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October 16, 2025

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Ottawa

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
27th Floor - 2300 Yonge Street
Toronto, Ontario M4P 1E4

Vancouver

New York

Dear Mr. Murray,

**RE: EB-2025-0129 – FIVE NATIONS ENERGY INC. – APPLICATION FOR
ELECTRICITY TRANSMISSION REVENUE REQUIREMENT**

We are counsel to Five Nations Energy Inc. (“FNEI”) in the above noted matter.

On August 27, 2025, the Ontario Energy Board (OEB) issued Procedural Order No. 1 for the above noted matter, which set out the process for interrogatories. On September 23, 2025, FNEI received interrogatories from OEB staff.

In accordance with Procedural Order No. 1, please find FNEI’s responses to the interrogatories from OEB staff attached.

Sincerely,

Cole Tavener

Cole Tavener
Associate

CT

Enclosure

c: Richard J. King (Osler, Hoskin & Harcourt LLP)
Chris Chilton (Five Nations Energy Inc.)
Dorothy Kioke (Five Nations Energy Inc.)
Andrew Mandyam (Utilis Consulting Inc.)
Jeffrey Sauer (Ontario Energy Board)

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 1-STAFF-1

Reference 1: Exhibit 1 / Appendix 2 Finance Policy and Procedure Manual / page 67

Reference 2: Exhibit 1 / Appendix 2 Finance Policy and Procedure Manual / page 104

Reference 3: Exhibit 2 / Appendix 2 Finance Policy and Procedure Manual / page 159

Preamble

Reference 1 states “refer to FNEI’s Labor Capitalization Procedures for additional information on labour capitalization for projects, which is available under separate cover.”

Reference 2 states “a separate policy for FNDI Investments is available under separate cover” and that “FNEI shall follow the requirements set out in the Community Support Policy, available under separate cover.”

Reference 3 states that “the Chief Executive Officer and Chief Financial Officer shall determine together” whether a given asset qualifies for capitalization.

Question(s)

a) Please file and briefly summarize the Labor Capitalization Procedures

b) Please file and briefly summarize the FNDI Investment Policy.

c) Please file and briefly summarize FNEI’s Community Support Policy.

d) Please describe the criteria that the Chief Executive Officer and Chief Financial Officer use to determine whether an asset qualifies for capitalization.

RESPONSE:

a) Please find FNEI’s Labour Capitalization Procedures files as attachment file named: FNEI_1-STAFF-1_Labour_Capitalization_Procedures_20251015.

b) FNEI is not providing FNDI’s Investment Policy. It is both irrelevant to this proceeding and deals with matters outside the Board’s jurisdiction. Other Board Staff interrogatories dealing

1 with FNEI's "profits" will reference this interrogatory response, so FNEI is making its
2 position on this point clear in this response. What FNEI does with its "profits" (or its ROE
3 or revenues in excess of costs) is not for the Board to consider or scrutinize. It is akin to (in a
4 Toronto Hydro rate application) asking what the City of Toronto did with the dividend it
5 received from Toronto Hydro. The Board would never ask that of Toronto Hydro.
6 What the Board can and should be concerned with (and is very clearly within the Board's
7 jurisdiction) is the *quantum* of profits FNEI declares eligible for spending on non-
8 transmission purposes. This is the equivalent of a for-profit corporation's dividend (non-
9 profits cannot pay a dividend to its members/shareholders, but can use funds that would
10 otherwise be dividends to fund activities set out in its corporate objects – a matter of
11 corporate and tax law). The *quantum* of a utility's declared dividend (or FNEI's funds
12 allocated for non-transmission purposes) is very relevant to the Board's rate-setting function
13 because a utility can declare a very large dividend that compromises the financial well-being
14 of the utility, with potentially adverse rate consequences (e.g., raising the cost of utility
15 borrowing). More generally, the Board rightfully concerns itself with the general financial
16 capacity of any utility through its licensing authority (i.e., the Board's primary consideration
17 in connection with licensing a utility is the financial and technical capacity of the licence
18 applicant to own and operate the utility). But again, that would only extend to the quantum
19 of any profits that FNEI allocates to non-transmission activities. What those funds then get
20 used for is irrelevant and beyond the Board's jurisdiction.

21 c) See response to b) immediately above.

22 d) FNEI's executive management approve investment projects that qualify for capitalization as
23 part of its annual budgeting process, and as determined necessary when identified within
24 their fiscal year. For both scenarios executive management approvals are compliant with
25 FNEI's expenditure authorization guidelines. These guidelines set out the level of
26 management that can approve ranges of investment expenditures.

Five Nations Energy Inc.
Labour Capitalization Procedures

As per the Financial Policy and Procedures FNEI Management is tasked with creating annual operating and capital budgets. The annual operating budget includes an estimate of the amount of operational staff labour that will be allocated to the capital projects that are planned for that fiscal year.

Capital projects above the \$50k OEB required separate reporting threshold are to have a detailed budget including a line item for the internal labour component if any portion of the project will be self-constructed.

The operational staff consists of 5 employees, Tony, Stephen, Robert, Michael, and Ryley. They are supervised by Vladimir the Operations Manager.

In order to plan and organize capital and maintenance work at the stations, and to properly allocate work that had been performed, a work order spreadsheet was devised. This spreadsheet has a summary page with a listing of all the capital projects with specific codes along with the maintenance expense account codes. These codes are used to populate a dropdown list used in the rest of the spreadsheet. After the summary sheet, separate tabs for each week of the year are available. Each weekly tab lists the specific tasks that are assigned for that week. Once the specific task is completed, the employees record the hours taken up with that task, and, using the dropdown list, assign the hours to the specific account code appropriate to that task. This is reviewed by Vlad to ensure accuracy and also to monitor performance.

At the end of each quarter, Rod uses the information in the tabs for the specific quarter to identify how many hours were used for each capital project as well as the various maintenance expense accounts. A weighted average hourly rate, based on the wage rates and payroll burden as at December 31st the preceding year, is used to calculate the value of the labour for each identified project for each quarter. A true-up is done for the year in the 4th quarter using the wage rates and payroll burden as at the end of that fiscal year. An analysis is done as well to verify the reasonableness of the total hours allocated to specific projects and maintenance accounts codes compared to the overall number of working hours available for the year. This analysis takes into considerations the number of statutory holidays, vacation taken, overtime hours worked, sick leave taken, as well as hours spent on training.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 1-STAFF-2

Reference 1: Exhibit 1 / pages 14-15

Preamble

FNEI has proposed a Revenue Cap Index (RCI) framework, escalating the 2026 test year revenue requirement based on the OEB's Inflation Factor for electricity transmitters as published annually, a productivity factor of 0.0%, and a stretch factor of 0.3%.

Regarding its proposed productivity and stretch factor, on page 15 at Reference 1, FNEI states:

"In its Decision and Order in EB-2020-0150, the OEB noted that a 'productivity factor of 0.0% is consistent with the productivity factor for Ontario transmitters...' and further noted that no party in that proceeding objected to the use of this value. Further, the OEB approved a stretch factor of 0.3% in this same proceeding, on the basis that Pacific Economics Group's 'Empirical Research in Support of Incentive Rate-Setting' applicable to Ontario distributors ('PEG Report'), was informative for stretch factors applicable to transmitters. The OEB went on to note that a 0.3% stretch factor was established for Hydro One Sault Ste. Marie's RCI from 2019 to 2026 referencing the PEG Report, and that it is 'appropriate to establish parity and fairness to the extent possible among transmitters in Ontario.'"

Reference 1 continues:

"FNEI submits that the use of a 0.3% stretch factor, which represents the mid-point of efficiency in the PEG Report, is appropriate for FNEI's RCI, and represents the consistent and fair application of stretch factors to Ontario transmitters, including FNEI."

Question(s)

a) FNEI has proposed annual updates to its base revenue requirement using the Revenue Cap Index (I-X). Why is an annual update necessary for a utility with limited capital growth, stable load, and minimal rate base changes?

:

1 b) Given FNEI's limited capital growth and relatively flat rate base, how does the I - X framework
2 ensure appropriate cost recovery and performance incentives?

3 c) Why has FNEI specifically selected the Revenue Cap Index framework for its incentive rate-
4 setting plan from 2027 to 2030? What specific characteristics of FNEI's operations make this
5 framework suitable?

6 d) Please discuss whether FNEI considered approaches which would not require
7 annual updates, such as indexing its revenue requirement to a pre-set inflation factor or using a fixed
8 revenue requirement. Please explain why FNEI is not proposing those frameworks.

9 e) Please discuss whether FNEI considered alternative frameworks, such as the
10 Custom IR approaches recently approved for: B2M LP (EB-2024-0116) and Niagara Reinforcement
11 LP (EB-2024-0117). Please explain why FNEI is not proposing those frameworks.

12 f) Please provide detailed rationale supporting FNEI's proposal for a 0.3% stretch factor as part of its
13 revenue requirement adjustment formula. Specifically, please explain why the mid-range stretch
14 factor is appropriate for FNEI.

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18 **RESPONSE:**

19 a-c) For clarity, FNEI has not proposed updating its base revenue requirement beyond 2026, but
20 rather has proposed revenue decoupling wherein transmission revenues relied upon in the
21 establishment of Uniform Transmission Rates are escalated in 2027 and beyond by a Revenue Cap
22 Index ("RCI") of Inflation less a stretch factor ("I-X"). FNEI has not filed or relied upon total or
23 base revenue requirement forecasts for 2027 and beyond in this application.

24
25 In FNEI's submission, annual updates to transmission revenue are essential to ensure such revenues
26 incorporate the impact of ongoing inflation. As shown in Table 7, page 11 of Exhibit 4, FNEI's
27 Notional Return on Equity in 2023 and 2024 was 3.7% and 5.2%, respectively; well below the
28 deemed return on equity approved by the OEB in EB-2016-0231 of 9.00%.

29
30 FNEI has proposed the RCI approach consistent with Section 2.0 of the OEB's Filing Requirements
31 for Electricity Transmission Applications: Chapter 2 Revenue Requirement Applications ("Filing
32 Requirements"), which allows two options for transmission rate frameworks; RCI or Custom

1 Incentive Regulation (“Custom IR”). As described by the OEB in the Renewed Regulatory
2 Framework:

3
4 The Custom IR method will be most appropriate for distributors with significantly large
5 multi-year or highly variable investment commitments that exceed historical levels. The
6 Board expects that a distributor that applies under this method will file robust evidence of
7 its cost and revenue forecasts over a five year horizon, as well as detailed infrastructure
8 investment plans over that same time frame.¹
9

10 Based on FNEI’s need for an annual update to transmission revenues, the available options under the
11 Filing Requirements, and the OEB’s guidance on the same, FNEI determined a standard RCI
12 approach was the most appropriate proposal.
13

14 d) FNEI dismissed the use of a fixed revenue requirement or a fixed inflation factor as non-viable
15 approaches for 2027 and beyond. With respect to the former option, FNEI has effectively operated
16 under a fixed revenue requirement since 2018, and as articulated in a-c) above has experienced
17 significant revenue shortfalls in recent years as a result. With respect to the latter, FNEI is not
18 positioned to forecast inflation through 2030 with sufficient accuracy to recommend a fixed inflation
19 factor. To FNEI’s knowledge, this approach has only been utilized by one Ontario transmitter;
20 Upper Canada Transmission 2 Inc. (“UCT 2”), which has relied on a fixed inflation factor of 2%
21 since 2023. UCT 2 is a significantly larger and better resourced entity than FNEI, and as such is
22 significantly better positioned to forecast multi-year inflation. UCT 2 nonetheless has found its fixed
23 inflationary forecast to be well below actual inflation since inception. FNEI is of the view the most
24 appropriate approach is to rely on up-to-date OEB inflation factors for the purpose of escalating
25 transmission revenue.
26

27 e) FNEI reviewed the rate frameworks and details of B2M LP (“B2M”) and Niagara Reinforcement
28 LP (“NRLP”) in assessing available rate frameworks for FNEI. FNEI noted significant differences
29 between B2M and NRLP, and FNEI; particularly with respect to anticipated capital expenditures.

¹ OEB, Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-
Based Approach, October 18, 2012, page 19

Specifically, B2M and NRLP forecast total Gross Property, Plant and Equipment (“PP&E”) additions of \$0² and \$0.2³ million, respectively, over the 2025 to 2029 period, relative to 2025 Net PP&E of \$451 million⁴ and \$109 million,⁵ respectively. This is in contrast to FNEI’s forecast capital expenditures of \$7.5 million⁶ over the 2026 to 2030 period, relative to 2026 Net PP&E of \$36 million.⁷ In light of these significant differences, FNEI determined the rate frameworks of B2M and NRLP were not the appropriate approach for FNEI.

f) As noted in Reference 1, a 0.3% stretch factor represents the mid-point of stretch factors assigned to electricity distributors by the OEB, and has been adopted for other transmitters in Ontario. In Exhibit 4 FNEI compared its performance against that of other relevant Ontario transmitters for the Average System Availability, Recordable Injuries per Year, and Maintenance Costs per Circuit-km metrics on its proposed scorecard. Across these metrics, FNEI’s performance was comparable to peers analyzed. With respect to T-SAIDI and T-SAIFI, FNEI was unable to complete an apples-to-apples comparison to peers, but showed improving performance over the 2020 to 2024 period.

The peers analyzed in Exhibit 4 include Hydro One Sault Ste. Marie (“HOSSM”), B2M and NRLP. The former has an OEB-approved stretch factor of 0.3%. The latter two have settled and OEB-approved stretch factors of 0.15%. In comparing performance and stretch factors to other Ontario transmitters, FNEI believes a stretch factor of 0.3% fairly represents the utility’s performance as against peer utilities.

² EB-2024-0116, Settlement Proposal, Attachment C-01-01-01

³ EB-2024-0117, Settlement Proposal, Attachment C-01-01-01

⁴ EB-2024-0116, Settlement Proposal, Attachment C-01-01-03

⁵ EB-2024-0116, Settlement Proposal, Attachment C-01-01-03

⁶ FNEI 2026RR_Appendices_20250704, App.2-AB

⁷ FNEI 2026RR_Appendices_20250704, App.2-BA

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 1-STAFF-3

Reference 1: Exhibit 1 / page 26

Reference 2: OEB Filing Requirements for Electricity Transmission Applications /
Chapter 2 / page 3

Preamble

FNEI proposes to incorporate a regulatory review in the event of a 300-basis point variance in normalized earnings from the OEB-approved ROE. Reference 2 requires applicants proposing a Revenue Cap IR include:
“a proposal to mitigate the potential for any significant earning by the transmitter above the regulatory net income supported by the approved return on equity, such as a capital variance account or an earnings sharing mechanism.” FNEI does not propose an earnings sharing mechanism in its application.

Question

- a) Please describe FNEI’s policies to mitigate overearnings that were in place during the since 2018.
- b) Please state and describe the drivers of any 300-basis point variance in normalized earnings from the OEB-approved ROE that occurred since 2018.
- c) Please compare, in terms of regulatory efficiency and ability to mitigate overearnings, FNEI’s proposal in the application for a regulatory review to an earnings sharing mechanism.

RESPONSE:

- a) FNEI’s policy with respect to overearnings is consistent with the Board’s Renewed Regulatory Framework – namely, that a regulatory review may be initiated when a utility’s

1 ROE is outside of the 300bps dead band.¹ As noted in the table and response to item b)
2 immediately below, FNEI has not been in an overearning position since 2018.
3
4

5 b) In no year from 2018 to 2024 did FNEI exceed OEB-approved ROE of 9.00% by 300bps or
6 more, with an average Notional ROE over this time period of 6.3%. 2023 and 2024 ROE
7 were below the 300bps deadband due to inflating costs over the period and the lack of
8 annual update applications to the OEB.
9

10 c) FNEI submits that its proposal for a regulatory review mechanism is preferable to an ESM
11 given the unique characteristics of FNEI. FNEI does not have a history of overearning
12 relative to the OEB-approved ROE (it has not in the seven years since its last rebasing
13 exceeded 300bps above the OEB-approved ROE). From a regulatory efficiency perspective,
14 FNEI notes that its Notional ROE is more volatile than is typical amongst Ontario utilities.
15 This is in large part a reflection of the fact that FNEI is a small utility (from a revenue
16 requirement perspective) that manages a transmission system that is greater in scale than
17 reflected in its regulated rate base, and operates a system in a remote, geographically harsh
18 environment. As a result, it is susceptible to cost variances (both standard and extraordinary)
19 that would be immaterial or easily absorbed by large transmitters, but can materially impact
20 FNEI's normalized ROE. For instance, a modest change in employee count, or the need to
21 shift certain inspection/maintenance activities due to inclement weather, can swing FNEI's
22 notional ROE in material ways. FNEI's proposal for a regulatory review (with a 300bps
23 threshold) is a flexible approach that allows for a consideration of the reasons for the
24 variance and whether it will persist or "self-correct", etc. as opposed to an automatic ESM
25 mechanism that could unfairly penalize FNEI (for instance, in years where variances result
26 in earnings that exceed OEB-approved ROE by a small amount, without recognizing the
27 same types of variances when they result in under-earnings relative to OEB-approved).
28
29

¹ OEB, Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012, page 11

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 1-STAFF-4

Reference 1: Exhibit 1 / page 16

Preamble

Reference 1 states:

“In terms of load growth, FNEI has three small electricity distributor customers (“LDCs”). The three LDC loads, and peak demand has remained relatively flat over the past few years, and FNEI is not anticipating near-term material changes to their demand or consumption patterns.”

Question(s)

a) How many customers does each LDC served by FNEI serve?

b) How does FNEI expect the following to change throughout the 2026-2030 rate term:

- i. The number of customers served by each LDC that FNEI serves?
- ii. The average peak demand of each customer served by the LDCs?
- iii. The average demand characteristics of each customer served by the LDCs (e.g. winter or summer peaking)?

RESPONSE:

- a. Customers served by each LDC supplied by FNEI are as follows per the latest information provided to FNEI by the LDCs:

:

LDC	Total
Fort Albany Power Corp.	357
Attawapiskat Power Corp.	540
Kashechewan Power Corp.	454

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- b.
- i. FNEI does not anticipate material changes in the number of customers served by the LDCs over the 2026–2030 term.
 - ii. FNEI does not expect material changes in average peak demand per customer over the term. However, FNEI is planning on adding a new feeder in Kashechewan during its next rate term to address projected load increase from high school heating upgrade to electric boiler units and additional housing and commercial buildings.
 - iii. The three LDCs are expected to remain winter-peaking demand, consistent with historical patterns. No change in seasonal peak orientation is anticipated.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-1

Reference 1: Exhibit 2 / Table 3 FNEI Capital Expenditures 2024-2030

Preamble

Reference 1 shows FNEI's budgeted capital expenditures, by year, from 2025-2030, as well as the actual capital expenditures for 2024. Table 3 also shows some projects for which no capital expenditures are listed (i.e. the cells in the table are blank). An example of a project with no capital expenditures listed in the table is "Albany River Crossing Erosion - Capital Component".

Question(s)

- a) Why are there projects listed in Table 3 that have no capital expenditures associated with them (e.g. Albany River Crossing Erosion - Capital Component)?
- b) Please file a revised version of Table 3, in live excel format, which includes capital expenditures for each year for each project between 2017 and 2030. Please also add two columns: one showing the forecast capital expenditures for each project during the 2026-2030 rate term, and another showing the total cost of each project, including any costs outside of 2026-2030.

RESPONSE:

- a) Projects listed in Table 3 that have no capital expenditures were included in error. FNEI has updated Table 3 to remove the no capital expenditure line items, in addition to other updates requested in its response to part b of this interrogatory.
- b) Please see below for table of capital in-service additions from 2017 to 2024 and forecasted in-service additions from 2025 to 2030, Included in the table is a set of total costs per the question. Excel file named FNEI_IRR_2-STAFF-2_20251015F has been filed in conjunction with FNEI's interrogatory responses.

