory Note;

AND WHEREAS, as the alternative to the Village amending the terms of the Promissory Note, imposing covenants upon BPDC to better reflect a reduced (below market) interest rate for such

a debt and/or demanding repayment of the debt, in full, the parties have agreed to amend and clarify the definition of "Permitted Rate", as such term is used in the Promissory Note;

AND WHEREAS the parties have further agreed that such amendment and clarification of the "Permitted Rate" can be accomplished in keeping with the intention of the original definition of "Permitted Rate", which intention was to ensure that the interest rate paid to the Village reflected the interest actually collected by BPDC through distribution rates to service long-term debt (net of any payments to third-party long-term debt holders), while ensuring such payments did not negatively impact BPDC's electricity distribution ratepayers;

AND WHEREAS the Promissory Note provides that, with written notice, *"any of the terms of this Promissory note may be revised, changed or restated by the Village in consultation with BPDC"*;

AND WHEREAS the Village and BPDC have agreed to enter into this Agreement to evidence their agreement with respect to the amendment and clarification certain of the terms of the Promissory Note;

NOW THEREFORE IN CONSIDERATION OF the covenants and agreements set out below and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties), the parties agree as follows:

1. The parties acknowledge that the recitals to this Agreement set out above are true and accurate in all respects.
2. The term "Permitted Rate", as such term is used in the Promissory Note, shall be amended to read:

"Permitted Rate means the rate of 6.39% per annum, being the Intended Rate effective as of and from May 1, 2013; provided that the rate of interest shall be adjusted on May 1, 2014 and each year thereafter if such rate, is determined as of such date, outside of a band of tolerance defined as 0.25% above or below the Intended Rate (the **"Band of Tolerance"**). In the event the interest rate does fall outside the Band of Tolerance, the Permitted Rate shall be adjusted effective immediately to the Intended Rate, which shall continue until such time as that adjusted Permitted Rate falls outside of the Band of Tolerance. For the sake of clarity, under no circumstance shall the Permitted Rate be adjusted if the result is to produce a rate of interest greater than the Market Rate or less than the deemed Long-Term debt rate for Cost of Service applications as set by the Ontario Energy Board from time-to-time."

3. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Intended Rate means the rate determined by dividing the total amount of interest that BPDC recovers through distribution rates, less interest obligations for unsecured long-term debt with third-parties, divided by the total amount outstanding under all promissory notes issued by BPDC to the Municipal Founders."

4. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Market Rate means the rate of interest available from an arm's length lender for a commercial loan on terms and conditions substantially the same as or similar to the terms and conditions set out in the Promissory Note, such interest rate

defined as the One month Bankers' Acceptance in effect at the time plus 6.5% per annum."

5. The parties waive the notice period required under the fourth paragraph of the Promissory Note which otherwise requires twelve (12) months' prior written notice for a change to any of the terms of the Promissory Note.
6. The parties further agree that, notwithstanding the date of this Agreement, this Agreement and the amendments to and clarification of the Promissory Note set out herein shall be effective as of and from May 1, 2013.
7. The intention of the parties in entering into this Agreement is to clarify the terms of the Promissory Note and to better reflect the original intention of the parties. Nothing in this Agreement shall be read to novate, void, supersede, replace or restate the Promissory Note or the debt evidenced thereby created pursuant to the Transfer By-law referred to in the above recitals under the *Electricity Act*.
8. BPDC acknowledges that the Promissory Note continues in full force and effect and that BPDC remains indebted to the Village on the same terms and conditions as set out in the Promissory Note, save and except for those matters specifically amended and clarified by this Agreement.
9. The Village acknowledges that the Promissory Note continues in full force and effect and that the terms and conditions of the debt evidenced by the Promissory Note remain the same, save and except for those matters specifically amended and clarified by this Agreement.
10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
11. This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above but with effect as of May 1, 2013.

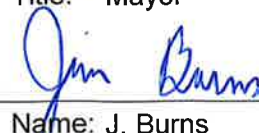
**THE CORPORATION OF THE VILLAGE
OF POINT EDWARD**

Per:


Name: L. MacKenzie

Title: Mayor

Per:


Name: J. Burns

Title: C.A.O./Clerk

I/We have the authority to bind the corporation

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

Per: _____

Name: *Jamice McMichael-Dennis*

Title: *President & C.E.O.*

Per: _____

Name: *Alex Palimaka*

Title: *VP Corporate Services*

I/We have the authority to bind the corporation

SCHEDULE "A"
TO
AMENDING AND CLARIFYING AGREEMENT

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Village of Point Edward (the "Village") the principal sum of Six Hundred and Fifty-Five Thousand One Hundred and Eighty-Seven Dollars (\$655,187) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Village (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Village may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Village shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Village, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Village in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Village on October 30, 2000 as By-law No.23 of 2000 and of a Merger Agreement entered into with the Village as of October 30, 2000.

This Promissory Note is not assignable by the Village without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By: DL

By: J L McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

AMENDING AND CLARIFYING AGREEMENT

THIS AMENDING AND CLARIFYING AGREEMENT (the "**Agreement**") made as of the 21 day of January, 2014.

BETWEEN:

**THE CORPORATION OF THE TOWNSHIP OF
WARWICK**

(hereinafter referred to as the "**Municipality**")

-and-

BLUEWATER POWER DISTRIBUTION CORPORATION

(hereinafter referred to as "**BPDC**")

WHEREAS BPDC is a *Business Corporation Act* (Ontario) corporation created under Section 142 of the *Electricity Act* by the merger of the Hydro Electric Commissions of the municipalities of: Sarnia, Petrolia, Point Edward, Watford (now Township of Warwick), Alvinston (now Municipality of Brooke-Alvinston), and Oil Springs (collectively the "**Municipal Founders**");

AND WHEREAS the assets of the Municipality's former Hydro Electric Commission were transferred to BPDC pursuant to a Transfer By-law passed by the Municipality on October 30, 2000;

AND WHEREAS the consideration received by the Municipality from BPDC in exchange for the assets so transferred was twofold: (i) one-half of the value of the transferred assets was reflected in the issuance by BPDC of shares in its capital; and (ii) the remaining one-half of the value of the transferred assets was reflected in the principal amount of a promissory note issued by BPDC to the Municipality;

AND WHEREAS the promissory note so issued by BPDC was dated March 27, 2002, a copy of which is attached as Schedule "A" to this Agreement (the "**Promissory Note**");

AND WHEREAS the Promissory Note provides, amongst other terms and conditions, for the payment of interest on the amount outstanding thereunder at a rate of interest defined as the "Permitted Rate", which Permitted Rate was, at the time of the issuance of the Promissory Note, 7.25% per annum;

AND WHEREAS the meaning of the term "Permitted Rate" has been the subject of necessary interpretation by the parties over the term of the Promissory Note;

AND WHEREAS one of the potential interpretations of the term "Permitted Rate" as of May 1, 2013 would result in an interest rate of 4.12% per annum, which would create a situation wherein the rate of interest received by the note holders (including the City) would not properly reflect the credit and other risks to a lender associated with the extension of a debt upon terms and conditions similar to those set out in the Promissory Note;

AND WHEREAS, as the alternative to the Municipality amending the terms of the Promissory Note, imposing covenants upon BPDC to better reflect a reduced (below market) interest rate for such a debt and/or demanding repayment of the debt, in full, the parties have agreed to amend and clarify the definition of "Permitted Rate", as such term is used in the Promissory Note;

AND WHEREAS the parties have further agreed that such amendment and clarification of the "Permitted Rate" can be accomplished in keeping with the intention of the original definition of "Permitted Rate", which intention was to ensure that the interest rate paid to the Municipality reflected the interest actually collected by BPDC through distribution rates to service long-term debt (net of any payments to third-party long-term debt holders), while ensuring such payments did not negatively impact BPDC's electricity distribution ratepayers;

AND WHEREAS the Promissory Note provides that, with written notice, *"any of the terms of this Promissory note may be revised, changed or restated by the Municipality in consultation with BPDC"*;

AND WHEREAS the Municipality and BPDC have agreed to enter into this Agreement to evidence their agreement with respect to the amendment and clarification certain of the terms of the Promissory Note;

NOW THEREFORE IN CONSIDERATION OF the covenants and agreements set out below and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties), the parties agree as follows:

1. The parties acknowledge that the recitals to this Agreement set out above are true and accurate in all respects.
2. The term "Permitted Rate", as such term is used in the Promissory Note, shall be amended to read:

"Permitted Rate means the rate of 6.39% per annum, being the Intended Rate effective as of and from May 1, 2013; provided that the rate of interest shall be adjusted on May 1, 2014 and each year thereafter if such rate, is determined as of such date, outside of a band of tolerance defined as 0.25% above or below the Intended Rate (the **"Band of Tolerance"**). In the event the interest rate does fall outside the Band of Tolerance, the Permitted Rate shall be adjusted effective immediately to the Intended Rate, which shall continue until such time as that adjusted Permitted Rate falls outside of the Band of Tolerance. For the sake of clarity, under no circumstance shall the Permitted Rate be adjusted if the result is to produce a rate of interest greater than the Market Rate or less than the deemed Long-Term debt rate for Cost of Service applications as set by the Ontario Energy Board from time-to-time."

3. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Intended Rate means the rate determined by dividing the total amount of interest that BPDC recovers through distribution rates, less interest obligations for unsecured long-term debt with third-parties, divided by the total amount outstanding under all promissory notes issued by BPDC to the Municipal Founders."

4. A new definition shall be added to Schedule "A" of the Promissory Note as follows:


"Market Rate means the rate of interest available from an arm's length lender for a commercial loan on terms and conditions substantially the


same as or similar to the terms and conditions set out in the Promissory Note, such interest rate defined as the One month Bankers' Acceptance in effect at the time plus 6.5% per annum."

5. The parties waive the notice period required under the fourth paragraph of the Promissory Note which otherwise requires twelve (12) months' prior written notice for a change to any of the terms of the Promissory Note.
6. The parties further agree that, notwithstanding the date of this Agreement, this Agreement and the amendments to and clarification of the Promissory Note set out herein shall be effective as of and from May 1, 2013.
7. The intention of the parties in entering into this Agreement is to clarify the terms of the Promissory Note and to better reflect the original intention of the parties. Nothing in this Agreement shall be read to novate, void, supersede, replace or restate the Promissory Note or the debt evidenced thereby created pursuant to the Transfer By-law referred to in the above recitals under the *Electricity Act*.
8. BPDC acknowledges that the Promissory Note continues in full force and effect and that BPDC remains indebted to the Municipality on the same terms and conditions as set out in the Promissory Note, save and except for those matters specifically amended and clarified by this Agreement.
9. The Municipality acknowledges that the Promissory Note continues in full force and effect and that the terms and conditions of the debt evidenced by the Promissory Note remain the same, save and except for those matters specifically amended and clarified by this Agreement.
10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
11. This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns.


IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above but with effect as of May 1, 2013.


TOWNSHIP OF WARWICK

Per: 
Name: Todd Case
Title: Mayor

Per: 
Name: Don Bruder
Title: Administrator/Treasurer
I/We have the authority to bind the corporation

BLUEWATER POWER DISTRIBUTION CORPORATION

Per: 
Name: JANICE MCMICHAEL-DENNIS
Title: PRESIDENT & C.E.O.

Per: 
Name: ALEX PALIMAKA
Title: VP CORPORATE SERVICES
I/We have the authority to bind the corporation

SCHEDULE "A"
TO
AMENDING AND CLARIFYING AGREEMENT
PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Township of Warwick (the "Township") the principal sum of Four Hundred and Twenty-One Thousand Eight Hundred and Eighty Six Dollars (\$421,886) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Township (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Township may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Township shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Township, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Township in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Township on October 30, 2000 as By-law No. 59-2000 and of a Merger Agreement entered into with the Township as of October 30, 2000.

This Promissory Note is not assignable by the Township without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By:  _____

By:  _____

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.

AMENDING AND CLARIFYING AGREEMENT

THIS AMENDING AND CLARIFYING AGREEMENT (the “Agreement”) made as of the 27th day of February, 2014.

BETWEEN:

THE CORPORATION OF THE MUNICIPALITY OF BROOKE-ALVINSTON

(hereinafter referred to as the “Municipality”)

-and-

BLUEWATER POWER DISTRIBUTION CORPORATION

(hereinafter referred to as “BPDC”)

WHEREAS BPDC is a *Business Corporation Act* (Ontario) corporation created under Section 142 of the *Electricity Act* by the merger of the Hydro Electric Commissions of the municipalities of: Sarnia, Petrolia, Point Edward, Watford (now Township of Warwick), Alvinston (now Municipality of Brooke-Alvinston), and Oil Springs (collectively the “**Municipal Founders**”);