1

Five Nations Energy Inc. Capital Actual and Budget In-Service Additions 2017 to 2030

Item	Capital Projects	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Budget	2026 Budget	2027 Budget	2028 Budget	2029 Budget	2030 Budget	Total Forecasted In-Service Amounts 2026-2030	Total Forecasted In-Service Amounts 2024-2030
1	Accommodations in Kashechewan/Attawapiskat			\$ 1,022,029	\$ 315,302		\$ 16,805									\$ -	\$ -
2	Albany River Crossing Erosion-Capital Component			\$ 119,812	\$ 166,120	\$ 17,052	\$ 58,156	\$ 485	\$ 566	\$ 20,000						\$ -	\$ -
3	Attawapiskat Feeder 4	\$ 78,399									\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 120,000	\$ 180,000
4	Battery Chargers Replacement (1/yr)															\$ -	\$ -
5	Berm Wall Structures 909/1032 Refurbishment				\$ 142,354											\$ -	\$ -
6	Brushing equipment for the pole line (brushing head)		\$ 130,807	\$ 214,253	\$ 45,950								\$ 250,000		\$ 250,000	\$ 250,000	\$ 500,000
7	Bus Isolation Project (\$4.5MM)	\$ 877,652	\$ 173,484	\$ 374,334	\$ 83,616	\$ 21,080	\$ 70,750	\$ 273,006	\$ 105,759							\$ 105,759	\$ 150,000
8	Contingency for major failure-Lines and Overhead devices												\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 150,000
9	Contingency for major failure-Poles		\$ 38,105										\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 150,000
10	Contingency for major failure-Stations												\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 150,000
11	Disposition of 2005 Blue Dodge									\$ 20,000						\$ -	\$ 20,000
12	Distance to Fault Project - Atta-Kash-Moose						\$ 15,057	\$ 406			\$ 150,000	\$ 150,000				\$ 300,000	\$ 300,000
13	E2 Battery replacement										\$ 125,000					\$ 250,000	\$ 250,000
14	E2 Control Building Back-up Generators											\$ 100,000	\$ 100,000	\$ 100,000		\$ 300,000	\$ 300,000
15	Extend Kashechewan Garage by 12 ft		\$ 9,181	\$ 5,188	\$ 123											\$ -	\$ -
16	Fiber Shelter HVAC Upgrade									\$ 50,000	\$ 50,000			\$ 50,000	\$ 50,000	\$ 100,000	\$ 200,000
17	Fiber optic Transport Equipment Replacement	\$ 333,605	\$ 59,691													\$ -	\$ -
18	Fibre Shelter Roof Replacement-Moose/FA/Kash/Atta												\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 150,000
19	Fibre Shelters Backup Generators						\$ 1,013		\$ 362							\$ -	\$ 362
20	Fort Albany Feeder 3									\$ 20,000	\$ 20,000	\$ 20,000		\$ 400,000		\$ 400,000	\$ 400,000
21	Foundations repair 1 station per year									\$ 400,000						\$ -	\$ 400,000
22	Kashechewan Feeder 4															\$ -	\$ 60,000
23	M9K spare structure														\$ 60,000	\$ -	\$ 60,000
24	MV Breaker Retro Fit/Siemens-FA/Atta									\$ 100,000	\$ 400,000	\$ 200,000				\$ 600,000	\$ 700,000
25	New Office Building	\$ 7,825	\$ 1,980	\$ 10,200	\$ 16,344											\$ -	\$ -
26	Office IT Room DC Power Supply		\$ 2,046	\$ 49,887												\$ -	\$ -
27	Office Storage Project					\$ 135,351										\$ -	\$ -
28	Oil Containment transformer well Upgrades		\$ 89,085	\$ 6,616												\$ -	\$ -
29	Oil Preservation System	\$ 18,930				\$ 17,598										\$ -	\$ -
30	Panel Refurbishment Attawapiskat/Kashechewan		\$ 165,692	\$ 182,460	\$ 85,845	\$ 36,128	\$ 64,522									\$ -	\$ -
31	PLCC spare equipment									\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 200,000	\$ 300,000
32	Protection cover for control buildings foundations-Atta-Kash									\$ 20,000	\$ 20,000					\$ 20,000	\$ 40,000
33	Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)					\$ -		\$ 48,808	\$ 148,689	\$ 150,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 800,000	\$ 1,298,689
34	Replace/Upgrade Kashechewan Disconnect Switches M3K/M9K										\$ 250,000	\$ 250,000				\$ 500,000	\$ 500,000
35	Replacement ABB MV Breakers for FA/Kash/Atta									\$ 200,000	\$ 200,000	\$ 200,000			\$ 100,000	\$ 400,000	\$ 700,000
36	Replacement for Argo's-Fat Truck				\$ 425,496	\$ 78,198										\$ -	\$ -
37	Security cameras replacement								\$ 110,958	\$ 50,000						\$ -	\$ 160,958
38	Spare Alstom Disconnect Switch														\$ 200,000	\$ -	\$ 200,000
39	Spare Circuit switcher														\$ 150,000	\$ -	\$ 150,000
40	Spare MV Regulators (1 set per year/3 yr plan)									\$ 150,000		\$ 150,000	\$ 200,000			\$ 350,000	\$ 500,000
41	Station Buildings Insulation upgrades				\$ 175,329	\$ 315		\$ 840	\$ 1,870							\$ -	\$ 1,870
42	Station Emergency Communications upgrades							\$ 131,165	\$ 9,849	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 100,000	\$ 159,849
43	Station Fence extension, storage (Albany)	\$ 105,795	\$ 75,000	\$ 77,629	\$ 277,762		\$ 257,984	\$ 105,208	\$ 123,120							\$ -	\$ 123,120
44	Station Fence extension, storage (Albany)					\$ 87,631				\$ 25,000	\$ 25,000	\$ 25,000				\$ 50,000	\$ 75,000
45	Station Server/Microscada replacement FA-1 Kash-2 Atta - 2			\$ 207,667	\$ 23,363		\$ 40,690	\$ 10,008								\$ -	\$ -
46	Station Server/Microscada replacement FA-1 Kash-2 Atta - 2									\$ 10,000		\$ 20,000				\$ 20,000	\$ 30,000
47	Stone replacement substation sites (1 sub / year)	\$ 28,000	\$ 40,598	\$ 248,962	\$ 640		\$ 58,357	\$ 22,306	\$ 82,408							\$ -	\$ 82,408
48	Tools etc - Testing Equipment(Doppler, Relay, etc.)	\$ 12,059			\$ 17,651					\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 120,000	\$ 180,000
49	Vehicle replacement									\$ 125,000	\$ 125,000	\$ 125,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 470,000	\$ 705,000
50	Vehicle replacement (3+1 for 2020)		\$ 44,995		\$ 253,807	\$ 143,489										\$ -	\$ -
51	Subtotal Capital Projects Budget:	\$ 1,327,866	\$ 909,063	\$ 2,519,038	\$ 2,029,703	\$ 93,467	\$ 583,334	\$ 592,232	\$ 583,582	\$ 1,475,000	\$ 1,450,000	\$ 1,450,000	\$ 1,445,000	\$ 1,445,000	\$ 1,455,000	\$ 5,790,000	\$ 9,303,582
52	Misc Capital Budget Items Total Not to Exceed \$50,000																
53	Station Equipment	\$ 2,805	\$ 11,088	\$ 15,589	\$ 5,080	\$ -	\$ 13,382	\$ 31,495	\$ 387,958	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000	\$ 447,958
54	Poles and Fixtures				\$ 3,104	\$ 4,975				\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000	\$ 60,000
55	Overhead Conductors and Devices					\$ 10,457		\$ 9,256		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000	\$ 60,000
56	Office Furniture and Equipment					\$ -				\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 10,000	\$ 15,000
57	Computer Equipment-Hardware		\$ 8,450		\$ 879	\$ 7,739				\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 40,000	\$ 60,000
58	Computer Software	\$ 9,364	\$ 12,284	\$ 7,039	\$ 38,868	\$ 11,822				\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 8,000	\$ 12,000
59	Transportation Equipment			\$ 7,697		\$ -		\$ 32,658		\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 6,000	\$ 9,000
60	Tools, Shop and Garage Equipment		\$ 6,357	\$ 4,549		\$ 12,669		\$ 50,62		\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 16,000	\$ 24,000
61	Subtotal Misc. Capital Budget:	\$ 12,169	\$ 38,179	\$ 34,874	\$ 47,931	\$ 47,663	\$ 13,382	\$ 73,409	\$ 387,958	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 200,000	\$ 687,958
62	Total Annual Capital Budget:	\$ 1,340,035	\$ 947,242	\$ 2,553,912	\$ 2,077,634	\$ 141,130	\$ 596,716	\$ 665,641	\$ 971,540	\$ 1,525,000	\$ 1,500,000	\$ 1,500,000	\$ 1,495,000	\$ 1,495,000	\$ 1,505,000	\$ 5,990,000	\$ 9,991,540

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-2

Reference 1: Exhibit 2 / pages 30-38

Preamble

The tables at Reference 1 “summarize a select set of FNEI’s proposed capital investments over the period of 2026 to 2030.” Each table shows the Investment Driver, Proposed Start Date, Proposed In-Service Date, Forecast Capital Expenditure, Project Description, Alternatives, and Priority and Risk of Not Proceeding.

Question(s)

- a) Please provide tables in the same format as Reference 1 for all material proposed capital investments over the period of 2026-2030.
- b) Do the ‘Forecast Capital Expenditure’ entries in each table in Reference 1 refer only to the capital expenditures in the period 2026-2030? If yes, please update each table to include an entry for ‘Forecast Total Capital Expenditure’, which includes any expenditures for the project outside of the 2026-2030 period.
- c) Please revise the Proposed Start Date of any projects to account for any expenditures that occurred prior to 2026.

RESPONSE:

- a) Please see listing below for tables detailing the following capital investments that exceed FNEI’s materiality threshold over the period of 2026 to 2030:
 - a. Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)
 - b. Brushing equipment for the pole line
 - c. Fort Albany Feeder 3
 - d. M9K spare structure
 - e. Spare Alstom Disconnect Switch

Project Name:	Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)		
Investment Driver:	System Renewal		
Proposed Start Date:	2024	Proposed In-Service Date:	2026 to 2030
Forecast Capital Expenditure:	\$1,000,000		
Project Description:	Replacement of ABB Protection and Control relays due to end of life.		
Alternatives:	The only alternative would not replace the ABB relays, which would be an unacceptable option since they protect and control important assets		
Priority and Risk of Not Proceeding:	This project was a high priority for FNEI. In 2014 several ABB protective relays had internal failures. The failure of an ABB protective relay can result in a potentially catastrophic event, as the relays detect over/under voltage, line faults, etc. and in those situations the relay issues commands that will open the breaker, thereby protecting equipment and ensuring public safety. Not proceeding with the project was held by FNEI to be an unacceptable risk.		

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Project Name:	Brushing equipment for the pole line		
Investment Driver:	General Plant		
Proposed Start Date:	2026	Proposed In-Service Date:	2026 to 2030
Forecast Capital Expenditure:	\$500,000		
Project Description:	Right of Way clearing of high voltage lines feeding northern communities.		
Alternatives:	The only alternative would be to not proceed with the purchase of the required machinery and clear the right of way manually, which would not be probable with the amount of area that requires clearing and time constraints due to short access period. Current fleet will be 10 years old at the start of project purchases and will require replacement in order to keep the fleet reliable in the ROW clearing operations as it's costly when breakdowns occur.		
Priority and Risk of Not Proceeding:	This project is a high priority for FNEI, without the proper and required clearing of the ROW, brush would grow to heights that would interfere with the lines and cause outages to northern communities. As the brush clearing in the right of way is an ongoing activity that has to be done in the winter months due to the restrictions of herbicide use to control the growth of brush and access, this gives FNEI a short window in the winter months to clear thick vegetation areas on the line when it becomes accessible. Proper machinery and equipment are needed to clear as much ROW as possible in a short period.		

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Project Name:	Fort Albany Feeder 3		
Investment Driver:	System Service		
Proposed Start Date:	2026	Proposed In-Service Date:	2026 to 2030
Forecast Capital Expenditure:	\$400,000		
Project Description:	Fort Albany is a growing community that will require an additional feeder to supply the demand. The feeder will be required due to housing construction that is projected in the next few years and electrical upgrades being done to existing home for heating demands.		
Alternatives:	The only alternative is not to construct the additional feeder, which would hinder the growth and place more stress on existing feeders that are in service.		
Priority and Risk of Not Proceeding:	This project is high priority because we want the community to grow with the electricity demands they require as they expand the community for housing needs.		

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Project Name:	M9K spare structure		
Investment Driver:	System Reliability		
Proposed Start Date:	2026	Proposed In-Service Date:	2026 to 2030
Forecast Capital Expenditure:	\$60,000		
Project Description:	Spare material for structure replacement in case of any contingencies that may occur on the M9K line		
Alternatives:	The only alternative would not to purchase spare material and have limited supply in case of any emergencies for the M9K line		
Priority and Risk of Not Proceeding:	This would be a high priority as with the aging of our equipment, it is important to have spare material on hand • Long lead times for spare material • Shipping limitations during most of the year		

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Project Name:	Spare Alstom Disconnect Switch		
Investment Driver:	System Reliability		
Proposed Start Date:	2026	Proposed In-Service Date:	2026 to 2030
Forecast Capital Expenditure:	\$200,000		
Project Description:	FNEI is planning on improving the spare parts available for emergency situations that may affect major equipment that would affect the reliability for delivery power to our customers. We want to add a spare Alstom Disconnect Switch, which is part of line to disconnect the incoming feed for maintenance work and isolation for safety purposes.		
Alternatives:	We do not keep spare inventory for the Alstom Disconnect Switch and upon failure we have a long lead time for repair		
Priority and Risk of Not Proceeding:	• High Priority • Safety and Reliability • With the remote area that we serve, it is imperative we have spare inventory for equipment that would have an impact on the delivery of power to the customers • Customer locations are limited for delivery during most of the year for larger equipment and equipment manufacturers have long lead times for orders		

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- 1 b) Please see FNEI's response to 2-STAFF-1 part b and live Excel filed.
- 2 c) FNEI provides the following list of capital projects listed in Exhibit 2 Section 4.1 for the
- 3 period of 2026 to 2030 to have project start dates earlier than 2026:

Capital Project	Start Date
Relay Replacement (Fort Albany, Kashechewan, Attawapiskat)	2024
Station Fence extension, storage (Albany)	2024
Station Emergency Communications upgrades	2024

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-3

Reference 1: Exhibit 2 / Table 3 FNEI Capital Expenditures 2024-2030

Reference 2: Exhibit 2 / page 32

Preamble

Reference 2 states that the proposed 'Replacement ABB MV Breakers for FA/Kash/Atta' project has a proposed start date of 2026 and a forecast capital expenditure of \$500,000. For the same project, Reference 1 shows an expenditure of \$200,000 in 2025, and an expenditure of \$500,000 between 2026-2030.

Question(s)

a) What is the total forecast cost, including expenditures outside of the 2026-2030 period, of the Replacement ABB MV Breakers for FA/Kash/Atta project?

b) Given that Reference 1 shows an expenditure of \$200,000 in 2025, while Reference 2 shows that the Proposed Start Date is 2026, what is the actual proposed start date of the project?

RESPONSE:

a) The total forecasted expenditures for the Replacement ABB MV Breakers for FA/Kash/Atta project is \$700,000 with a start date in 2025. Please see response to 2-STAFF-2 for an updated Table 3 with Total Forecasted In-Service costs from 2024 to 2030.

b) The Replacement ABB MV Breakers for FA/Kash/Atta project was started in 2025.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-4

Reference 1: Exhibit 2 / Table 3 FNEI Capital Expenditures 2024-2030

Reference 2: Exhibit 2 / page 33

Preamble

Reference 2 describes the proposed 'Battery Replacement' project, having a cost of \$150,000.

Reference 1, which lists FNEI Capital Expenditures 2024-2030, includes two projects: 'E2 Battery Replacement' (\$250,000) and 'Battery Chargers Replacement (1/yr)' (\$180,000).

Question(s)

a) Which, if any, of the projects listed at Reference 1 is the Battery Replacement project described at Reference 2? Given that neither of the projects listed at Reference 1 has the same capital expenditures listed as the Battery Replacement project at Reference 2, please reconcile any differences in costs between the projects.

RESPONSE:

- a) The Reference 2 Exhibit 2, page 33 Battery Replacement project description is for the Reference 1 Table 3 E2 Battery Replacement. The Forecast Capital Expenditure value included on page 33 of Exhibit 2 should have reflected the \$250,000 total for the project as shown in Table 3 of Exhibit 2. The value was incorrectly included as \$150,000 in the application and evidence.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-5

Reference 1: Exhibit 2 / Table 3 FNEI Capital Expenditures 2024-2030

Reference 2: Exhibit 2 / page 34

Preamble

Reference 2 describes the proposed 'E2 Control Room Back-up Generator' project, having a cost of \$200,000 and a start date of 2028. Reference 1 lists the same project as having a cost of \$300,000, beginning in 2027.

Question(s)

a) Please reconcile the difference in costs and start dates between Reference 1 and Reference 2.

RESPONSE:

- a) FNEI corrects the references to the Start date and Forecasted Capital Expenditure for the E2 Control Room Back-up Generator project to a start date of 2027 and total forecasted project cost estimate of \$300,000. This was an error in transcription in Exhibit 2 page 34.

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Project Name:	E2 Control Room Back-up Generator		
Investment Driver:	Per Asset Condition Assessment		
Proposed Start Date:	2027	Proposed In-Service Date:	2027-2029
Forecast Capital Expenditure:	\$300,000		
Project Description:	FNEI is planning on installing back-up generators for the E2 control room that would be capable of supplying power for the equipment operation during maintenance and power outages from the powerlines and distribution system. The community generators do not have the capacity to supply the community with their back-up generators which would affect the operation of the substations during power outages.		
Alternatives:	No alternative, FNEI does not currently have back-up generators installed.		
Priority and Risk of Not Proceeding:	This is a top priority for FNEI. The installation will make the transformer station more reliable with a secondary power source to allow the station service to be unaffected during any outage that may occur. This would allow the station to keep the HVAC operating to keep station equipment in the ideal atmosphere for operation and DC battery banks charged/ready for service when power returns. Currently, Fort Albany does not have back-up generators for the community and the other 2 communities have back-up generators but with limited capacity and reliability. This would allow the transformer stations to be self-reliant during any power outages and be ready to return to service once power is restored with no effect on the reliability and safety of the system.		

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 2-STAFF-6

Reference 1: Exhibit 2 / page 45

Preamble:

The forecast capital expenditure for the Station Server/MicroSCADA Replacement was \$235,123, while the actual expenditure was \$291,436. FNEI states that the driver for the variance was “Original scoped microprocessor in MicroScada was upgraded post installation to improve processing and outputs.”

Question(s)

a) Please explain how FNEI determined that the originally scoped microprocessor was insufficient.

RESPONSE:

A) FNEI was informed by its third-party provider about the opportunity to improve processing capability of its Station Server/MicroSCADA (“SCADA”) through an upgrade of specific elements of the project. The provider identified economies of scale would be achieved by combining the SCADA replacement of servers with an upgrade. The upgrade approved by FNEI management was to add an additional communications card, additional hard-disk capacity and upgrade the application software.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 2-STAFF-7

Reference 1: Exhibit 2 / page 17

Preamble

FNEI states that with respect to investment planning: “The geographic location of FNEI does present substantive challenges. As noted throughout this Exhibit and application, access to transmission assets often requires transporting personnel and materials to remote locations that can generally only be reached by air travel throughout the majority of the year. This primary challenge has been addressed in its investment planning processes by it utilizing monitoring and visual inspection tools to establish asset investment requirements.”

Question(s)

a) Please describe the “monitoring and visual inspection tools” that will be used to establish asset investment requirements.