AND WHEREAS the assets of the Municipality’s former Hydro Electric Commission were transferred to BPDC pursuant to a Transfer By-law No. 13 of 2000 passed by the Municipality on October 30, 2000;

AND WHEREAS the consideration received by the Municipality from BPDC in exchange for the assets so transferred was twofold: (i) one-half of the value of the transferred assets was reflected in the issuance by BPDC of shares in its capital; and (ii) the remaining one-half of the value of the transferred assets was reflected in the principal amount of a promissory note issued by BPDC to the Municipality;

AND WHEREAS the promissory note so issued by BPDC was dated March 27, 2002, a copy of which is attached as Schedule “A” to this Agreement (the “**Promissory Note**”);

AND WHEREAS the Promissory Note provides, amongst other terms and conditions, for the payment of interest on the amount outstanding thereunder at a rate of interest defined as the “Permitted Rate”, which Permitted Rate was, at the time of the issuance of the Promissory Note, 7.25% per annum;

AND WHEREAS the meaning of the term “Permitted Rate” has been the subject of necessary interpretation by the parties over the term of the Promissory Note;

AND WHEREAS one of the potential interpretations of the term “Permitted Rate” as of May 1, 2013 would result in an interest rate of 4.12% per annum, which would create a situation wherein the rate of interest received by the note holders (including the Municipality) would not properly reflect the credit and other risks to a lender associated with the extension of a debt upon terms and conditions similar to those set out in the Promissory Note;

AND WHEREAS, as the alternative to the Municipality amending the terms of the Promissory Note, imposing covenants upon BPDC to better reflect a reduced (below market) interest rate for such a debt and/or demanding repayment of the debt, in full, the parties have agreed to amend and clarify the definition of "Permitted Rate", as such term is used in the Promissory Note;

AND WHEREAS the parties have further agreed that such amendment and clarification of the "Permitted Rate" can be accomplished in keeping with the intention of the original definition of "Permitted Rate", which intention was to ensure that the interest rate paid to the Municipality reflected the interest actually collected by BPDC through distribution rates to service long-term debt (net of any payments to third-party long-term debt holders), while ensuring such payments did not negatively impact BPDC's electricity distribution ratepayers;

AND WHEREAS the Promissory Note provides that, with written notice, *"any of the terms of this Promissory note may be revised, changed or restated by the Municipality in consultation with BPDC"*;

AND WHEREAS the Municipality and BPDC have agreed to enter into this Agreement to evidence their agreement with respect to the amendment and clarification certain of the terms of the Promissory Note;

NOW THEREFORE IN CONSIDERATION OF the covenants and agreements set out below and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the parties), the parties agree as follows:

1. The parties acknowledge that the recitals to this Agreement set out above are true and accurate in all respects.
2. The term "Permitted Rate", as such term is used in the Promissory Note, shall be amended to read:

"Permitted Rate means the rate of 6.39% per annum, being the Intended Rate effective as of and from May 1, 2013; provided that the rate of interest shall be adjusted on May 1, 2014 and each year thereafter if such rate, is determined as of such date, outside of a band of tolerance defined as 0.25% above or below the Intended Rate (the **"Band of Tolerance"**). In the event the interest rate does fall outside the Band of Tolerance, the Permitted Rate shall be adjusted effective immediately to the Intended Rate, which shall continue until such time as that adjusted Permitted Rate falls outside of the Band of Tolerance. For the sake of clarity, under no circumstance shall the Permitted Rate be adjusted if the result is to produce a rate of interest greater than the Market Rate or less than the deemed Long-Term debt rate for Cost of Service applications as set by the Ontario Energy Board from time-to-time."

3. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

"Intended Rate means the rate determined by dividing the total amount of interest that BPDC recovers through distribution rates, less interest obligations for unsecured long-term debt with third-parties, divided by the total amount outstanding under all promissory notes issued by BPDC to the Municipal Founders."

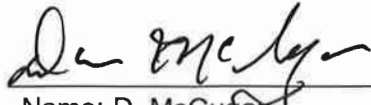
4. A new definition shall be added to Schedule "A" of the Promissory Note as follows:

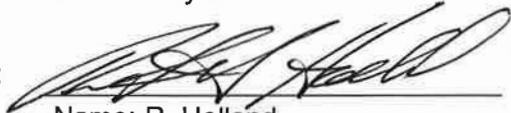
"Market Rate means the rate of interest available from an arm's length lender for a commercial loan on terms and conditions substantially the same as or similar to the terms and conditions set out in the Promissory Note, such interest rate defined as the One month Bankers' Acceptance in effect at the time plus 6.5% per annum."

5. The parties waive the notice period required under the fourth paragraph of the Promissory Note which otherwise requires twelve (12) months' prior written notice for a change to any of the terms of the Promissory Note.
6. The parties further agree that, notwithstanding the date of this Agreement, this Agreement and the amendments to and clarification of the Promissory Note set out herein shall be effective as of and from May 1, 2013.
7. The intention of the parties in entering into this Agreement is to clarify the terms of the Promissory Note and to better reflect the original intention of the parties. Nothing in this Agreement shall be read to novate, void, supersede, replace or restate the Promissory Note or the debt evidenced thereby created pursuant to the Transfer By-law referred to in the above recitals under the *Electricity Act*.
8. BPDC acknowledges that the Promissory Note continues in full force and effect and that BPDC remains indebted to the Municipality on the same terms and conditions as set out in the Promissory Note, save and except for those matters specifically amended and clarified by this Agreement.
9. The Municipality acknowledges that the Promissory Note continues in full force and effect and that the terms and conditions of the debt evidenced by the Promissory Note remain the same, save and except for those matters specifically amended and clarified by this Agreement.
10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
11. This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above but with effect as of May 1, 2013.


**THE CORPORATION OF THE
MUNICIPALITY OF BROOKE-
ALVINSTON**

Per: 
Name: D. McGugan
Title: Mayor

Per: 
Name: R. Holland
Title: Treasurer-Administrator
I/We have the authority to bind the corporation

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

Per: 
Name: JANICE MCMICHAEL-DENNIS
Title: PRESIDENT P.E.O.

Per: 
Name: Alex Palimaka
Title: VP Corporate Services
I/We have the authority to bind the corporation

SCHEDULE "A"
TO
AMENDING AND CLARIFYING AGREEMENT

PROMISSORY NOTE

FOR VALUE RECEIVED, Bluewater Power Distribution Corporation ("BPDC") hereby promises to pay to or to the order of The Corporation of the Village of Alvinston (the "Village") the principal sum of One Hundred and Thirty Nine Thousand Nine Hundred and Eighty-One Dollars (\$139,981) with interest at the rate specified herein, on a date which is no later than eighteen (18) months from the date of demand in writing by the Village (the "Maturity Date").

The outstanding principal sum of this Promissory Note shall bear interest from time to time at the Permitted Rate calculated quarterly not in advance. Interest at the Permitted Rate shall accrue from the Interest Commencement Date until the principal sum is paid in full, with interest on overdue interest at the said rate. Interest at the Permitted Rate shall be payable in quarterly installments with the first of such payments commencing three (3) months following the Interest Commencement Date, provided that the Village may elect to waive payment of interest in its sole discretion. Further provided that the Interest determined to be due in the year 2001 shall be payable commencing three (3) months following December 31, 2001. As at the date of this Promissory Note, the Permitted Rate is seven and one quarter percent (7.25%) per annum. In this paragraph, Permitted Rate and Interest Commencement Date have the meanings set out in Schedule "A".

The payment of the principal amount and all interest on this Promissory Note is subordinated in accordance with the Shareholders Agreement dated November 1, 2000 to debt issued by BPDC from time to time to a financial institution or other third party for the purposes of BPDC and the Village shall execute such documents as may reasonably be required by BPDC to evidence the subordination.

At the option of the Village, on twelve (12) months prior written notice to BPDC, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Village in consultation with BPDC.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Village on October 30, 2000 as By-law No.13 of 2000 and of a Merger Agreement entered into with the Village as of October 30, 2000.

This Promissory Note is not assignable by the Village without the consent of BPDC.

DATED as of the 27th Day of March, 2002.

**BLUEWATER POWER DISTRIBUTION
CORPORATION**

By: DL

By: A. L. McMichael

SCHEDULE "A"

Definitions

"Interest Commencement Date" means the earlier of (i) the date of the opening of the Ontario electricity market as announced by the Ontario Minister of Energy, Science and Technology, and (ii) March 1, 2001.

"Permitted Rate" means the actual interest rate which the Ontario Energy Board or its successor may, from time to time, permit regulated distribution corporations to recover for rate making purposes.