RESPONSE:

a) FNEI monitoring and visual inspection consists of several tools and operations staff processes. These include use of the following:

- **Flir IR Camera :** Used for annual IR inspections on all major equipment for any hot spots in our outdoor and indoor equipment.
- **Annual oil sampling** on all transformers and reactors to ensure gases in the oil are within tolerance levels
- **Omicron CPC 100 Universal Primary Injection Test Set:** Used to test transformers, reactors, PT’s and CT’s
- **Megger Insulation Tester:** Used to test the insulation values for MV/LV cables, HV/MV breakers and insulators.
- **Megger Ground Resistance Tester:** Used to test the integrity of the substation ground grid

- 1 • **Megger Circuit Breaker Analyzer:** Used to test the timing of the Open/Close operation of
2 HV/MV breakers and circuit switchers
- 3 • **Vanguard Instruments DC Power Supply:** Used to test the minimum trip of a HV/MV
4 circuit breaker and use of a DC power supply when needed
- 5 • **Vanguard Instruments Contact Resistance Tester:** Used to test the resistance in the
6 HV/MV breaker contacts, HV switch contacts, bus connections, grounding cables and cable
7 connections
- 8 • **Phenix Technology Hi-Pot Tester:** Used to test the vacuum integrity in the MV circuit
9 breakers
- 10 • **Fluke BT521 Battery Analyzer:** Used for annual testing of our DC battery banks in our
11 substations
- 12 • **Omicron CMC 356:** Used to test all the parameters in our Protection and Control relays for
13 line protection, feeder protection, transformer and reactor protection.
- 14 • **Power Comm Power Communication Analyzer:** Used to test signals in our PLCC
15 equipment for equipment communication and protection

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 3-STAFF-1

Reference 1: Exhibit 1 / page 11

Reference 2: Exhibit 3 / Table 2 2026 Rate Base

Preamble

Reference 1 states:

“Although FNEI’s current Board-approved Rate Base is \$35.47 million (proposed to be \$36.53 million in 2026), the value of the system that FNEI owns and operates is significantly in excess of that amount. The bulk of the initial funding for the FNEI transmission line came via a multi-year funding agreement (i.e., grant) from Indigenous and Northern Affairs Canada (“INAC”), which was disbursed directly to FNEI. As such, this amount was treated an aid-to-construct capital contribution and excluded from FNEI’s Rate Base. Second, in order to facilitate service of the DeBeers Victor Mine, a portion of FNEI’s transmission line was twinned, accompanied by substantial capital contributions from DeBeers. Today, FNEI’s system incorporates regulated Gross Property, Plant and Equipment (“PP&E”) of \$132 million when excluding the impact of historical capital contributions.”

Reference 2 presents the 2026 Rate Base, including opening Gross Property, Plant and Equipment of \$97.61M.

Question(s)

a) Please explain the statement at Reference 1 “FNEI’s system incorporates regulated Gross Property, Plant and Equipment (“PP&E”) of \$132 million when excluding the impact of historical capital contributions”. Please state the source, purpose, amount received, date received, and current amount included in PP&E and rate base of each capital contribution that FNEI has received.

b) Please reconcile the Gross PP&E value stated at Reference 1 with the Gross PP&E value stated at Reference 2.

c) Please discuss whether the funding received from FNEI’s multi-year funding agreement from Indigenous and Northern Affairs Canada continues to be excluded from rate base.

d) Please discuss the impact of the closure of the DeBeers Victor Mine on the statement at Reference

:

1 “the value of the system that FNEI owns and operates is significantly in excess of [the OEB-
2 approved Rate Base].”
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5 **RESPONSE:**

- 6 a. As described in Exhibit 1, the \$132 million figure represents the gross value of FNEI’s
7 transmission system assets before deducting historical capital contributions and grants that
8 remain within FNEI’s Gross PP&E as of 2026, but as negative values are thus excluded
9 from rate base. FNEI’s sources of capital contributions and grants are (i) a multi-year
10 funding agreement with Indigenous and Northern Affairs Canada (INAC) for the
11 construction of FNEI’s initial transmission line and stations, and (ii) capital contributions
12 from De Beers Canada Inc. related to the twinning of the line and associated station
13 upgrades required to serve the Victor Mine. INAC provided multi-year funding between
14 approximately 1998 and 2001 for the construction of FNEI’s transmission system. This
15 funding was treated as an aid-to-construct capital contribution and excluded from rate base.
16 De Beers Canada Inc. provided a capital contribution to fund the twinning of a portion of
17 FNEI’s line and related station infrastructure to enable service to the Victor Mine, consistent
18 with the statement in Exhibit 1. This contribution was also treated as a Contribution in Aid
19 of Construction (CIAC) and excluded from rate base.
- 20 b. The variance between the gross PP&E value stated in Reference 1 (\$132 million) and the
21 gross PP&E reported in Exhibit 3 / Table 2 (\$97.61 million) is reconciled through Appendix
22 2-BA, Account 1995, Contributions and Grants. These monies represent CIAC, consisting
23 primarily of INAC funding received for the acquisition and construction of station
24 equipment, poles and fixtures, and overhead conductors and devices. The deduction of these
25 contributions from gross assets yields the rate base PP&E reported in Exhibit 3.
- 26 c. Yes. The original INAC funding continues to be excluded from rate base.
- 27 d. The closure of the De Beers Victor Mine in 2023 does not alter the treatment of historical
28 capital contributions. The capital contributions provided by De Beers remain permanently
29 excluded from rate base.
30

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 3-STAFF-2

Reference 1: Exhibit 3 / page 5

Preamble FNEI's proposal for a working capital allowance of \$0.22M is based on a lead/lag study conducted by Navigant Consulting Limited in 2016.

Question(s)

a) Please file and summarize the lead/lag study by Navigant Consulting that forms the basis of FNEI's proposed working capital allowance.

b) Given that the lead/lag study was conducted nine years ago, please briefly discuss any factors that may affect the relevance of its results to the present application.

RESPONSE:

- a. The Lead/Lag study can be found in Attachment 1. Please refer to page 4 of 23 of the pdf for a summary of the study.
- b. FNEI does not expect that a new lead/lag study would produce materially different results, given there have been no material changes in FNEI's interaction with the Independent Electricity System Operator (i.e. the provider of the vast majority of FNEI's revenues), and the size of expenditure types informing a lead-lag study remain relatively consistent to the 2015 analysis period.



Working Capital Requirements of Five Nations Energy Inc.

Transmission Business

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Final Report
Reference No.: 185963
April 25, 2016

This report (the “report”) was prepared for Five Nations Energy Inc. (“FNEI”) by Navigant Consulting, Ltd. (“Navigant”). The report was prepared solely for the purposes of FNEI’s rate filing before the Ontario Energy Board and may not be used for any other purpose. Use of this report by any third party outside of FNEI’s rate filing is prohibited. Use of this report should not, and does not, absolve the third party from using due diligence in verifying the report’s contents. Any use which a third party makes of this report, or any reliance on it, is the responsibility of the third party. Navigant extends no warranty to any third party.

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SECTION I: EXECUTIVE SUMMARY

Summary

This report provides the results of a lead-lag study used to calculate the working capital requirements of FNEI's ("the Company") transmission business.

Performing a lead-lag study requires two key undertakings:

1. Developing an understanding of how the regulated transmission business operates in terms of products and services sold to customers/purchased from vendors, and the policies and procedures that govern such transactions; and,
2. Modeling such operations using data from a relevant period of time and a representative data set. It is important to ascertain and factor into the study whether (or not) there are known changes to existing business policies and procedures going forward. Where such changes are known and material, they should be factored into the study.

Results from the lead-lag study using data for calendar year 2015 identify the following working capital amount in Table 1, below.

Table 1: Summary of Working Capital Requirements

Year	2015
Percentage of OM&A	3.55%
Working Capital Requirement Incl. HST	\$ 192,137

Table 2, below summarizes the detailed working capital requirements for the test year, considering known and measurable changes calculated in the study.

Table 2: FNEI Transmission Working Capital Requirements (Test Year)

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses	Working Capital Requirements
Aggregate OM&A	36.61	26.65	9.95	2.73%	\$ 5,410,679	\$ 147,543
Interest Expense	36.61	15.22	21.38	5.86%	\$ 611,918	\$ 35,848
Total					\$ 6,022,597	\$ 183,390
HST						\$ 8,747
Total - Including HST						\$ 192,137
Working Capital as a Percent of OM&A						3.55%

Organization of the Report

Section 1 of the report discusses the lag times associated with FNEI's collections of revenues. The section includes a description of the sources of revenues and how an overall revenue lag is derived.

Section 2 presents the lead times associated with FNEI's expenses. The section includes a description of the types of expenses incurred by FNEI's transmission operations and how expenses are treated for the purposes of deriving an overall expenses lead time.

Section 3 presents an overall summary of the results from the study.

Appendix A provides a discussion of the methodology used to determine the working capital allowance for FNEI.

1. REVENUE LAGS

A transmission utility providing transmission service in Ontario derives its revenue from three payments made on a monthly basis to transmitters by the Independent Electric System Operator (IESO): Network Service Credit, Line Connection Service Credit, and Transformation Service Credit. A revenue lag represents the number of days from the date service is rendered by FNEI until the date payments are received from the IESO and funds are available to FNEI.

Interviews with FNEI personnel indicate that its transmission business receives funds from the following funding streams:

1. The Independent Electric System Operator ("IESO"); and,
2. Other Sources (CCRA Administration Fee and Interest Revenue).

The lag times associated with the funding streams (adjusted for known and measurable changes) were weighted and combined to calculate an overall revenue lag time as shown below.

Table 3: Summary of Revenue Lag

Description	Revenues	Lag Days	Weighting	Weighted Lag
IESO Revenue	\$ 6,271,819	35.48	98.06%	34.80
Other Revenue	\$ 123,970	93.42	1.94%	1.81
Total	\$ 6,395,790		100.00%	36.61

1.1 IESO Revenues

FNEI receives revenues from the IESO on a monthly basis in a manner that is consistent with the settlement and payment procedures outlined in the IESO Market Rules. Table 4, below summarizes the IESO Revenues Lag.

Table 4: Summary of IESO Revenues

Period Beginning	Period Ending	Payment Date	Payment Amount	Weighting	Service Lag Time	Payment Lag Time	Total Lag Time	Weighted Lag
1/1/2015	1/31/2015	2/20/2015	\$ 554,896	8.85%	15.50	20.00	35.50	3.14
2/1/2015	2/28/2015	3/19/2015	\$ 557,172	8.88%	14.00	19.00	33.00	2.93
3/1/2015	3/31/2015	4/22/2015	\$ 525,635	8.38%	15.50	22.00	37.50	3.14
4/1/2015	4/30/2015	5/21/2015	\$ 477,293	7.61%	15.00	21.00	36.00	2.74
5/1/2015	5/31/2015	6/18/2015	\$ 496,510	7.92%	15.50	18.00	33.50	2.65
6/1/2015	6/30/2015	7/21/2015	\$ 495,271	7.90%	15.00	21.00	36.00	2.84
7/1/2015	7/31/2015	8/21/2015	\$ 586,387	9.35%	15.50	21.00	36.50	3.41
8/1/2015	8/31/2015	9/21/2015	\$ 584,182	9.31%	15.50	21.00	36.50	3.40
9/1/2015	9/30/2015	10/21/2015	\$ 576,981	9.20%	15.00	21.00	36.00	3.31
10/1/2015	10/31/2015	11/20/2015	\$ 452,744	7.22%	15.50	20.00	35.50	2.56
11/1/2015	11/30/2015	12/18/2015	\$ 479,661	7.65%	15.00	18.00	33.00	2.52
12/1/2015	12/31/2015	1/21/2016	\$ 485,088	7.73%	15.50	21.00	36.50	2.82
Total			\$ 6,271,819					35.48

1.2 Other Revenues

The FNEI Connection and Cost Recovery Agreement with De Beers Canada Inc. ("DBC") allows FNEI to invoice for costs incurred (including Administration Fee) under the agreement on an annual basis. Other revenues also include monthly interest revenues received by FNEI. Table 5, below summarizes the FNEI Other Revenues Lag.

Table 5: Summary of IESO Revenues

Description	Revenues	Lag Days	Weighting	Weighted Lag
DBC CCRA Administration Fee	\$ 42,468	243.50	34.26%	83.42
Interest Revenue	\$ 81,502	15.22	65.74%	10.01
Total	\$ 123,970		100.00%	93.42

2. EXPENSE LEADS

Expense Leads are defined as the time period between when a service is provided to FNEI and when payment is remitted for that service. Typically services are provided in advance of payment which reduces the capital requirement of the company. Therefore, in conjunction with the calculation of the revenue lag, expense lead times were calculated for the following items:

1. OM&A Expenses; and,
2. Interest Expenses.

2.1 OM&A Expenses

For the purpose of the transmission lead-lag study, OM&A expenses were considered to consist of payments made by FNEI to its employees, vendors and government in the following categories:

1. Payroll and Benefits;
2. Property Taxes; and,
3. Other Miscellaneous OM&A.

Expense lead times were calculated individually for each of the items listed above and then dollar-weighted to derive a composite expense lead time of 26.65 days for OM&A expenses. Table 6, below summarizes the components of OM&A expense lead calculation.

Table 6: Summary of OM&A Expenses

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
Payroll & Benefits	\$ 1,382,148	24.50	25.54%	6.26
Property Tax	\$ 45,953	(14.34)	0.85%	(0.12)
Other OM&A	\$ 3,982,578	27.87	73.61%	20.52
Total	\$ 5,410,679			26.65

2.1.1 Payroll & Benefits

The following items were considered to be expenses related to the Payroll & Benefits of FNEI:

1. Payroll (including withholdings & contributions); and
2. Group Health, Dental, and Life Insurance.

FNEI uses a payroll administrator for employee payroll, and payroll deductions (i.e., CPP, withholdings, and income tax) are done directly by the administrator. This includes payments made for Workplace Safety and Insurance Board (WSIB) and pensions. Under this agreement, FNEI receives invoices from the payroll administrator within 7 days of the service period end date and then remits payment within 5 business days of the invoice date. During the test year, irregularities in this payment schedule were noted; however a more consistent payment schedule is expected in the future. This has been modeled as a known and measurable change and is included in the model.

When all Payroll, Withholdings and Benefits were dollar-weighted using actual payment data, the weighted average expense lead time associated with Payroll & Benefits was determined to be 24.50 days as shown in Table 7, below. Additional detail can be found in Appendix B.

Table 7: Summary of Payroll & Benefits Expenses

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
Payroll	\$ 1,346,068	25.31	97.39%	24.65
Group Health, Dental, Life Insurance	\$ 36,079	(5.58)	2.61%	(0.15)
Total	\$ 1,382,148		100.00%	24.50

2.1.2 Property Taxes

FNEI remits property taxes to the City of Timmins. Using payment dates during calendar year 2015 and amounts associated with FNEI's transmission business, a dollar-weighted expense lead (-lag) time of negative 14.34 days was determined. Table 8, below summarizes the property tax expense lead calculation.

Table 8: Summary of Property Tax Expenses

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
City of Timmins	\$ 45,953	(14.34)	100.00%	(14.34)
Total	\$ 45,953		100.00%	(14.34)

2.1.3 Other Miscellaneous OM&A

FNEI provided transaction level data for calendar year 2015 from their accounts payable system under the Miscellaneous OM&A category, a dollar-weighted expense lead time of 27.87 days was derived. Table 9, below summarizes the components of miscellaneous OM&A expense lead calculation. Three categories within Other Miscellaneous OM&A are HST-Exempt and have been broken out separate for consideration in Section 3.

Table 9: Summary of Miscellaneous OM&A Expenses

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
Rents & Lease Payments (HST-Exempt)	\$ 55,000	187.50	1.38%	2.59
Rents & Lease Payments	\$ 33,473	(224.50)	0.84%	(1.89)
Utilities (HST-Exempt)	\$ 412,375	33.24	10.35%	3.44
Utilities	\$ 58,040	41.99	1.46%	0.61
Hydro One Operators	\$ 299,197	4.50	7.51%	0.34
Contract Services	\$ 1,180,779	32.62	29.65%	9.67
Outside Services	\$ 203,676	64.25	5.11%	3.29
Occasional Services (HST-Exempt)	\$ 19,412	14.29	0.49%	0.07
Occasional Services	\$ 305,277	13.96	7.67%	1.07
Materials	\$ 1,112,917	27.06	27.94%	7.56
Travel	\$ 302,433	14.76	7.59%	1.12
Total	\$ 3,982,578		100.00%	27.87

2.2 Interest on Short-Term and/or Long-Term Debt

FNEI makes monthly interest payments on its long term debt outstanding out of current year revenues. A dollar-weighted expense lead time of 15.22 days was determined for the 2015 calendar year.

Table 10: Summary of Interest Expenses

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
BMO/PW	\$ 424,334	15.18	69.34%	10.53
BMO/PW/Manulife	\$ 187,584	15.33	30.66%	4.70
Total	\$ 611,918		100.00%	15.22

3. HARMONIZED SALES TAX (HST)

The expense lead times associated with the following items that attract HST were considered in FNEI's transmission lead-lag study.

1. IESO Revenues;
2. Other Revenues¹; and,
3. OM&A².

A summary of the expense lead times and working capital amounts associated with each of the above items is provided in Table 11. Note that the statutory approach described in Appendix A was used to determine the expense lead times associated with FNEI's remittances and disbursements of HST (i.e., remittances are generally on the last day of the month following the date of the applicable return).

Table 11: Summary of HST Working Capital Factors

Description	HST Lead Time	Working Capital Factor	Working Capital Requirement
IESO Revenue	(10.13)	-2.77%	\$ (22,623)
Other Revenue	10.28	2.82%	\$ 155
Misc. OM&A Expenses	25.07	6.87%	\$ 31,215
Total			\$ 8,747

¹ Items within Other Revenues that attract HST include the FNEI Connection and Cost Recovery Agreement Administration Fee

² Costs within OM&A that attract HST are shown in Table 9.

4. CONCLUSIONS

Using the revenue lags and expense leads developed in the previous sections and FNEI's calendar year 2015 transmission revenues and expenses (adjusted for known and measurable changes) the overall working capital requirements were calculated. Table 12 summarizes the working capital requirements for 2015 calculated in the study.

Table 12: FNEI Distribution Working Capital Requirements (2015)

Description	Revenue Lag Days	Expense Lead Days	Net Lag Days	Working Capital Factor	Expenses	Working Capital Requirements
Aggregate OM&A	36.61	26.65	9.95	2.73%	\$ 5,410,679	\$ 147,543
Interest Expense	36.61	15.22	21.38	5.86%	\$ 611,918	\$ 35,848
Total					\$ 6,022,597	\$ 183,390
HST						\$ 8,747
Total - Including HST						\$ 192,137
Working Capital as a Percent of OM&A						3.55%

APPENDIX A. WORKING CAPITAL METHODOLOGY

Working capital is the amount of funds that are required to finance the day-to-day operations of a regulated utility and which are included as part of a rate base for ratemaking purposes. A lead-lag study is the most accurate basis for determination of working capital and was used by Navigant for this purpose.

A lead-lag study analyzes the time between the date customers receive service and the date that customers' payments are available to FNEI (or "lag") together with the time between which FNEI receives goods and services from its vendors and pays for them at a later date (or "lead")³. "Leads" and "Lags" are both measured in days and are dollar-weighted where appropriate.⁴ The dollar-weighted net lag (lag minus lead) days is then divided by 365 (or 366 for leap years) and then multiplied by the annual test year expenses to determine the amount of working capital required. The resulting amount of working capital is then included in FNEI's rate base for the purpose of deriving its revenue requirement.

A.1 Key Concepts

Two key concepts need to be defined as they appear throughout the report:

Mid-Point Method

When a service is provided to (or by) FNEI over a period of time, the service is deemed to have been provided (or received) evenly over the midpoint of the period, unless specific information regarding the provision (or receipt) of that service indicates otherwise. If both the service end date ("Y") and the service start date ("X") are known, the mid-point of a service period can be calculated using the formula:

$$\text{Mid-Point} = \frac{([Y-X]+1)}{2}$$

When specific start and end dates are unknown, but it is known that a service is evenly distributed over the mid-point of a period, an alternative formula that is generally used is shown below. The formula uses the number of days in a year (A) and the number of periods in a year (B):

$$\text{Mid-Point} = \frac{A/B}{2}$$

Statutory Approach

In conjunction with the mid-point method, it is important to note that not all areas of the study may utilize dates on which actual payments were made to (or by) FNEI. In some instances, particularly for the HST, the due dates for payments are established by statute or by regulation with significant penalties for late payments. In these instances, the due date established by statute has been used in lieu of when payments were actually made.

³ A positive lag (or lead) indicates that payments are received (or paid for) after the provision of a good or service.

⁴ The notion of dollar-weighting is pursued further in the sub-section titled "Key Concepts".

Expense Lead Components

As used in the study, Expense Leads are defined to consist of two components:

1. Service Lead component (services are assumed to be provided to FNEI evenly around the mid-point of the service period), and
2. Payment Lead component (the time period from the end of the service period to the time payment was made and when funds have left FNEI's possession).

Dollar Weighting

Both leads and lags should be dollar-weighted where appropriate and where data is available to accurately reflect the flow of dollars. For example, suppose that a particular transaction has a lead time of 100 days and has a dollar value of \$100. Further, suppose that another transaction has a lead time of 30 days with a dollar value of \$1 Million. A simple un-weighted average of the two transactions would give us a lead time of 65 days $([100+30]/2)$. However, when these two transactions are dollar weighted, the resulting lead time would be closer to 30 days which is more representative of how the dollars actually flow.

A.2 Methodology

Performing a lead-lag study requires two key undertakings:

1. Developing an understanding of how the regulated transmission business operates in terms of products and services sold to customers/purchased from vendors, and the policies and procedures that govern such transactions; and,
2. Modeling such operations using data from a relevant period of time and a representative data set. It is important to ascertain and factor into the study whether (or not) there are known changes to existing business policies and procedures going forward. Where such changes are known and material, they should be factored into the study.

To develop an understanding of FNEI's operations, interviews with FNEI staff were conducted. Key questions that were addressed during the course of the interviews included:

1. What is being sold (or purchased)? If a service is being provided to (or by) FNEI, over what time period was this service provided;
2. Who are the buyers (or sellers);
3. What are the terms for payment? Are the terms for payment driven by industry norms or by company policy? Is there flexibility in the terms for payment;
4. Are any changes to the terms for payment expected? Are these terms driven by industry or internally? What is the basis for any such changes;
5. Are there any new rules or regulations governing transactions relating to transmission operations that are expected to materialize over the time frame considered in this report; and,
6. How are payments made (or received)? Payment types have different payment lead times (i.e., internet payments have shorter deposit times than cheque deposit times)

APPENDIX B. DETAILED DATA TABLES

B.1 Payroll & Benefits

Description	Amounts	Expense Lead Time	Weighting	Weighted Lead Time
Basic Payroll (Regular)	\$ 1,170,431	27.71	84.68%	23.47
Board Of Directors Payroll	\$ 175,638	9.29	12.71%	1.18
Group Health, Dental Life Insurance	\$ 36,079	(5.58)	2.61%	(0.15)
Total	\$ 1,382,148		100.00%	24.50

B.2 Basic Payroll (Regular)

Delivery Period	Payment Date	Amounts	Service Lead Time	Payment Lead Time	Total Lead Time	Weighting Factor %	Weighted Lead Time
Jan-15	02/12/15	\$ 111,274	15.50	12.00	27.50	9.51%	2.61
Feb-15	03/12/15	\$ 63,322	14.00	12.00	26.00	5.41%	1.41
Mar-15	04/13/15	\$ 76,792	15.50	13.00	28.50	6.56%	1.87
Apr-15	05/12/15	\$ 85,255	15.00	12.00	27.00	7.28%	1.97
May-15	06/12/15	\$ 80,999	15.50	12.00	27.50	6.92%	1.90
Jun-15	07/13/15	\$ 90,584	15.00	13.00	28.00	7.74%	2.17
Jul-15	08/12/15	\$ 123,544	15.50	12.00	27.50	10.56%	2.90
Aug-15	09/14/15	\$ 82,808	15.50	14.00	29.50	7.08%	2.09
Sep-15	10/12/15	\$ 76,916	15.00	12.00	27.00	6.57%	1.77
Oct-15	11/12/15	\$ 86,428	15.50	12.00	27.50	7.38%	2.03
Nov-15	12/14/15	\$ 89,568	15.00	14.00	29.00	7.65%	2.22
Dec-15	01/12/16	\$ 202,939	15.50	12.00	27.50	17.34%	4.77
Total		\$ 1,170,431				100.00%	27.71

B.3 Board Of Directors Payroll

Period Beginning	Period Ending	Payment Date	Amounts	Service Lead Time	Payment Lead Time	Total Lead Time	Weighting Factor %	Weighted Lead Time
01/20/15	01/20/15	01/18/15	\$ 4,500	0.50	(2.00)	(1.50)	2.56%	(0.04)
01/21/15	01/21/15	01/19/15	\$ 1,700	0.50	(2.00)	(1.50)	0.97%	(0.01)
01/28/15	01/28/15	01/26/15	\$ 4,100	0.50	(2.00)	(1.50)	2.33%	(0.04)
02/26/15	02/26/15	02/24/15	\$ 4,600	0.50	(2.00)	(1.50)	2.62%	(0.04)
03/23/15	03/23/15	03/21/15	\$ 11,400	0.50	(2.00)	(1.50)	6.49%	(0.10)
04/01/15	04/01/15	03/30/15	\$ 800	0.50	(2.00)	(1.50)	0.46%	(0.01)
04/22/15	04/22/15	04/20/15	\$ 500	0.50	(2.00)	(1.50)	0.28%	(0.00)
04/30/15	04/30/15	04/28/15	\$ 800	0.50	(2.00)	(1.50)	0.46%	(0.01)
05/10/15	05/10/15	05/08/15	\$ 1,700	0.50	(2.00)	(1.50)	0.97%	(0.01)
05/11/15	05/11/15	05/09/15	\$ 1,900	0.50	(2.00)	(1.50)	1.08%	(0.02)
05/19/15	05/19/15	05/17/15	\$ 500	0.50	(2.00)	(1.50)	0.28%	(0.00)
05/26/15	05/26/15	05/24/15	\$ 500	0.50	(2.00)	(1.50)	0.28%	(0.00)
05/31/15	05/31/15	05/29/15	\$ 1,600	0.50	(2.00)	(1.50)	0.91%	(0.01)
06/03/15	06/03/15	06/01/15	\$ 3,850	0.50	(2.00)	(1.50)	2.19%	(0.03)
06/11/15	06/11/15	06/09/15	\$ 1,000	0.50	(2.00)	(1.50)	0.57%	(0.01)
06/15/15	06/15/15	06/13/15	\$ 4,850	0.50	(2.00)	(1.50)	2.76%	(0.04)
06/16/15	06/16/15	06/14/15	\$ 500	0.50	(2.00)	(1.50)	0.28%	(0.00)
06/18/15	06/18/15	06/16/15	\$ 1,500	0.50	(2.00)	(1.50)	0.85%	(0.01)
06/25/15	06/25/15	06/23/15	\$ 9,200	0.50	(2.00)	(1.50)	5.24%	(0.08)
06/29/15	06/29/15	06/27/15	\$ 4,588	0.50	(2.00)	(1.50)	2.61%	(0.04)
06/30/15	06/30/15	06/28/15	\$ 2,500	0.50	(2.00)	(1.50)	1.42%	(0.02)
07/01/15	07/01/15	06/29/15	\$ 1,200	0.50	(2.00)	(1.50)	0.68%	(0.01)
07/04/15	07/04/15	07/02/15	\$ 2,375	0.50	(2.00)	(1.50)	1.35%	(0.02)
07/09/15	07/09/15	07/07/15	\$ 1,000	0.50	(2.00)	(1.50)	0.57%	(0.01)
07/13/15	07/13/15	07/11/15	\$ 875	0.50	(2.00)	(1.50)	0.50%	(0.01)
07/22/15	07/22/15	07/20/15	\$ 1,600	0.50	(2.00)	(1.50)	0.91%	(0.01)
07/31/15	07/31/15	07/29/15	\$ 400	0.50	(2.00)	(1.50)	0.23%	(0.00)
09/03/15	09/03/15	09/01/15	\$ 1,500	0.50	(2.00)	(1.50)	0.85%	(0.01)
09/15/15	09/15/15	09/13/15	\$ 14,400	0.50	(2.00)	(1.50)	8.20%	(0.12)
09/24/15	09/24/15	09/22/15	\$ 6,950	0.50	(2.00)	(1.50)	3.96%	(0.06)
09/30/15	09/30/15	09/28/15	\$ 4,600	0.50	(2.00)	(1.50)	2.62%	(0.04)
10/06/15	10/06/15	10/04/15	\$ 1,400	0.50	(2.00)	(1.50)	0.80%	(0.01)
10/13/15	10/13/15	10/11/15	\$ 1,250	0.50	(2.00)	(1.50)	0.71%	(0.01)
10/15/15	10/15/15	10/13/15	\$ 2,250	0.50	(2.00)	(1.50)	1.28%	(0.02)
10/16/15	10/16/15	10/14/15	\$ 6,800	0.50	(2.00)	(1.50)	3.87%	(0.06)
10/22/15	10/22/15	10/20/15	\$ 1,100	0.50	(2.00)	(1.50)	0.63%	(0.01)
10/31/15	10/31/15	10/29/15	\$ 7,500	0.50	(2.00)	(1.50)	4.27%	(0.06)
11/06/15	11/06/15	11/04/15	\$ 13,900	0.50	(2.00)	(1.50)	7.91%	(0.12)
11/10/15	11/10/15	11/08/15	\$ 5,500	0.50	(2.00)	(1.50)	3.13%	(0.05)
12/07/15	12/07/15	12/05/15	\$ 12,300	0.50	(2.00)	(1.50)	7.00%	(0.11)
12/08/15	12/08/15	12/06/15	\$ 4,950	0.50	(2.00)	(1.50)	2.82%	(0.04)
12/09/15	12/09/15	12/07/15	\$ 1,500	0.50	(2.00)	(1.50)	0.85%	(0.01)
12/18/15	12/18/15	12/16/15	\$ 7,700	0.50	(2.00)	(1.50)	4.38%	(0.07)
01/01/15	12/31/15	12/05/15	\$ 12,000	182.50	(26.00)	156.50	6.83%	10.69
Total			\$ 175,638				100.00%	9.29

B.4 Group Health, Dental Life Insurance

Delivery Period	Payment Date	Amounts	Service Lead Time	Payment Lead Time	Total Lead Time	Weighting Factor %	Weighted Lead Time
Jan-15	01/16/15	\$ 2,865	15.50	(15.00)	0.50	7.94%	0.04
Feb-15	02/17/15	\$ 2,865	14.00	(11.00)	3.00	7.94%	0.24
Mar-15	03/17/15	\$ 2,865	15.50	(14.00)	1.50	7.94%	0.12
Apr-15	04/15/15	\$ 2,865	15.00	(15.00)	-	7.94%	-
May-15	05/15/15	\$ 3,255	15.50	(16.00)	(0.50)	9.02%	(0.05)
Jun-15	06/15/15	\$ 3,255	15.00	(15.00)	-	9.02%	-
Jul-15	07/15/15	\$ 3,255	15.50	(16.00)	(0.50)	9.02%	(0.05)
Aug-15	08/01/15	\$ 3,114	15.50	(30.00)	(14.50)	8.63%	(1.25)
Sep-15	09/01/15	\$ 3,114	15.00	(29.00)	(14.00)	8.63%	(1.21)
Oct-15	10/01/15	\$ 3,114	15.50	(30.00)	(14.50)	8.63%	(1.25)
Nov-15	11/01/15	\$ 3,114	15.00	(29.00)	(14.00)	8.63%	(1.21)
Dec-15	12/01/15	\$ 2,400	15.50	(30.00)	(14.50)	6.65%	(0.96)
Total		\$ 36,079				100.00%	(5.58)

APPENDIX C. EXPERT INFORMATION

Ralph Zarumba, Director in the Energy Practice at Navigant Consulting, specializes in Regulatory Matters. Mr. Zarumba oversees that part of Navigant's Energy Practices specializing in retail regulatory matters. Mr. Zarumba has appeared as an expert in several dozen regulatory proceedings in Canada and the United States.

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Navigant has previously undertaken or supported numerous lead-lag studies across North America and for several of Ontario's electricity local transmission companies (LDCs) including Hydro One, Toronto Hydro, Horizon Utilities, London Hydro and others. Navigant lead-lag reports have been submitted by many of these other clients as evidence to support their rate submissions, and our approach and findings have been accepted, in large part, by the OEB and interveners. Some examples of recent lead-lag studies conducted by Navigant where Mr. Zarumba was the projected manager which have been filed with the OEB by Ontario utilities are outlined below.

Table 13: Recent Navigant Lead-Lag Studies (Ontario)

Utility	Reference
Toronto Hydro-Electric System Limited	EB-2014-0116 Exhibit 2A, Tab 3, Schedule 2
Hydro One Networks Inc. (distribution)	EB-2013-0141 Exhibit D1, Tab 1, Schedule 3
Hydro One Networks Inc. (transmission)	EB-2012-0031 Exhibit D1, Tab 1, Schedule 3, Attachment 1
Horizon Utilities	EB-2014-0002 Exhibit 2, Tab 4, Schedule 1
North Bay Hydro	EB-2014-0099, Correspondence
Entegrus Powerlines Inc.	EB-2015-0061, Exhibit 2, Attachment 2-B
Kingston Hydro	EB-2015-0083
Hydro Ottawa	EB-2015-0004

Ralph Zarumba

Director

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Professional Summary

Ralph Zarumba is a Director in the Energy Practice with 30 years of experience specializing in regulatory issues and economic analysis associated with energy utilities in North America, Europe and Asia. Mr. Zarumba has appeared as an expert witness in a number of regulatory and legal proceedings addressing electric generation, transmission and distribution issues, unregulated operations of utility holding companies, asset valuation and regulatory treatment of Smart Grid investments.

He has also assisted clients in other matters including Depreciation Studies, Transfer Pricing Mechanisms and evaluation of the results of competitive bidding for electric generation services. These testimonies have been presented before the Nova Scotia Utility and Review Board, the Federal Energy Regulatory Commission ("FERC"), the Massachusetts Department of Public Utilities, the Rhode Island Public Utilities Commission, the Illinois Commerce Commission, the Wisconsin Public Service Commission, the Ontario Energy Board, the New York Public Service Commission, the New Mexico Public Regulation Commission, the Kansas Corporation Commission as well as a number of other venues.

Mr. Zarumba has provided a number of papers and presentations on various regulatory and market analysis issues.

Recent Whitepapers

- » White Paper Prepared for the Ontario Energy Board on Approaches to Rate Mitigation for Transmitters and Distributors

http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0378/EB-2010-0378_Navigant_Report.pdf
- » White Paper Prepared for the Ontario Energy Board Cost addressing Distributor Efficiency

http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2012-0397/Navigant_Report_Elect-Dist-Efficiency_20130225.pdf
- » White Paper Prepared for the Ontario Energy Board Cost addressing Cost Assessment Models for Regulators

http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/319593/view/Cost%20Assessment%20Model%20Report_Jan%2013%202011_20120116pdf.PDF
- » Economic Issues Related to Tariff Development (with Thomas Welch)
<http://www.erranet.org/index.php?name=OE-eLibrary&file=download&id=6052&keret=N&showheader=N>

Recent Publications

- » Public Utilities Fortnightly “Pricing Social Benefits - Calculating and allocating costs for non-traditional utility services” Ralph Zarumba, Benjamin Grunfeld and Koby Bailey, August 2013
- » American Gas “Modernization: The Quest for 21st Century Utilities” Ralph Zarumba and Peter Haapaniemi, November 2012
- » Public Utilities Fortnightly “Pre-Funding to Mitigate Rate Shock” Sherman Elliot and Ralph Zarumba, September 2012

Professional Experience

Cost of Service

- » Provided testimony in the proceedings reviewing the 2014 Nova Scotia Power Cost-of-Service study (NSPI-P-892-/M05473).
- » Prepared and sponsored before the FERC a cost-of-service filing supporting a Reliability Must-Run filing on the Cayuga Operating Company.
- » Managed a project team which completed a Remaining Life Study for the Western Minnesota Municipal Power Agency.
- » For a confidential client reviewed the cost-of-service application for a natural gas distributor in Central Canada.

Regulatory and Pricing

- » Assisted the Ontario Energy in formulating a regulatory process and pricing design for Revenue Decoupling.
- » Prepared a white paper on rate mitigation mechanisms for the Ontario Energy Board.
- » Prepared a white paper for the Ontario Energy Board on apportion of regulatory commission costs to various stakeholders.
- » Prepared a number of working capital studies for various distributors and transmitters in the Province of Ontario.
- » Prepare a functional cost separation study for a regulated electric utility in Ontario.
- » For a confidential client prepared a benchmarking analysis of the costs of regulatory proceedings associated with the introduction of new electric generation.

- » Prepared an analysis of the pricing of voluntary renewable energy products for a Midwestern public power association.
- » Led a team that prepared a cost of service, rate design, legal evaluation and financial analysis for the Puerto Rico Electric Power Authority.
- » Performed a Pricing Strategy for the South Carolina Public Service Company (Santee Cooper).
- » Prepared a financial plan, electric rate design and phase-in plan for a new electric generation plan for Fayetteville (North Carolina) Public Works Commission.
- » Assisted Commonwealth Edison Company in their Electric Rate Request (Illinois Commerce Commission Docket No. 10-467).
- » Prepared proposals for Retail Conjunctive Billing Pricing filed in Illinois and Wisconsin which were filed before the Illinois Commerce Commission and the Wisconsin Public Service Commission.
- » Developed the Wisconsin Electric Power Company's first Curtailable Electric Tariff available to commercial customers.
- » Negotiated complex service contracts with thermal energy customers which led to a major expansion of the Wisconsin Electric Steam System.
- » Assisted Indianapolis Power & Light in preparing a cost recovery plan for Energy Efficiency and Demand Side Management Expenditures.
- » Trained regulatory staffs in the Republic of Macedonia, Bosnia and Herzegovina, Croatia and Albania.
- » Prepared proposals for ancillary services pricing based upon market-based mechanisms for San Diego Gas and Electric Company.
- » Completed the development of wholesale and retail rate designs for a southeastern G&T, an analysis of stranded cost exposure for a northeastern utility, and prepared a strategic plan for a large municipal utility.
- » Developed a proposal for electric generation transfer pricing that would be used as a transition mechanism between the existing vertically integrated utility and a deregulated environment.
- » Filed testimony in Wisconsin proposing that state's first Demand Response Program.

Demand Response

- » Assisted the Building Owners and Managers of Chicago (BOMA/Chicago) develop a program where they can bid demand response based ancillary services into the PJM market.
- » Prepared a presentation for the Public Utilities Commission of Ohio on Commercial and Industrial Dynamic Pricing and Demand Response in an unregulated regulatory environment.

Electric Transmission

- » Assisted the Long Island Power Authority to purchase distribution, transmission and regulatory assets and prepared its non-jurisdictional open-access transmission tariff.
- » Prepared the pricing portion of a FERC open access tariff (Docket No. ER96-96-43.000) for San Diego Gas and Electric Company; testified on revenue requirements and pricing including opportunity costs.

Generation Market Analysis

- » For a major public power generation owner prepared a strategy of internal coal versus natural gas generation dispatch protocols including the treatment of liquidated damages.
- » Co-authored a report for Nalcor on the feasibility and economics of the proposed development of the Lower Churchill Hydroelectric project.
- » Prepared a number of electric market price forecasts for many regions of the United States and Central America.
- » Supported the electric pricing and infrastructure analysis for a Least-Cost Resource Plan for San Diego County.
- » Prepared an analysis of the saturation of coal-fired electric generation technology in the Western Electric Coordinating Council.
- » Developed a long-run electric expansion plan for the Railbelt System in Alaska.
- » Managed a team that prepared a long-term capacity and energy forecast for a medium-sized municipal utility.
- » For Manitowoc Public Utilities prepared a resource plan evaluating various generation expansion options.

Merger, Acquisition and Divestiture

- » On behalf of the Minnesota Public Service Commission. Mr. Zarumba co-authored an analysis of the merger savings associated with the proposed Primergy Merger (the proposed combination of Northern States Power and Wisconsin Energy). The analysis included a detailed review of cost savings that would emanate from the merger and regulatory commitments made by the companies to regulatory authorities in Minnesota.
- » The Ontario Energy Board desired to identify factors that potentially impede the combination of regulated distributors in that province. Mr. Zarumba co-authored a study which identified those factors and discussed policies in other jurisdictions.
- » For the Manitowoc Public Utilities prepared an analysis that evaluated the divestiture of its transmission assets to the American Transmission Company.

International

- » Currently assisting the Israel Public Utility Authority is electric tariff reviews for the Israel Electric Company and the Jerusalem District Electric Company.
- » Mr. Zarumba assisted the electric regulator in the Republic of Macedonia with various regulatory issues including pricing design, revenue requirements and privatization issues. Included in the assistance was the development of market designs for the electricity sector.
- » Completed a tariff implementation plan proposal for the privatization of the distribution companies of the Bulgarian Electric Utility.
- » Led a team to implement regulatory procedures and methodology for the electric power industry in Bosnia and Herzegovina.
- » Conducted a study of the electric power market in El Salvador including a quantification of the level of generation market power using the Lerner Index.

Work History

Director, Navigant Consulting
Director, Science Applications International Corporation
President, Zarumba Consulting
Management Consultant, Sargent & Lundy Consulting Group
President, Analytical Support Network, Inc.
Manager, Pricing Practice, Synergic Resources Corporation
Senior Analyst – San Diego Gas & Electric Company
Senior Analyst – Wisconsin Electric Power Company
Analyst 4 – Eastern Utilities Associates
Analyst – Illinois Power Company

Education

MA, Economics	DePaul University, Chicago, IL
BS, Economics	Illinois State University, Normal, IL

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 3-STAFF-3

Reference 1: Exhibit 1 / Appendix 3 / FNEI Audited Financial Statements, July 9, 2025

Reference 2: Excel Chapter 2 Appendices, July 9, 2025

Preamble

In the Notes to the Financial Statements, for the year ended December 31, 2024, Note 5, shows Property, Plant and Equipment: Cost, Accumulated Depreciation, and Net Book Value (page 271/582). However, the Excel Appendix 2-BA shows different numbers for Cost, Accumulated Depreciation, and Net Book Value as of December 31, 2024.

Question(s)

a) Please reconcile the Property, Plant and Equipment: Cost, Accumulated Depreciation, and Net Book Value, as at December 31, 2024, between Appendix 2-BA and the audited financial statements.

RESPONSE:

FNEI notes that the variance between the Property, Plant and Equipment (PP&E) balances reported in Note 5 of the 2024 audited financial statements and those presented in Appendix 2-BA arises from the inclusion of Right-of-Use (ROU) assets in the Appendix 2-BA totals.

Specifically, Note 5 of the audited financial statements presents only tangible PP&E, whereas Note 10 separately identifies assets related to Leases – ROU Assets. In preparing Appendix 2-BA, FNEI included both PP&E and ROU assets (i.e. Account 2005 – Property Under Finance Lease) to reflect the complete asset base used for regulatory purposes under MIFRS, consistent with the OEB's prescribed format for the Fixed Asset Continuity Schedule.

- 1 Accordingly, when the amounts from Note 10 (Leases – Right-of-Use Assets) are added to the Note
- 2 5 PP&E balances, the resulting totals reconcile to those reported in Appendix 2-BA.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 3-STAFF-4

Reference 1: Exhibit 3 / page 8 & 9, July 9, 2025

Reference 2: Excel Chapter 2 Appendices, July 9, 2025

Preamble

Reference 1 states:

“2023 marks a material change in FNEI’s operations, as the transmission-connected DeBeers Mine ceased operations in January of 2023. On connection to the FNEI system, DeBeers paid a capital contribution to facilitate expansion of portions of the system, as well as connecting assets. The assets placed into service to facilitate provision of service to DeBeers were included within their applicable UsoA accounts, while the DeBeers contribution was recognized over time as Deferred Revenue in Account 2440.

As DeBeers wound down operations and prepared to cease taking service from FNEI’s system, an error became apparent in the depreciation of assets constructed to serve DeBeers, as well as the recognition of Deferred Revenue received from DeBeers. Depreciation and Deferred Revenue schedules had been constructed and implemented by FNEI to recognize the applicable assets from their in-service date, up to the planned end-of-operations by DeBeers late 2022 or early 2023.”

FNEI continues:

“On review in 2023, it became apparent that prior agreements had stipulated the assets and revenue should be recognized from the date of contract execution with DeBeers, as opposed to the in-service date of the assets. Correction of this issue required the one-time recognition of significant depreciation expense and Deferred Revenue in 2023, driving substantial increases to both Gross PP&E and Accumulated Depreciation in that year. The impact of this recognition is seen in [Appendix 2-BA]. The net impact of this one-time recognition, combined with normal course capital investments and depreciation expense, resulted in a decrease to Average Net PP&E of \$1.19 M and \$0.30 M in 2023 and 2024, respectively.”

:

1 Question(s)

2 a) Please confirm that FNEI's statement that "prior agreements had stipulated the assets and revenue
3 should be recognized from the date of contract execution with DeBeers, as opposed to the in-service
4 date of the assets" is in conformance with IFRS and MIFRS.

5 b) If this is not the case, please explain. Please also explain why FNEI's treatment of the error is
6 appropriate.

7 c) Please confirm whether FNEI has discussed this issue with its external financial statement auditor
8 and whether the auditor has agreed with this treatment. If this was not discussed and agreed to,
9 please provide a plan for communication with FNEI's auditor.

10 d) Please state the years of FNEI's audited financial statements that were impacted by this issue.

11 e) Please show where in Appendix 2-BA the decrease to Average Net PP&E of \$1.19M and \$0.30M
12 in 2023 and 2024, respectively, as well as any other relevant impacts, are demonstrated.

13 f) Please explain how the error has impacted Appendix 2-C Depreciation, Appendix 2-H Other
14 Revenue.

15 g) Please explain how FNEI is proposing to treat the error for rate-making purposes, including any
16 impacts on the 2026 test year revenue requirement.

17 h) Please explain why FNEI stated that the error drove "substantial increases to both Gross PP&E
18 and Accumulated Depreciation" in 2023 in one instance, but "a decrease to Average Net PP&E of
19 \$1.19 M and \$0.30 M in 2023 and 2024, respectively" in another instance.

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22 **RESPONSE:**

23 a) Confirmed; IFRS-15 required amortization over contract length, however FNEI could not
24 begin amortization until the in-service date of the contract, which was 3 years after the
25 beginning of the contract date. This created a remaining net book value on the assets on
26 completion of the contract, requiring the true-up described in Reference 1.

27 b) Please see a) above.

28 c) Confirmed.

29 d) 2022 was the year in which financial statements were impacted by the true-up described in
30 Reference 1.

31 e) Please see Appendix 2-BA, 2022 in which significant incremental depreciation expense is
32 recorded in Accounts 1815 – Transformer Station Equipment >50kV and 1830 – Poles,

- 1 Towers & Fixtures, in addition to significant incremental recognition of Deferred Revenue
2 in Account 2440. Subsequently, in Appendix 2-BA in 2023 \$19 million in 2440 – Deferred
3 Revenue is disposed of both within Gross PP&E and Accumulated Depreciation.
- 4 f) In Appendix 2-C, effective in 2023 there is no Remaining Life of Assets Existing for
5 Account 2440. In Appendix 2-H, effective in 2023 there is no further recognition of
6 Deferred Revenue in Account 4245.
- 7 g) No specialized treatment is required to appropriately recognize this matter in 2026 rate base
8 or 2026 revenue requirement. The DeBeers capital contribution has been fully recognized
9 and removed from Account 2440 in rate base, as well as from Other Revenue. Similarly, the
10 assets relating to the capital contribution have also been fully depreciated and removed from
11 rate base. The impact on 2026 of this one-time adjustment is, appropriately, Nil.
- 12 h) Deferred Revenue is represented in Gross PP&E as a negative value (reducing Gross
13 PP&E), and in Accumulated Depreciation as a positive value (reducing Accumulated
14 Depreciation). Disposing of 2440 Deferred Revenue from both Gross PP&E and
15 Accumulated depreciation thus has the impact of substantially increasing Gross PP&E and
16 Accumulated Depreciation, as stated.
- 17
- 18 With respect to Average Net PP&E, part h) of this interrogatory excludes a portion of
19 Reference 1, which states in full that “The net impact of this one-time recognition,
20 **combined with normal course capital investments and depreciation expense**, resulted in
21 a decrease to Average Net PP&E of \$1.19 M and \$0.30 M in 2023 and 2024, respectively.”
22 [Emphasis added] As stated, the reductions cited include other variances in FNEI’s Gross
23 PP&E and Accumulated Depreciation balances.
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RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 4-STAFF-1

Reference 1: Exhibit 4 / Table 2

Reference 2: Exhibit 4 / Table 3

Preamble

Reference 1 and Reference 2 provide FNEI's T-SAIDI and T-SAIFI performance from 2020-2024, based on the duration and frequency of interruptions experienced by three customer delivery points (Fort Albany, Kashechewan, and Attawapiskat).

Question(s)

a) Please file any available performance and service quality data between 2018-2023 related to FNEI's service of the DeBeers Victor Diamond Mine. If no information is available, or the information available is less granular than what FNEI has provided for FNEI's three other customers, please explain why.

b) Please discuss the impact of including performance and service quality information related to the service of the DeBeers Victor Diamond Mine on FNEI's T-SAIDI and T-SAIFI metrics.

RESPONSE:

a) The table below provides T-SAIDI and T-SAIFI Information for FNEI's Service to its Victor Mine Delivery Point over 2018-2023.

Year	2018	2019	2020	2021	2022	2023
T-SAIDI (hours)	0	1.7	8.6	6.5	1.9	0
T-SAIFI	0	4	4	5	4	0
Average System Availability	100%	99%	99%	99%	99%	99%

b) DeBeers was the sole customer at Five Nations' delivery point to Victor Mine. DeBeers wound down its operations in the years leading up to the closure of Victor Mine in 2023. As part of this wind down process, DeBeers powered its operations using its backlog of diesel fuel, lowering its electricity consumption. Because its consumption of electricity was minimal

1 during this time, DeBeers did not monitor its electrical system for outages and did not notify
2 FNEI when outages did occur, delaying FNEI's restoration efforts for its VM delivery point
3 and increasing its T-SAIDI metric.
4

5 In light of the above, DeBeers' inclusion in reliability metric calculation would skew the
6 results of FNEI, and further would not be reflective of FNEI's current customer base. Inclusion
7 of DeBeers would also increase the customer count (which is the denominator for SAIDI and
8 SAIFI calculations) from 3 to 4, which all else equal would lower SAIDI and SAIFI.
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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 4-STAFF-2

Reference 1: Exhibit 4 / Table 5 Maintenance Costs per Circuit-km

Reference 2: Exhibit 4 / Table 8 FNEI Proposed Scorecard

Preamble

Reference 1 provides FNEI's maintenance costs per circuit kilometer from 2020-2024, as well as the maintenance costs per circuit kilometre of B2M Limited Partnership and Niagara Reinforcement Limited Partnership from 2020-2023. Reference 2 provides a target maintenance cost of \$4,350 per circuit-km for 2026-2030.

Question(s)

a) Please set out the calculations FNEI performed to produce each of the values displayed at Reference 1. Please include the sources of each input.

b) Please set out the method used by FNEI to calculate the Maintenance Cost (\$K) per circuit kilometre performance measure shown at Reference 2.

c) Please explain how FNEI's proposal to fix the target maintenance cost at \$4,350 per circuit kilometre for the 2026-2030 period encourages productivity improvements in FNEI's maintenance program.

RESPONSE:

A) FNEI has identified an error in its calculation of its total circuit kilometers and would like to provide updated information about the values displayed at Reference 1 and Reference 2. FNEI has a total of 440 circuit kilometers as part of its transmission system, consistent with OEB Staff's calculation in 6-Staff-2. Below is an update to Table 5 Maintenance Costs per Circuit-km found at Page 9, Exhibit 4 of FNEI's application evidence, and an update to Table 8 FNEI Proposed Performance Scorecard found at Page 12, Exhibit 4 of FNEI's application evidence using this updated value.

Updated – Table 5 Maintenance Costs per Circuit-km

\$ (000's)	2020	2021	2022	2023	2024
Five Nations Energy Inc.	1.6	1.4	1.9	1.7	2.5
B2M Limited Partnership	5.4	3.6	2.4	2.8	
Niagara Reinforcement Limited Partnership	0.1	0.0	0.2	1.2	

Updated – Table 8 FNEI Proposed Performance Scorecard

Metric	2026	2027	2028	2029	2030
Average System Availability	9.99	9.99	9.99	9.99	9.99
T-SAIDI	0.80	0.80	0.80	0.80	0.80
T-SAIFI	3.00	3.00	3.00	3.00	3.00
Recordable Injuries per Year	0	0	0	0	0
Maintenance Cost per Circuit-km	3,361	3,361	3,361	3,361	3,361
Compliance with FNEI Veg. Mgt. Policy	Compliant	Compliant	Compliant	Compliant	Compliant
Notional Achieved ROE	9.00%	9.00%	9.00%	9.00%	9.00%

- B) FNEI calculated the values displayed at Reference 1 and updated in part a) of this interrogatory response by taking FNEI's total maintenance costs, as referenced by totalling accounts 4916, 4930 and 4965, and dividing these costs by the number of FNEI's circuit kilometers, using 440km as the updated reference basis for this calculation.
- C) FNEI used its 2026 Test Year forecast as a baseline for its Maintenance Cost per Circuit-km performance measure, as described in page 12, Exhibit 4 of its application evidence and updated in part a) of this interrogatory response.
- D) By using its 2026 Test Year costs as a baseline for this metric, this proposal promotes productivity by encourages FNEI to manage the growth of its maintenance costs below inflation over its upcoming 2026-2030 rate period, which is assumed as a generic 2% annual increase in this application.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 5-STAFF-1

Reference 1: Exhibit 5 / Table 1 Revenue Requirement

Preamble

Reference 1 shows FNEI's revenue requirement between 2018 and 2026. Between 2022 and 2025, FNEI's base revenue requirement was between \$8.56M and \$9.7M, which is greater than FNEI's OEB-approved revenue requirement of \$8.00M.

Question(s)

a) Given that FNEI's actual revenue requirement in 2022-2025 exceeded its approved revenue requirement, please discuss any measures taken by FNEI that enabled it to continue its operations during that period, including, for example, deferral of capital investment or changes to OM&A programs.

b) Given that FNEI's actual revenue requirement has been consistently lower than its approved revenue requirement since 2022, why has FNEI not requested an increase to its revenue requirement until this application?

RESPONSE:

a. Over the 2022 to 2025 period, FNEI continued (and continues) to operate safely and reliably through prudent cost management and targeted efficiency measures. To manage within available revenues, FNEI undertook several initiatives to control operating and maintenance costs (which can be found in Exhibit 6), including:

- Performing maintenance work in-house wherever possible, thereby reducing reliance on external contractors and associated travel costs.
- Leveraging Maintenance Service Agreements (MSAs) with its three member LDCs to access qualified local labour at fixed rates, avoiding the significant cost of flying in contractors to remote communities.

- Deferring non-essential capital and IT upgrades, such as the planned asset-management software replacement, to align timing with more cost-effective cloud-based solutions.
- Investing in new power-line carrier communication equipment to improve coordination with Hydro One and realize long-term efficiencies in maintenance activities.
- Maintaining prudent vegetation-management cycles on a rotating basis to avoid backlogs that would otherwise lead to higher catch-up costs.

Despite the measures listed above, FNEI's revenue requirement exceeded revenues over the 2022 to 2024 period, and forecast to be the case in 2025. As such, the primary impact has been ROE (deemed) well below OEB-approved ROE (deemed) over this period.

- b. Developing a cost-of-service application is a time-consuming and costly exercise for a small transmitter. FNEI has sought to minimize regulatory burden and associated costs by managing prudently within its approved revenue requirement for as long as practicable, while ensuring continued safe and reliable service to its customers.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 5-STAFF-2

Reference 1: Appendix 2-H Other Revenue

Reference 2: Exhibit 5 / Table 1 Revenue Requirement

Preamble

Reference 2 shows that the OEB-approved Other Revenue in 2018 was \$0.15M, and

Reference 1 shows that actual Other Revenue in 2018 was \$2.36M. Similarly,

Reference 2 shows that the OEB-approved Depreciation & Amortization in 2018 was

\$1.44M, while the actual Depreciation & Amortization in 2018 was \$3.67M.

Reference 1 also shows that FNEI earned Government and Other Assistance Directly

Credited to Income (a category of Other Revenue) of \$8.46M in 2022. In each of the years 2018-

2021, revenue in the same category was \$2.16M.

Question(s)

a) Please explain the variance between OEB-approved Other Revenue and Depreciation & Amortization in 2018 and actual 2018 Other Revenue and Depreciation & Amortization.

b) Please confirm the source(s) of FNEI's Government and Other Assistance Directly Credited to Income in 2018-2022.

c) Please explain the differences, by USoA account name, of each category of Other Revenue in 2022 and in the years preceding and following 2022.

d) Please provide the base revenue requirement (service revenue requirement less Other Revenue) for each year between 2018-2025. Please explain any material variances between each year's base revenue requirement and the 2018 OEB-approved base revenue requirement.

RESPONSE:

- a. The variance between OEB-approved and actual Other Revenue and Depreciation & Amortization for 2018 primarily reflects accounting treatment changes associated with FNEI's transition from Canadian GAAP to IFRS. Under CGAAP, capital contributions

1 received from De Beers are included in depreciation expense as offsets to the depreciation of
2 PP&E, and there is no impact to Other Revenue. Under IFRS (and MIFRS), the offset of
3 annual recognition of amortized capital contributions is removed from depreciation expense,
4 increasing depreciation expense by this amount (e.g. see Appendix 2-BA, cell L549 to
5 demonstrate this exercise in 2018). At the same time, incremental Other Revenue is
6 recognized in the same amount. The impact of IFRS vs. CGAAP treatment of this matter is
7 Nil, other than the reporting of depreciation expense and Other Revenue as both higher (and
8 offsetting one another).

9
10 Annual recognition of the DeBeers capital contribution was equal to \$2.1 million in 2018.
11 Had the 2018 OEB-Approved figure reflected MIFRS treatment of this amount, approved
12 Other Revenue would have been \$2.25 million. As such, the 2018 variance in Other
13 Revenue relative to OEB-Approved is \$0.05 million, and the recognition of \$2.1 million in
14 Deferred Revenue which was included in OEB 2018 approvals, but recognized in a manner
15 consistent with CGAAP rather than IFRS.

16
17 b. The amounts recorded under Government and Other Assistance Directly Credited to Income
18 for 2018–2022 are related to the same De Beers capital contribution noted above. The
19 recognition of the deferred revenue associated with that contribution is consistent with IFRS
20 requirements and reflects the systematic transfer of the remaining deferred balance to
21 income over time. Account 4245 is commonly used to recognize these amounts in
22 applications to the Ontario Energy Board.

23
24 c. The significant increase in 2022 relates to the final recognition of the remaining deferred
25 revenue from De Beers, which is consistent with IFRS requirements. There is no further
26 recognition of deferred revenue beyond 2022. This treatment is further discussed in response
27 to 3-Staff-4. Miscellaneous Service Revenues in Account 4235 previously captured
28 Administrative Fees charged to DeBeers by FNEI, as further discussed in 6-Staff-5. There
29 are no revenues forecast in 4235 for 2025 or 2026. Finally, higher interest rates and balances
30 held in 2023 and 2024 resulted in higher Interest and Dividend Income amounts in Account
31 4405. FNEI's 2025 and 2026 forecasts reflect the most up to date forecast balances and
32 interest rates.

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- d. FNEI refers OEB Staff to Table 1 in Exhibit 5, which summarizes the annual base revenue requirement (service revenue requirement less Other Revenue) for 2018–2025. A variance analysis is also provided in Exhibit 5. Variances across the years primarily reflect inflationary pressures, maintenance and operating cost changes, and the one-time accounting adjustments described above.

RESPONSES TO ONTARIO ENERGY BOARD STAFF **INTERROGATORIES**

INTERROGATORY 5-STAFF-3

Reference 1: Exhibit 5 / page 9

Preamble

Reference 1 states:

“As per the OEB’s Decision and Order in EB-2016-0231, FNEI has used the 3-year historical average peak demand figures from 2022 - 2024 to derive its forecast charge determinants. Up until 2022, FNEI was serving three communities and a large transmission-connected large customer (“the Large Customer”). In January 2023, the Large Customer ceased operations and as such their demand has been removed from the historical data for the purpose of determining the charge determinant forecast for 2026.”

Question(s)

a) Please complete the following table by filling each empty cell with the non-coincident peak load, in kW, for the given customer in the given year:

Year	Fort Albany Power Corporation	Kashechewan Power Corporation	Attawapiskat Power Corporation	Large Customer (Victor Mine)
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				

1

2 **RESPONSE:**

3

Year	Fort Albany Power Corporation	Kashechewan Power Corporation	Attawapiskat Power Corporation	Large Customer (Victor Mine)
2017	2,319	3,495	3,877	17,027
2018	2,382	3,475	3,817	17,122
2019	2,646	3,517	4,062	16,181
2020	2,561	3,384	3,706	3,668
2021	2,452	3,629	3,494	3,144
2022	2,889	3,544	4,643	3,032
2023	3,000	3,690	4,105	2,068
2024	2,774	3,544	3,905	0

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RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 5-STAFF-4

Reference: Exhibit 5 / Table 9 / page 12

Preamble

FNEI presents the average annual peak demand and charge determinant forecast for the 2025 bridge year and the 2026 test year.

Question(s)

a) Please complete the following table by including the average monthly peak demand forecast, in kW, for the bridge year, test year, and remainder of the rate term (i.e. 2025-2030) for each customer community and total demand.

Year	Fort Albany Power Corporation	Kashechewan Power Corporation	Attawapiskat Power Corporation	Total
2025				
2026				
2027				
2028				
2029				
2030				

b) Please explain any expected variances to demand for the rate term within each community.

RESPONSE:

- a. FNEI refers OEB Staff to Exhibit 5, Table 9, which presents the average annual peak demand and charge determinant forecast by community (Fort Albany Power Corporation, Kashechewan Power Corporation, and Attawapiskat Power Corporation). This table

1 provides the detailed forecast information requested for the 2025 Bridge Year and 2026 Test
2 Year.

3
4 FNEI has not prepared a forecast beyond the 2026 Test Year, as the current application
5 requests approval for a single rate year. FNEI's proposed Charge Determinant forecast relies
6 upon the previously OEB-approved 3-year average approach, which FNEI maintains is
7 appropriate given the relatively stable demand of its three community customers. Were
8 FNEI to produce a 2027 to 2030 forecast, the values presented would be the same as those
9 presented for 2026.

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11 b. Please see a) above.
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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-1

Reference 1: Exhibit 6 / page 10

Reference 2: Exhibit 6 / page 13

Reference 2: Exhibit 6 / page 16

Question(s) a) Please provide the original text, if any, of the footnotes at each of the references.
The text in the submitted evidence is not readable.

RESPONSE:

Footnotes should read as follows:

Reference 1: "Certain insurance premiums have increased about 23% on account of DeBeers not covering a portion of the cost of premiums."

Reference 2: There is no text associated with this footnote, which was included in error.

Reference 3: "FNEI applies tax expense exemption 149(1)(d.5)"

RESPONSES TO ONTARIO ENERGY BOARD STAFF **INTERROGATORIES**

INTERROGATORY 6-STAFF-2

Reference 1: Appendix 2-JA OM&A Summary Analysis

Reference 2: Exhibit 1 / page 27

Reference 3: EB-2024-0176 WPLP Decision and Order

Reference 4: EB-2024-0116 B2MLP Decision and Order

Reference 5: EB-2024-0117 NRLP Decision and Order

Reference 6: EB-2020-0150 UCT2 Decision and Order

Preamble

OEB staff calculated FNEI's proposed 2026 OM&A costs per circuit kilometre by dividing the proposed OM&A costs at Reference 1 by the length of FNEI's system provided at Reference 2. OEB staff calculated the same metric for four other transmitters operating in Ontario, based on their approved OM&A costs per circuit kilometre (where a transmitter operates circuits that run in parallel, OEB staff doubled the length of the circuit). The results of this calculation are in the following table:

Transmitter (Year)	Circuit length (km)	OM&A (\$000s)	OM&A per km (\$000s)
WPLP (2025)	1742	33,600	19.3
FNEI (2026)	440	6,193	14.1
B2M (2025)	352 (176x2)	3,040	8.6
NRLP (2025)	152 (76x2)	1,050	6.9
UCT2 (2022)	900 (450x2)	4,740	5.3

Question(s)

:

1 a) Please explain why FNEI's OM&A costs per circuit kilometre are significantly higher than those
2 of B2M, NRLP, and UCT2.

3
4
5 **RESPONSE:**

6 a) FNEI does not have the insight or information about the benchmarked utilities' OM&A
7 costs to accurately comment on the differences in utilities' cost per circuit kilometre. To be
8 responsive to OEB Staff's questions, FNEI observes utilities B2M, NRLP and UCT2 have
9 different service territories and geographies to FNEI that would impact their metrics as
10 compared to WPLP and FNEI.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-3

Reference 1: Appendix 2-JD

Reference 2: Exhibit 4 / Table 6

Preamble

Reference 1 shows FNEI's OM&A costs by USoA account from 2018-2026. FNEI's maintenance costs across the three accounts 4916 (Maintenance of Transformer Station Equipment), 4930 (Maintenance of Towers, Poles and Fixtures), and 4965 (Maintenance of Miscellaneous Transmission Plant) vary from \$707,097 in 2020 to \$2,024,324 in 2018. FNEI's proposed costs in the test year for these categories is \$1,479,000.

Reference 2 shows a "Summary of Planned Maintenance Activities in Compliance with FNEI Vegetation Management Policy", which includes the maintenance activities performed for vegetation management and their respective frequencies.

Question(s)

a) Please provide a year-over-year breakdown of the maintenance activities and their costs included in each of the three maintenance accounts (4916, 4930, and 4965) in Appendix 2JD from 2018 to 2026. Please specifically break out the costs for vegetation management.

b) Please provide FNEI's vegetation management strategy and forecast for the 2026-2030 rate period, including: FNEI's best estimate of Brush Control and Line Clearing frequency, anticipated costs per year, including labor, equipment, and travel

c) Please discuss, with respect to vegetation, any planned efficiency improvements or technology adoption (e.g., remote sensing, drone inspections) during the 2026-2030 period.

RESPONSE:

:

1 a) Please see below Table 1, which presents 2018-2024 Historical, 2025 Bridge and 2026 Test
2 Year Vegetation Management Costs, Inclusive of Labour, Equipment and Travel

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Costs (\$K)	473	571	304	17	204	224	225	500	510

3

4 Please find attached 6-Staff-3 Supplemental Maintenance Expense Information, which provides
5 a breakdown of Accounts 4916, 4930 and 4965. Maintenance activities included in accounts
6 4916, 4930 and 4965 include standby generator costs for FNEI's LDCs, unplanned station
7 maintenance costs, operations and maintenance costs for FNEI's substations vehicles, planned
8 maintenance for substations serving LDCs, maintenance of station communications assets,
9 planned maintenance on transmission lines, vegetation management, planned maintenance on
10 fibre lines, costs for meter service providers, and unplanned transmission line costs. The
11 significant variance in account 4930 in 2018 of \$1.18 million is attributable to the operational
12 costs associated with FNEI's erosion remediation project as described at pages 55-56, exhibit 2
13 of its application evidence. This project increased costs in this account to \$2.02 million in 2018,
14 well above the average of \$979k over the remainder of the historical, bridge and test years.

15

16 b) Over the 2026-2030 rate period, FNEI plans to perform vegetation management in
17 compliance with its Vegetation Management Policy as described on page 10, Exhibit 4 of its
18 application evidence with respect to the types of maintenance practices described and the
19 frequency of their performance. FNEI is not able to precisely forecast its frequency of brush
20 control and line clearing maintenance, as these activities are driven by the results of FNEI's
21 annual helicopter patrols and annual ground conditions. The weather is a primary driver of
22 when FNEI can get access to the powerlines to begin brushing, and each year can present
23 different times where ground accessibility is available.

24

25 FNEI anticipates that its yearly vegetation management costs will vary based on the type of
26 activities performed and seasonal variations year-to-year but anticipates that average costs
27 will be in line with FNEI's Test Year costs for vegetation management plus inflation, set in this
28 application at a generic 2%.

29

:

1 c) FNEI does not have plans to adopt any specific technology related to vegetation
2 management during the 2026-2030 rate period. Over this period, FNEI will evaluate and
3 continue to identify efficiencies with respect to its vegetation management operations.

4

Cost Category	USoA Acct	2018	2019	2020	2021	2022	2023	2024	2025	2026
5112 Kashechewan Standby Generator Costs	4916	23,255	7,278	-	-	-	-			
5114 Attawapiskat Standby Generator Cost	4916	28,365	2,587	1,932	-	-	-			
5116 Unplanned Station Maintenance	4916	8,060	10,141	48,547	48,547	32,770	38,998	177,608	50,000	51,000
5123 Substations Vehicle O&M	4916	8,348	30,452	30,001	47,569	87,149	86,612	102,426	100,000	102,000
5124 Planned Maint-Attawapisk Substation	4916	47,473	62,613	70,699	136,688	85,082	68,750	111,358	150,000	153,000
5126 Planned Maint-Kashechewa Substation	4916	101,427	77,705	60,703	155,337	87,458	104,746	138,147	150,000	153,000
5128 Planned Maint-Albany Substation	4916	53,030	68,395	97,897	93,920	62,247	48,565	116,073	150,000	153,000
5129 Station Communication Assets Mtce.	4916	50,573	2,187	291	-	9,849	28,681	35,790	40,000	40,800
5131 Unplanned Transmission Line Mtce.	4930	1,187,475	73,480	62,054	38,053	3,456	9,297	2,851	100,000	102,000
5137 Planned Maint-Transmission Line	4930	6,398	11,459	19,074	74,125	234,960	89,825	68,421	150,000	153,000
5140 Right of Way Maintenance	4930	473,488	571,987	304,198	17,624	204,456	224,803	225,415	500,000	510,000
5135 Fibre Line Planned Maintenance	4960	24,837	-	-	-	-	28,036	90,925	40,000	40,800
5102 Meter Service Provider Costs	4965	11,594	11,700	11,700	11,700	12,420	12,420	14,820	20,000	20,400

USoA Account Costs (totals)	Account Names	2018	2019	2020	2021	2022	2023	2024	2025	2026
4916	Maintenance of Transformer Station Equipment	320,531	261,357	310,070	482,060	364,554	376,354	681,403	640,000	652,800
4930	Maintenance of Towers, Poles and Fixtures	1,667,361	656,926	385,326	129,803	442,872	323,925	296,687	750,000	765,000
4965	Maintenance of Miscellaneous Transmission Plant	36,432	11,700	11,700	11,700	12,420	40,456	105,745	60,000	61,200
Total of Three Account Costs		2,024,324	929,983	707,097	623,563	819,846	740,735	1,083,834	1,450,000	1,479,000

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-4

Reference 1: Appendix 2-JD OM&A UoA

Reference 2: Appendix 2-K Employee Costs

Preamble

Reference 1 presents OM&A costs between 2018 and 2026 according to their UoA accounts. Reference 1 includes categories for “Miscellaneous Transmission Expenses”, “Executive Salaries and Expenses”, “Management Salaries and Expenses”, and “General Administrative Salaries and Expenses”.

Reference 2 presents Employee Costs between 2018 and 2026. Employee costs are broken down into two categories “Management (including executive)” and “Non-Management (union and non-union)”. Reference 2 also presents the number of employees in each year, in each of the two categories. The number of employees range from a low of seven (in 2023) to a high of 11 (during 2018-2020).

Question(s)

a) Please discuss the increase in Miscellaneous Transmission Expenses shown at Reference 1 from 2024 (\$331,183) to 2026 (\$1,075,730). Please discuss FNEI’s expectations for expenses in this category during the balance of the rate term (2027-2030).

b) Given that Reference 2 states that the number of Management employees has decreased from five in 2018 to four in the 2026 test year, please discuss the increase in Executive Salaries and Expenses between 2018 (\$468,087) and 2026 (\$889,772). Please discuss FNEI’s expectations for expenses in this category during the balance of the rate term (2027-2030).

c) Please discuss the increase in General Administrative Salaries and Expenses between 2018

1 (\$278,505) and 2026 (\$677,509). Please discuss FNEI's expectations for expenses in this category
2 during the balance of the rate term (2027-2030).

3 d) Please reconcile any differences between the total Employee Compensation in the test year shown
4 in Reference 2 and the sum of three accounts "Executive Salaries and Expenses", "Management
5 Salaries and Expenses", and "General Administrative Salaries and Expenses" shown at Reference 1.

6 e) Please provide the expected employee costs in the same format as the table presented in Appendix
7 2-K for the remainder of the rate term (i.e. 2027-2030).

8 f) Please explain any forecasted material variances over the remainder of the rate term with respect
9 to employee costs.

10
11
12 **RESPONSE:**

13 a) Wages and benefits for operational staff are the drivers of the increase in Miscellaneous
14 Transmission Expenses from 2024 to 2026 that are greater than the application materiality
15 threshold. Wages and benefits will increase from 2024-2026 as a result of FNEI's planned
16 hiring described at Page 11, Exhibit 6 of its application. Over the 2027-2030 period, FNEI
17 expects that these expenses will increase in line with inflation, set at a generic 2% in this
18 application.

19 b) Drivers of the increase in Executive Salaries and Expenses between 2018 and 2026 include
20 increases to CEO salary and benefits, travel and disbursements, as well as board travel costs
21 and related disbursements. Over the 2027-2030 period, FNEI expects that these expenses
22 will increase in line with inflation, set at a generic 2% in this application.

23 c) Drivers of the increase in General Administrative Salaries and Expenses between 2018 and
24 2026 include the addition of a policy analyst and financial officer trainee over this time, as
25 well as the promotion of an administrative assistant to an office manager to support a greater
26 volume of activity and work requirements at FNEI. Over the 2027-2030 period, FNEI
27 expects that these expenses will increase in line with inflation, set at a generic 2% in this
28 application.

29 d) Total Employee Compensation as shown at Reference 2 differs from the sum of the three
30 accounts shown at Reference 1 because these three accounts include expenses that do not
31 form part of employee compensation, and certain portions of compensation including

- 1 salaries and benefits for employees performing maintenance and operational work are
2 captured under Account 4845 Miscellaneous Transmission Expenses.
- 3 e) Please see attachment 6-Staff-4e 2027-2030 2-K Forecast.
- 4 f) FNEI does not have any forecast material variances over the remainder of the 2027-2030
5 rate term with respect to employee costs.
- 6

	Appendix 2-K	
	Forecast Employee Costs 2027-2030	
		2026 Test Year
	Number of Employees (FTEs including	
	Management (including executive)	4
	Non-Management (union and non-union)	6
	Total	10
	Total Salary and Wages including overtime and incentive pay	
	Management (including executive)	\$ 696,765
	Non-Management (union and non-union)	\$ 313,142
	Total	\$ 1,009,907
	Total Benefits (Current + Accr	
	Management (including executive)	\$ 347,004
	Non-Management (union and non-union)	\$ 76,821
	Total	\$ 423,825
	Total Compensation (Salary, Wages,	
	Management (including executive)	\$ 1,043,769
	Non-Management (union and non-union)	\$ 389,963
	Total	\$ 1,433,732

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-5

Reference 1: Exhibit 6 / pages 9-10

Preamble

Reference 1 states:

“Following the 2023 closure of DeBeers’ Victor Mine operations, FNEI began absorbing costs of approximately \$370k per year in maintenance that was previously paid by DeBeers under an agreement to share a portion of FNEI’s costs for vegetation management and right of way maintenance.”

Question(s)

a) Please summarize and file the DeBeers cost sharing agreement.

b) Please provide the amount of revenue earned each year, on an actual basis, during the 2017-2024 period related to the DeBeers’ cost sharing agreement. Please break down the revenue according to the UsoA accounts in which FNEI tracks each portion of the revenue.

c) What portion (as a dollar amount and as a percentage) of actual OM&A costs associated with the facilities constructed to serve the DeBeers mine were covered by the cost sharing agreement with DeBeers annually during the 2017-2024 period?

d) Given that the DeBeers mine is no longer served by FNEI’s system, how have actual OM&A costs associated with FNEI’s facilities constructed to serve the mine changed? How has the scope of OM&A work conducted to maintain the facilities constructed to serve the DeBeers mine changed?

RESPONSE:

- a. FNEI confirms that a Cost Sharing Agreement with De Beers Canada Inc. was in place related to the operation and maintenance of facilities constructed to serve the mine. The agreement required De Beers to reimburse FNEI for a portion of annual vegetation management and right-of-way maintenance costs associated with those facilities.

A copy of the Cost Sharing Agreement is being filed with this response. Estimated OM&A costs can be found in Schedule B.

- b. OM&A amounts invoiced to DeBeers over the 2017 to 2023 period are shown below. FNEI notes that De Beers related costs and revenues for other services were both recorded in an internal Accounts Receivable account and netted against each other. As such, these transactions were not included in OM&A costs, nor were they recorded as Other Revenue. The only De Beers-related revenue recognized by FNEI was administrative fees, which were recorded in Miscellaneous Transmission Services (USoA 4235).

	2017	2018	2019	2020	2021	2022	2023
Invoice	313,503	279,950	282,410	303,271	284,932	505,291	23,710
Admin Fee	47,025	41,993	42,362	45,491	42,740	75,794	3,557
HST	46,869	41,853	42,220	45,339	42,597	75,541	3,545
Total	407,397	363,795	366,992	394,101	370,269	656,625	30,811

- c. Please refer to the response to part (b). The revenues identified in that table represent the portion of OM&A costs associated with the De Beers facilities that were recovered annually through the cost sharing arrangement.
- d. Following the closure of De Beers operations in 2023, FNEI no longer receives reimbursement from De Beers and now fully absorbs the associated maintenance and vegetation management costs, which total approximately \$370,000 per year as noted in Exhibit 6, page 9. The 170km twinning of the FNEI line from Moosonee Switching Station to Kasechewan Transformer Station, as well as upgrades to FNEI's stations and associated facilities, remain part of FNEI's transmission system and continue to benefit FNEI's customers with improved reliability and service. The scope of OM&A work required to maintain these assets has not materially changed, however, the cost responsibility for this work now rests entirely with FNEI.

VICTOR MINE SITE CONNECTION

THIS CONNECTION AND COST RECOVERY AGREEMENT is made as of the 28th day of November, 2005, between De Beers Canada Inc. ("De Beers") and Five Nations Energy Inc. ("FNEI").

WHEREAS the connection of De Beers' Victor Mine Site to FNEI's transmission system requires certain work to be performed on certain connection facilities forming part of FNEI's transmission system;

AND WHEREAS to permit such connection De Beers will construct certain transmission facilities, the ownership of which shall be transferred to FNEI;

AND WHEREAS pursuant to the Transmission System Code, De Beers will pay a capital contribution to FNEI in respect of the connection to FNEI's transmission system.

THEREFORE in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by the parties, the parties agree as follows:

1. Each party represents and warrants to the other that:
 - (a) it is a corporation duly incorporated and validly subsisting in all respects under the laws of its jurisdiction of incorporation;
 - (b) it has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder;
 - (c) the execution of this Agreement and compliance with and performance of the terms, conditions, and covenants contemplated in this Agreement have been duly authorized by all necessary corporate action on its part;
 - (d) no proceedings have been instituted by or against it with respect to bankruptcy, insolvency, liquidation or dissolution;
 - (e) subject to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought, this Agreement constitutes a valid and binding obligation enforceable against it in accordance with its terms and conditions, and it is not a party to, bound or affected by or otherwise subject to any indenture, mortgage, lease, charter or by-law provision, agreement or other instrument, or any statute, rule, regulation, judgement or other order which would be violated, contravened or breached by, or under which default by it would occur as a result of, the execution of this Agreement or the compliance with and performance of any of the terms, conditions and covenants contemplated herein;
 - (f) it is registered for purposes of Part IX of the *Excise Tax Act* (Canada);
 - (g) except for (i) any approvals required pursuant to the *Ontario Energy Board Act, 1998* (Ontario), and (ii) the permits specified in Schedule "D" attached hereto, no consent, authorization or approval of, or exemption by, any governmental or public body or authority, or by any person, pursuant to statute, contract or otherwise, is required in connection with the execution and performance of this Agreement, or any of the covenants or transactions contemplated herein referred to, or the taking of any action contemplated herein.
2. **Term**
 - 2.1 The term of this Connection and Cost Recovery Agreement (the "Agreement") commences on the date first written above and terminates on the Guaranteed Revenue Date.

3. **Contestable Work Assets**
- 3.1 To complete the connection of the Victor Mine Site, De Beers will construct certain transmission facilities that are more particularly described as Contestable Work Assets. De Beers will construct and transfer title to the Contestable Work Assets to FNEI in accordance with the terms and conditions set out in Exhibit "A".
4. **Medium Risk Connection**
- 4.1 The parties acknowledge that contemporaneous to the Transfer Date Phase I, De Beers will be connected to the FNEI Facilities – HV as a load customer and the basis for the connection shall be in accordance with the terms and conditions set out in Exhibit "B". De Beers will pay on the Transfer Date Phase II, the Capital Contribution prepared in accordance with Exhibit "B".
5. **FNEI Connection Work**
- 5.1 The FNEI Connection Work be completed by FNEI by the Ready for Service Date and as such the Ready for Service Date is subject to:
 - (a) any delays caused by third parties; and
 - (b) all necessary approvals and permits contemplated pursuant hereto have been obtained.
- 5.2 De Beers shall pay the actual cost for the FNEI Connection Work which is estimated to be the amount specified in Schedule "C" (plus applicable taxes) in the manner specified in Schedule "C" (the "Actual Cost"). Within 10 days before the Transfer Date Phase II, FNEI shall provide De Beers with a final invoice or credit memorandum which shall indicate whether the amount already paid by De Beers for the FNEI Connection Work exceeds or is less than the Actual Cost. Any difference between the Actual Cost (plus applicable taxes) and the amount already paid by De Beers for the FNEI Connection Work shall be paid on the Transfer Date Phase II, by FNEI to De Beers, if the amount already paid by De Beers exceeds the Actual Cost (plus applicable taxes), or by De Beers to FNEI, if the amount already paid by De Beers is less than the Actual Cost (plus applicable taxes).
- 5.3 Subsection 6.6.2(d) of the Transmission System Code issued by the Ontario Energy Board on July 25, 2005 (the "Transmission System Code") references that De Beers is required to pay Ontario Energy Board-approved fees for inspection, testing and commissioning by FNEI (the "Board Approved Fees"). As FNEI does not have any Board Approved Fees as at the execution of this Agreement, De Beers shall pay the inspection, testing and commissioning fees of FNEI contemplated by and that comprise the FNEI Connection Work as invoiced by FNEI. Once FNEI has Board Approved Fees, if the amounts paid by De Beers for inspection, testing and commissioning to FNEI in respect of the FNEI Connection Work:
 - (i) exceed the Board Approved Fees, FNEI shall refund the difference to De Beers (plus applicable taxes); or
 - (ii) are less than the Board Approved Fees, De Beers shall pay the difference to FNEI (plus applicable taxes) in accordance with the invoice issued by FNEI.
- 5.4 FNEI shall keep proper accounts and records of all of its costs related to the Contestable Work Project, including without limitation, the FNEI Connection Work. De Beers shall have the right to audit, inspect, examine and copy FNEI's accounts and records related to the Contestable Work Project, including, without limitation, the FNEI Connection Work during regular business hours on Business Days, on not less than two Business Days' notice. FNEI shall preserve and keep available for audit, inspection, examination and copying all such accounts and records for a period not less than seven years.
6. **Inconsistency with the Transmission System Code**
- 6.1 If any provision of this Agreement is inconsistent with the Transmission System Code, the Parties agree to negotiate in good faith to replace the inconsistent provision. In the event of a Dispute (as that term is

defined in Section 11.1), the process described in Section 11.1 shall apply. At any time, including if the parties are unable to agree on a new provision or provisions to replace an inconsistent provision, De Beers shall have the right to terminate this Agreement, and if De Beers terminates the Agreement:

- (i) prior to the Ready for Service Date, Section 10.1 shall apply; and
- (ii) after the Ready for Service Date, the parties agree that the termination shall be deemed a voluntary and permanent disconnection of the Victor Mine Site from the IESO-controlled Grid and FNEI shall perform a True-Up of the Line Connection Revenue in accordance with the Transmission System Code.

6.2 Nothing contained within this Agreement shall preclude, prevent, prohibit or operate as a waiver of any of the Parties' rights to:

- (i) make application to the OEB;
- (ii) participate in any hearings before the OEB; or
- (iii) make any appeals to a court of competent jurisdiction regarding any decision by the OEB,

with respect to any matter, issue, thing, interpretation, consideration or consequence whatsoever that is related to the terms of this Agreement.

7. Events of Default

7.1 Each of the following events shall constitute an "Event of Default" under this Agreement:

- (a) failure by De Beers or FNEI to pay any amount due under this Agreement within the time stipulated for payment;
- (b) breach by De Beers or FNEI of any Material term, condition or covenant of this Agreement; or
- (c) the making of an order or resolution for the winding up of De Beers or FNEI or of its operations or the occurrence of any other dissolution, bankruptcy or reorganization or liquidation proceeding instituted by or against De Beers or FNEI.

For greater certainty, a Dispute (as defined below in Section 11.1 below) will not be considered an Event of Default under this Agreement. However, a Party's failure to comply with the terms of a settlement or resolution of a dispute by the OEB or a court of competent jurisdiction will be considered an Event of Default under this Agreement.

7.2 Upon the occurrence of an Event of Default by De Beers hereunder (other than those specified in Subsection 7.1(c) above for which no notice is required to be given by FNEI), FNEI shall give De Beers written notice of the Event of Default and allow De Beers 30 calendar days from the date of receipt of the notice to rectify the Event of Default, at De Beers' sole expense. If such Event of Default is not cured to FNEI's reasonable satisfaction within the 30 calendar day period, FNEI may, in its sole discretion, exercise the following remedy in addition to any remedies that may be available to FNEI under the terms of this Agreement, at common law or in equity: terminate this Agreement without further notice and, if FNEI terminates this Agreement after the Transfer Date Phase II, FNEI may perform a True-Up and if the Actual De Beers Load to the date of termination is less than the load in the Load Forecast and therefore has not generated the forecasted Line Connection Revenue required for the economic evaluation period, after giving De Beers at least 10 calendar days' prior written notice thereof, FNEI may recover, as liquidated damages and not as a penalty, the shortfall. FNEI will provide an invoice to De Beers in respect of any shortfall.

7.3 Upon the occurrence of an Event of Default by FNEI hereunder (other than those specified in Subsection 7.1(c) above for which no notice is required to be given by De Beers), De Beers shall give FNEI written notice of the Event of Default and shall allow FNEI 30 calendar days from the date of receipt of the notice

to rectify the Event of Default at FNEI's sole expense. If such Event of Default is not cured to De Beers' reasonable satisfaction within the 30 calendar day period, De Beers may pursue any remedies available to it at law or in equity, including at its option the termination of this Agreement.

- 7.4 All rights and remedies of FNEI and De Beers in this Agreement are cumulative and in addition to any other right or remedy otherwise available to FNEI and De Beers respectively at law or in equity, and any one or more of FNEI's and De Beers' rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy FNEI or De Beers may have or may have exercised. The parties further agree that where any of the remedies provided for and elected by the non-defaulting party are found to be unenforceable, the non-defaulting party shall not be precluded from exercising any other right or remedy available to it at law or in equity.

8. Force Majeure

- 8.1 Neither party shall be considered to be in default in the performance of its obligations under this Agreement, except obligations to make payments with respect to amounts already accrued, to the extent that performance of any such obligation is prevented or delayed by any cause, existing or future, which is beyond the reasonable control of, and not a result of the fault or negligence of, the affected party ("Force Majeure") and includes, but is not limited to, system operating conditions mandated by the IESO, strikes, lockouts and any other labour disturbances and manufacturer's delays for equipment or materials required for the Contestable Work Assets or the FNEI Connection Work not acquiesced in by the affected party, acts of God, acts of War or conditions arising out of or attributable to War, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, drought or adverse weather conditions. The non-affected party shall be relieved of any obligation hereunder during the continuation of the event of Force Majeure.

If a party is prevented or delayed in the performance of any such obligation by Force Majeure, such party shall immediately provide notice to the other party of the circumstances preventing or delaying performance and the expected duration thereof. Such notice shall be confirmed in writing as soon as reasonably possible. The party so affected by the Force Majeure shall endeavour to remove the obstacles which prevent performance and shall resume performance of its obligations as soon as reasonably practicable, except that there shall be no obligation on the party so affected by the Force Majeure where the event of Force Majeure is a strike, lockout or other labour disturbance.

9. Sale, Lease, Transfer or Other Disposition of the Victor Mine Site

- 9.1 In the event that De Beers sells, leases or otherwise transfers or disposes of the Victor Mine Site to a third party or to an Affiliate, during the Term of this Agreement, De Beers shall cause the purchaser, lessee or other third party or Affiliate to whom the Victor Mine Site is transferred or disposed to enter into an assumption agreement with FNEI, having a form and content satisfactory to FNEI, acting reasonably, to assume all of De Beers' obligations in this Agreement. Notwithstanding such assumption agreement, unless FNEI agrees otherwise in writing, which agreement shall not be unreasonably withheld, De Beers shall remain obligated hereunder. Notwithstanding the foregoing, in the event that such third person or Affiliate is classified as a medium-low to low risk customer in accordance with Section 6.5.2(a) of the Transmission System Code, then De Beers shall not remain obligated hereunder and no agreement shall be required from FNEI to this effect.

10. **Cancellation of Connection and Early Termination of Agreement for Breach**

- 10.1 If the connection of the Victor Mine Site is cancelled or this Agreement is terminated prior to the Transfer Date Phase II for any reason whatsoever other than breach of this Agreement by FNEI, De Beers shall pay FNEI's project related costs (plus applicable taxes) incurred before the connection of the Victor Mine Site was cancelled or this Agreement was terminated, including all costs associated with the winding up of the FNEI Connection Work, including, but not limited to, storage costs, vendor cancellation costs, facility removal expenses and any environmental remediation costs.

If De Beers provides written notice to FNEI that it is cancelling the connection of the Victor Mine Site or terminating this Agreement prior to the Transfer Date Phase II, FNEI shall have 10 Business Days to provide written notice to De Beers that:

- (i) De Beers shall remove all equipment and materials constructed within or installed in the applicable electrical stations as at its date of such cancellation or termination and require De Beers to return said stations to their condition prior to the commencement of any work by De Beers or its contractor on the Contestable Work Station Assets; or
- (ii) it wishes to purchase, and De Beers shall transfer to FNEI title to, the applicable equipment and materials for \$1.00 on an "as is, where is" basis.

For greater certainty, FNEI shall have the above option if the cancellation or termination occurs at any time prior to the Transfer Date Phase II, including if such cancellation is after the Transfer Date Phase I.

- 10.2 If De Beers wishes to defer the connection of the Victor Mine Site, the Parties will negotiate the terms of such deferral.

11. **Resolution of Certain Disputes**

- 11.1 Unless the Parties agree otherwise, either party may refer disputes, disagreements, controversies, questions or claims arising out of or relating to whether any of the terms of this Agreement are inconsistent with the Transmission System Code ("Dispute") to a committee to be composed of one (1) representative of each of the Parties with responsibility for the business unit involved in the dispute, to hear the Dispute and attempt to reach a resolution. If the committee cannot resolve the Dispute, either party may refer the Dispute to the Ontario Energy Board for a review and resolution.

Neither Party may suspend or cease performing their obligations under this Agreement in the event of a Dispute.

- 11.2 This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Ontario and the laws of Canada applicable therein, and, subject to Section 11.1 above and Section 9 of Exhibit "B", the courts of Ontario shall have exclusive jurisdiction to determine all disputes arising out of this Agreement.

12. **General**

- 12.1 The failure of any party hereto to enforce at any time any of the provisions of this Agreement or to exercise any right or remedy shall in no way be construed to be a waiver of such provision or any other provision nor in any way affect the validity of this Agreement or any part hereof or the right of any party to enforce thereafter each and every provision and to exercise any right or remedy. The waiver of any breach of this Agreement shall not be held to be a waiver of any other or subsequent breach. Nothing shall be construed or have the effect of a waiver except an instrument in writing signed by a duly authorized officer of the party against whom such waiver is sought to be enforced.

- 12.2 No amendment, modification or supplement to this Agreement shall be valid or binding unless set out in writing and executed by the parties with the same degree of formality as the execution of this Agreement.

- 12.3 Any written notice required by this Agreement shall be deemed properly given only if either mailed or delivered:
- (a) in the case of FNEI to:

70C Mountjoy Street North
Suite 421
Timmins, Ontario
P4N 4V7

Attention: General
Fax No.: (705) 268-0071
 - (b) in the case of De Beers to:

65 Overlea Boulevard
Suite 400
Toronto, Ontario
M4H 1P1

Attention: Jeremy Wyeth, Vice President Victor Project
Fax No.: (905) 829-4407
- A faxed notice will be deemed to be received on the date of the fax if received before 3 p.m. or on the next Business Day if received after 3 p.m. Notices sent by courier or registered mail shall be deemed to have been received on the date indicated on the delivery receipt. The designation of the person to be so notified or the address of such person may be changed at any time by either party by written notice.
- 12.4 This Agreement may be executed in counterparts, including facsimile counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.
- 12.5 Invoiced amounts are due 30 days after invoice issuance. All overdue amounts shall bear interest at 1.5% per month compounded monthly (19.56 percent per year) for the time they remain unpaid.
- 12.6 Termination or expiry of all or part of this Agreement for any reason does not affect any rights of either party against the other which:
- (a) arose prior to the time at which such termination or expiration occurred; or
 - (b) otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Agreement occurring prior to the termination or expiration.
- 12.7 Schedules "A", "B", "C", "D" and "E" attached hereto, and Exhibit "A" - The Transfer of Contestable Work Terms and Conditions and Exhibit "B" - The Medium Risk Connection Terms and Conditions attached hereto are to be read with and form part of this Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior oral or written representations and agreements concerning the subject matter of this Agreement.
- 12.8 If there is a conflict between any term or provision of this Agreement and Exhibit "A" or Exhibit "B", then the terms and provisions of this Agreement shall govern and prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the signatures of their proper authorized signatories, as of the day and year first written above.

FIVE NATIONS ENERGY INC.

[Redacted Signature]

Name: Chief Michael Metatawabin

Title: President

I have the authority to bind the Corporation.

[Redacted Signature]

Name: Edward Chilton

Title: Secretary – Treasurer and Project Co-ordinator

I have the authority to bind the Corporation.

DE BEERS CANADA INC.

[Redacted Signature]

Name: Jeremy Wyeth

Title: Vice President Victor Project

I have the authority to bind the Corporation.

Schedule "A"CONTESTABLE WORK ASSETS:

As described in the document "Five Nations Energy Inc. Victor Project, Requirements for Extension of Fort Albany, Kashechewan, and Attawapiskat Substations, Technical Specifications, February 2005" and in "De Beers Canada Victor Project CONTRACT NO: 143232-C403, 115kV Transmission Line (EPC) Volume 2 Technical Issue, February 2005":

- approximately 170 km of new high voltage 115 kV line (energized at 138 kV) from Moosonee Switching Station to Kashechewan Transformer Station;
- a new high voltage circuit breaker and bushing current transformer, one manually operated high voltage line disconnect, one motorized high voltage disconnect with line side ground switch in the Attawapiskat Transformer Station;
- 2 new high voltage circuit breakers and bushing current transformers; 1 new high voltage circuit breaker without bushing current transformers, 3 new manually operated high voltage line disconnects; 2 new motorized high voltage disconnect switches with grounding switches, a new 5.5 Mvar 138 kV shunt reactor complete with surge arrestors, and a new high voltage switchyard station site adjacent to the Kashechewan Transformer Station;
- modification of the existing 115 kV line (energized at 138 kV) and the addition of the new 138 kV line to feed into the new site adjacent to the Kashechewan Transformer Station.
- connection of the existing Kashechewan Transformer Station to the new Kashechewan site for the continued supply of the existing Kashechewan station and the Kashechewan to Attawapiskat 115 kV line (energized at 138 kV).
- power line carrier telecommunications equipment and system at Five Nations Energy Inc. transformer stations in Fort Albany, Kashechewan, and Attawapiskat; including insulated temperature controlled buildings at each site adequate to house controls for communications and power equipment at Attawapiskat and Kashechewan, and communication controls in Fort Albany;
- station fence plus yard modifications at Attawapiskat Transformer Station and Fort Albany Transformer Station.
- insulated temperature controlled buildings at the Attawapiskat Station adequate to house controls for communications and power equipment.

Schedule "B"

Estimated Transformation Connection Pool Work Capital Cost: \$9,843,448.00

Estimated Line Connection Pool Work Capital Cost: \$22,579,684.00

Estimated OM&A Annual Total Costs: \$397,900, being calculated as follows:

Additional 170 km of ROW & HV Line, separate location

- 1) Annual Helicopter patrol - \$ 15,000
- 2) Vegetation management 6 year cycle - \$9000 (\$150 / km; \$54,000 in 6th year)
- 3) Periodic guy work - \$ 3000 / yr
- 4) Snow Machine Patrol every 3 years (\$5000 / yr - \$15,000 every 3rd year)
- 5) MNR Land Use Permit : \$6000
- 6) Erosion Management River Crossings: \$ 10,000 (\$30,000 every 3 years)
- 7) Albany Reserve # 67 HV Line Land use fees ; \$10,000
- 8) Historical Trouble call fly by on line trips : \$10,000
- 9) Minor Contingency cost : \$10,000 (\$100,000 in 10 years)

Subtotal HV Lines: \$78,000 / yr on average

Station Expense Kashechewan, Attawapiskat, Fort Albany

- 1) PLCC checks & verifications : \$10,000
- 2) Added 4 HV SF6 breakers inspections, testing, overhauls : \$15,000
- 3) Station Inspections and routine checks : \$25,000
- 4) Electricity costs new buildings & heaters SF6 : \$20,000
- 5) Kashechewan TS Sect 28 Permit Land Use ; \$40,000
- 6) Operating Services Hydro One Agreement Modification: \$68,000
- 7) Station Insurance cost increase: \$50,000
- 8) Historical trouble call ins : \$10,000
- 9) Major Contingency cost : \$30,000 (\$300,000 once in 10 years)

Subtotal FNEI Stations: \$268,000

Administrative Support & Planning Functions:

Apply the FNEI general overhead of 15% to all activities above: \$51,900/ yr

Estimated Pool Cost: \$35,309,211.00

Estimated Capital Contribution: \$35,303,913.00

Line Connection Revenue Requirements and Load Forecast

Guaranteed Revenue Date: 15 years from the Transfer Date Phase I

Period: One Year following the anniversary of the Ready for Service Date and annually thereafter	LOAD FORECAST: Incremental Load (Average Monthly Peak Load KW)	Line Connection Revenue (\$)	
Year 1	2737	114	
Year 2	6335	264	
Year 3	10332	430	
Year 4	17035	709	
Year 5	18325	763	
Year 6	18801	783	
Year 7	18525	771	
Year 8	18894	786	
Year 9	18894	786	
Year 10	18894	786	
Year 11	18894	786	
Year 12	18677	777	
Year 13	18738	780	
Year 14	19323	804	
Year 15	19323	804	

Schedule "C" (Victor Mine Site Connection)

Estimated Actual Cost for FNEI Connection Work. \$310,000.00 plus FNEI overhead to be invoiced by FNEI from time to time as it deems necessary

FNEI Connection Work:

FNEI work associated with inspection, testing, commissioning, and incorporating into existing systems of Contestable Work Assets

1. Implementation of changes to protection settings Attawapiskat & Kashechewan breakers
2. Implementation of voltage control plan modifications all sites
3. Implementation of PLC communications signals all sites
4. Verification of telecommunications and alarms all sites
5. Verification of Victor TS operating parameters & communications back to FNEI stations
6. Inspection of future new FNEI assets during construction
7. Registration with IESO; IESO authorization to energize approval
8. Modify Hydro One operating services agreement (OGCC)
9. New Transmission Facilities Agreement with Hydro One – added FNEI HV line connection Moosonee)
10. Change IESO - FNEI Operating agreement (new equipment & operating rules)
11. Modify O&M agreement Timmins Hydro One
12. Create/sign Transmission Connection Agreement with DBC
13. Transmission Line inspection (Moosonee to Kash)
14. FNEI review & acceptance of permits and external approvals records associated with new FNEI Facilities
15. FNEI familiarization with new assets (operating, maintenance protocols, record keeping, monitoring information, equipment manuals review etc.) – local resources and FNEI staff, plus contract maintenance staff.
16. Asset record keeping database inputs
17. New parts that are critical - inventory plan & resource
18. FNEI involvement with Community / FNEI leaders information activities during construction
19. Coordination of work interfacing with FNEI existing system or sites (HV outages; working at limit of approach; access to FNEI sites & equipment, information on equipment, LDC outages)

Schedule "D" Land Permits

- 1) For High Voltage Line from Moosonee to Albany Reserve # 67 : Ontario Ministry Of Natural Resources Land Use Permit.
- 2) For Assets on Albany Reserve # 67 – Indian Act Section 28(2)

Schedule "E" - Definitions

Throughout this Agreement, the following words shall have the following meanings:

"Actual Cost" has the meaning ascribed thereto in section 5.2 of this Agreement.

"Actual De Beers Load" means the actual load delivered to De Beers by Five Nations Energy Inc. up to the True-Up point.

"Affiliate" has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

"Applicable Laws", means any and all laws, including environmental laws, statutes, codes, licensing requirements, treaties, directives, rules, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any governmental or governmental department, commission board, court authority or agency, including the OEB, applicable to a party.

"Bill of Sale" means a bill of sale substantially in the form of the Bill of Sale attached to Exhibit "A" as Appendix "A".

"Business Day" means a day other than Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto, are not open for business during normal banking hours.

"Capital Contribution" means a capital contribution calculated in accordance with section 3 of Exhibit "B".

"Claim" means a claim or cause of action in contract, in tort, under any Applicable Law or otherwise.

"Claim Notice" means a written notice of a Claim specifying in reasonable detail the specific basis of the Claim, the specific nature of the Losses and the estimated amount of such Losses;

"Contestable Work Assets" means the assets described in Schedule "A" of this Agreement.

"Contestable Work Project" means the design and construction of the Contestable Work Assets.

"Contestable Work Station Assets" means the design and construction of that part of Contestable Work Assets that are in FNEI's stations.

"Embedded Generation" shall have the meaning ascribed thereto in the Transmission System Code.

"Environmental Law(s)" means all applicable federal, provincial and local laws, by-laws, rules, regulations, guidelines, codes and judgments relating to the protection of the environment and public health and safety and without restricting the generality of the foregoing, includes without limitation those Environmental Law(s) relating to the storage, transportation, treatment and disposal of Hazardous Substances, employee and product safety and the emission, discharge, release or threatened release of Hazardous Substances into the air, surface water, ground water, land surface, subsurface strata or any building or structure and, in each such case, as such Environmental Law(s) may be amended or supplemented from time to time.

"Equipment Commissioning Date" means the date any equipment forming part of the Contestable Work Assets is commissioned and/or goes in-service.

"Exhibit A" means the exhibit of this Agreement entitled Exhibit "A": The Transfer of Contestable Work Terms and Conditions.

"Exhibit B" means the exhibit of this Agreement entitled Exhibit "B": The Medium Risk Connection Terms and Conditions.

"FNEI Connection Work" means the work to be performed by FNEI, which is described in Schedule "C" of this Agreement.

"FNEI Facilities - HV" means the facilities owned by FNEI that convey electricity at voltages of more than 50 kilovolts.

"Good Utility Practice" has the meaning set forth in the Transmission System Code.

"Governmental Authority" means any federal, provincial, municipal or local government, or any agency, board, commission, council, court, tribunal or instrumentality thereof having jurisdiction.

"Guaranteed Revenue Date" has the meaning set out in Schedule "B" of the Agreement.

"Hazardous Substance(s)" means any contaminant, pollutant or hazardous substance that is likely to cause immediately, or at some future time, harm or degradation to the environment or risk to human health or safety, and without restricting the generality of the foregoing, includes without limitation any pollutant, contaminant, waste, hazardous waste, PCBs, toxic substance or dangerous goods which is defined or identified in any federal or provincial statute, codes or regulations or which is present in the environment in such quantity or state that it contravenes any Environmental Law.

"IESO" means the Independent Electricity System Operator.

"Indemnifier" means the party obligated to provide indemnification under this Agreement;

"Indemnified Party" means any person entitled to indemnification under this Agreement;

"Line Connection Pool" is as defined in FNEI's transmission rate schedules approved by the OEB.

"Line Connection Pool Work Capital Cost" is the cost estimate described in Schedule "B" of this Agreement and as adjusted pursuant to Section 3 of Exhibit "B".

"Line Connection Revenue" means the amount of line connection revenue to be received by FNEI through the monthly collection of the Line Connection Service Rate during the fifteen year economic evaluation period.

"Line Connection Service Rate" means FNEI's line connection service rate approved by the OEB from time to time, or any mechanism instituted in accordance with Section 9 of Exhibit "B".

"Load Forecast" means the initial load forecast used in the initial economic evaluation for the fifteen year economic evaluation period as set forth in Schedule "B" of this Agreement.

"Losses" means any and all claims, demands suits, losses, damages, liabilities, penalties, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest on, any and all actions, suits, proceedings for personal injury (including death) or property damage, assessments, judgements, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith); and

"Material" relates to the essence of the contract, more than a mere annoyance to a right, but an actual obstacle preventing the performance or exercise of a right.

"OEB" means the Ontario Energy Board.

"OM&A Costs" means the operation, maintenance and administration costs in respect to the Contestable Work Assets that FNEI will have to incur after the Transfer.

"Phase I Contestable Work Assets" means the Contestable Work Assets specified in Appendix "B" of Exhibit "A".

"Phase II Contestable Work Assets" means the Contestable Work Assets specified in Appendix "C" of Exhibit "A", and for greater certainty excludes the Phase I Contestable Work Assets.

"Pool Cost" means the present value of Line Connection Pool Work Capital Cost and Transformation Connection Pool Work Capital Cost, projected on-going operation and maintenance cost and other related incremental costs (including, but not limited to income and other taxes), for the Contestable Work Assets as adjusted to based upon the Transfer Prices for the Contestable Work Assets, all as calculated in accordance with the principles, criteria and methodology set out in Appendices 4 and 5 of the Transmission System Code.

"Ready for Service Date" means the date upon which the Contestable Work Assets are fully and completely constructed, installed, commissioned and energised by De Beers.

"Remedial Order" means any complaint, direction, order or sanction issued, filed or imposed by any Governmental Authority with respect to any Environmental Law, including any complaint, direction or order requiring investigation, assessment or remediation of any site or Hazardous Substance, or requiring that any release or discharge of a Hazardous Substance be reduced, modified or eliminated, or requiring any form of payment or cooperation be provided to any Governmental Authority.

"Successful Commissioning" means that the Contestable Work Assets have been finally connected to FNEI's transmission system and that De Beers has remedied to FNEI's satisfaction, acting reasonably, all defects identified by FNEI.

"Technical Standards" has the meaning ascribed thereto in Section 1.1 of Exhibit "A" hereof.

"Third Party Claim" means any Claim asserted against an Indemnified Party that is paid or payable to, or claimed by, any person who is not a party to the Agreement or an affiliate of a party.

"Transfer" means the transfer of legal title to the Contestable Work Assets on the Transfer Date Phase I and Transfer Date Phase II, as applicable, in accordance with Exhibit "A".

"Transfer Date Phase I" means the date of Successful Commissioning of the Phase I Contestable Work Assets.

"Transfer Date Phase II" means the date of the Successful Commissioning of the Phase II Contestable Work Assets.

"Transfer Price" means the price paid by FNEI for the Contestable Work Assets in accordance with Section 4 of Exhibit "A" and shall include the price applicable to Contestable Work Assets relating to assets transferred on Transfer Date Phase I and Transfer Date Phase II.

"Transformation Connection Pool" is as defined in FNEI's transmission rate schedules approved by the OEB.

"Transformation Connection Pool Work Capital Cost" is the cost estimate described in Schedule "B" of this Agreement and as adjusted pursuant to Section 3 of Exhibit "B".

"Transmission System Code" means the code of standards and requirements issued by the OEB on July 25, 2005, as it may be amended, revised or replaced in whole or in part from time to time.

"True-Up" means the process whereby FNEI revises the Line Connection Revenue, based on the Actual De Beers Load and the Updated Load Forecast, using the same methodology used to carry out the initial economic evaluation and the same inputs except for load.

"True-Up Point" means any point in time that a True-Up will occur as contemplated in the Transmission System Code.

"Updated Load Forecast" means the load forecast for the remainder of the fifteen year economic evaluation period when the Load Forecast is adjusted to the point where the present value of the Line Connection Revenue equals the present value of the Pool Funded Cost.

"Victor Mine Site" means a mine site located in the James Bay Lowlands of Northern Ontario (approximately 90 kilometres west of Attawapiskat, Ontario).

EXHIBIT A: The Transfer of Contestable Work Terms and Conditions

1. Technical Requirements.

1.1 DeBeers shall ensure that the Contestable Work Project complies with, and the Contestable Work Assets are constructed in accordance with, FNEI's requirements, conceptual design, drawings, technical standards and specifications, including, but not limited to those contained in (i) the document entitled "Hydro One Networks Inc. Technical Requirements for the Design, Supply and Installation of a 115 kv, Single Circuit Transmission Line Connecting Hydro One Networks Inc., Otter Rapids Junction and Moosonee SS" with the deviations as identified in AMEC Scope of Work - 115 Transmission Lines (EPC) Feb 5 2005 Section 5.2 Lines to FNEI Standard, plus FNEI's "Requirements for Extension of Fort Albany, Kashechewan and Attawapiskat Substations, February 2005", and all requirements, drawings and specifications referred to therein, (ii) the Substations Extensions Specifications prepared by SNC Lavalin for FNEI, and (iii) FNEI's Resonance Study in respect of the Contestable Work Assets (collectively referred to as the "Technical Standards").

1.2 DeBeers shall comply with all Applicable Laws relating to the design and completion of the Contestable Work Project. Without limiting the generality of the foregoing, DeBeers shall strictly conform to all safety requirements, including those legislated, those established by FNEI, or those regulated under the *Occupational Health and Safety Act (Ontario)*.

1.3 DeBeers will not proceed with any plans or changes which could conflict with DeBeers' obligation in respect of the Technical Standards without obtaining FNEI's prior written approval.

1.4 At any time, FNEI may have an inspector on-site at its sole risk. FNEI may perform a final inspection verification test of the Contestable Work Assets prior to Transfer, as well as due diligence evaluations, the results of which must be to FNEI's satisfaction prior to Transfer.

1.5 For work within FNEI transformer stations or on its existing high voltage line or right of way, FNEI will control access to the stations, high voltage lines and its equipment, and have authority to stop work being performed that may interfere with the normal operation of its stations and high voltage lines. Such authority shall not be unreasonably enforced.

1.6 DeBeers will, at its sole expense, conduct such work as may be required by FNEI, acting reasonably, to correct to FNEI's satisfaction, any deficiencies identified by FNEI prior to Transfer.

1.7 (a) DeBeers, on its own behalf and on behalf of FNEI, shall be responsible for obtaining, from the applicable manufacturer, warranties for a period of two (2) years from the Equipment Commissioning Date for all transmission line equipment that comprises the Contestable Work Assets.

(b) DeBeers shall transfer all warranties referenced in Section 1.7(a) to FNEI with effect on the Transfer Date Phase I or the Transfer Date Phase II, as applicable.

2. Land Rights.

2.1 DeBeers shall facilitate the assignment to FNEI of any and all land use permits (or such other land related permits) save and except the permit issued to DeBeers pursuant to Section 28(2) of the *Indian Act*.

2.2 Nothing in this Exhibit "A" shall be deemed to authorize DeBeers to act as agent for FNEI in connection with any amendment or alteration to the terms and conditions of a permit unless the prior authorization to such alterations or amendments has been granted by FNEI.

3. Purchase of Contestable Work Assets.

3.1 On the terms and subject to the fulfillment of the conditions of this Agreement, DeBeers agrees to sell, transfer and assign to FNEI, and FNEI agrees to purchase and accept from DeBeers all title, rights and interests of DeBeers in the Contestable Work Assets in two phases. DeBeers shall transfer the Phase I Contestable Work Assets set out in Appendix B to this Exhibit "A" to FNEI on the Transfer Date Phase I. DeBeers shall transfer the Phase II Contestable Work Assets as shown in Appendix "C" to this Exhibit "A" shall be transferred on the Transfer Date Phase II.

4. Contestable Work Project Cost and Transfer Price.

4.1 By no later than 15 days prior to the Transfer Date Phase I and 15 days prior to Transfer Date Phase II, as the case may be, DeBeers shall provide FNEI with a breakdown of the cost of the Phase I Contestable Work Assets in respect

of Transfer Date Phase I and the Phase II Contestable Work Assets in respect of Transfer Date Phase II in the applicable form attached to this Exhibit "A" as Appendix "D", together with copies of all documents related to the Phase I Contestable Work Assets or the Phase II Contestable Work Assets, as the case may be, including, but not limited to, all invoices, purchase orders and fixed price contracts related to the design and construction of the applicable Contestable Work Assets and the procurement of transmission line and station equipment.

- 4.2 Subject to section 5.2, the applicable Transfer Price payable to DeBeers by FNEI on the Transfer Date Phase I and the Transfer Date Phase II shall be the applicable breakdown of cost provided by DeBeers to FNEI in accordance with Appendix "D" to this Exhibit "A".
- 4.3. DeBeers shall keep proper accounts and records for the Phase I Contestable Work Assets and Phase II Contestable Work Assets. FNEI shall have the right to audit, inspect and copy accounts and records, including invoices, receipts, time records and vouchers related to either the Phase I Contestable Work Assets or the Phase II Contestable Work Assets during regular business hours on Business Days, on not less than two Business Days' notice. Accounts and records shall be preserved and kept available for audit for a period not to be less than seven years.
5. **Payment of Capital Contribution and Transfer Price.**
- 5.1 Subject to the terms and conditions of this Agreement, DeBeers will be connected to the FNEI Facilities - HV as a load customer in accordance with the terms and conditions set out in Exhibit "B". Pursuant to Exhibit "B", DeBeers is required to pay a capital contribution relating to the cost of connection. The Parties agree that the Capital Contribution will be paid to FNEI by DeBeers on the Transfer Date Phase II.
- 5.2 The Parties agree that at the time of transfer of the Phase I Contestable Work Assets on the Transfer Date Phase I, the amount owing by FNEI to DeBeers in respect of the Transfer Price applicable to the Phase I Contestable Work Assets shall be satisfied by the delivery by FNEI to DeBeers of an acknowledgment acknowledging and confirming that the Transfer Price applicable to the Phase I Contestable Work Assets shall be set-off against the amount of

Capital Contribution owing by DeBeers to FNEI and payable by DeBeers on the Transfer Date Phase II. DeBeers shall on the Transfer Date Phase I deliver to FNEI an irrevocable direction directing that the Transfer Price for the Phase I Contestable Work Assets be set-off against the Capital Contribution of DeBeers. The Parties agree that at the Transfer Date Phase II the amount owing by FNEI to DeBeers in respect of the Transfer Price applicable to the Phase II Contestable Work Assets shall be satisfied by way of set-off against the amount of Capital Contribution owing by DeBeers to FNEI. The Parties further acknowledge that the Transfer Price will be less than the Capital Contribution and that, as a result, after such set-off there will be a net difference owing to FNEI which reflects primarily the OM&A Costs Component of the Project (the "OM&A Costs"). DeBeers shall pay such OM&A Costs to FNEI as follows:

- (a) DeBeers shall pay FNEI the OM&A Costs in equal annual instalments as shown in Exhibit B, Appendix 1 as amended by Section 3 of Exhibit B, at the beginning of each twelve (12) month period (a "Contract Year") commencing on the Transfer Date Phase II and on each subsequent anniversary date of the Transfer Date Phase II and ending on the anniversary date of the Transfer Date Phase II prior to the Guaranteed Revenue Date (the "Annual OM&A Costs"). Within thirty (30) days of the expiry of each Contract Year (or the Guaranteed Revenue Date in respect of the last annual payment), FNEI shall provide DeBeers with an itemized statement setting out the details of all actual OM&A Costs incurred by FNEI for the preceding Contract Year (the "Actual OM&A Costs"). FNEI shall establish a notional account to record any net difference between Annual OM&A Costs payments by DeBeers and actual OM&A Costs incurred by FNEI (the "OM&A Cost Account"). If the Annual OM&A Costs paid by DeBeers to FNEI exceed the Actual OM&A Costs for such Contract year, then FNEI shall credit the OM&A Cost Account in favour of DeBeers in the amount of the positive net difference. If Annual OM&A Costs paid by DeBeers is less than the Actual OM&A Costs for such Contract Year, then FNEI shall debit the OM&A Account in the amount of the negative net difference. Attached as Appendix "E" of this Exhibit A is a hypothetical working example of how the

OM&A Cost Account will be debited or credited as the case may be. Appendix "E" has been included for illustrative purposes only and if there is a conflict between another term or provision of this Agreement and Appendix "E", such other term or provision will govern.

- (b) FNEI shall perform a true-up of the OM&A Cost Account at points in time which coincide with the True-Up Points provided for in this Agreement and at the Guaranteed Revenue Date. The net difference between the Annual OM&A Costs and the Actual OM&A Costs for each Contract Year prior to a True-Up Point shall be added or subtracted from the OM&A Cost Account balance and such amounts shall accumulate in the period prior to the True-Up Point (the "Accumulated Difference"). If at a True-Up Point, the Accumulated Difference is negative, then DeBeers shall pay to FNEI with interest the Accumulated Difference. If at a True-Up Point the Accumulated Difference is positive, then FNEI shall pay to DeBeers with interest the Accumulated Difference.
- (c) For the purposes of this Section 5.2, interest will be Prime plus 1% where "Prime" is the interest rate posted from time to time by the Bank of Montreal as "Prime". Interest will be simple interest and will not be compounded. Interest will be calculated on the opening Accumulated Difference at the beginning of each Contract Year commencing on the second Contract Year.
- (d) On the Transfer Date Phase II, DeBeers shall deliver to FNEI a diminishing standby letter of credit issued by a Canadian chartered bank or such other financial institution that is acceptable to FNEI, acting reasonably, in an amount equal to the OM&A Costs (the "Letter of Credit"). The amount of the Letter of Credit shall be reduced after each Contract Year by the amount of the Actual OM&A Costs in respect of each such Contract Year, as determined in accordance with this Section 5.2. If DeBeers fails to pay (i) an annual instalment payment of OM&A Costs within five (5) Business Days when due, or (ii) the Accumulated Difference, if such amount is negative, within five (5) Business Days of the date of the applicable True-Up Point (collectively referred to hereinafter as the

"Defaulted Payments"), FNEI may give written notice to DeBeers of such failure to pay. DeBeers shall have 30 calendar days from the date of receipt of such notice (the "Cure Period") to pay the Defaulted Payments. If DeBeers fails to pay the Defaulted Payments within the Cure Period, FNEI may, without limiting any other remedies FNEI may have under this Agreement or in law or equity, draw upon the Letter of Credit for: (a) all outstanding amounts owed under this section, (b) the present value of all future instalments of OM&A Costs, or (c) the amounts in (a) and (b). For purposes of calculating the present value amount the discount factor shall be FNEI's OEB approved weighted average cost of capital.

- (e) If DeBeers requires further information in respect of, or disputes the accuracy or validity of, any item in an itemized statement of OM&A Costs delivered by FNEI, such matters shall be reviewed by the committee referenced in Section 11.1 of the Connection and Cost Recovery Agreement, which committee shall attempt to settle such dispute. If such matters are not resolved within ten (10) Business Days of such referral then the matter may be referred to the Ontario Energy Board.
 - (f) Subject to Section 3 of Schedule "B", the OM&A Costs components are listed in Schedule "B" of the Connection and Cost Recovery Agreement and shall not be amended without the prior written approval of DeBeers. FNEI agrees that its Actual OM&A Costs shall only include those actual costs incurred by it that pertain to the OM&A Costs components listed in Schedule "B" of the Connection and Cost Recovery Agreement.
- 5.3 Notwithstanding any other term to the contrary in this Agreement, in addition to the Transfer Price payable by FNEI to DeBeers for and in respect of the Contestable Work Assets, FNEI shall be liable for and shall pay any GST owing on the transfer of the Phase I Contestable Work Assets on the Transfer Date Phase I or on the transfer of the Phase II Contestable Work Assets on the Transfer Date Phase II.

6. Closing.

6.1 DeBeers shall obtain all consents, approvals, orders and authorizations of any persons or governmental authorities in Canada (including the OEB) or elsewhere (or registrations, declarations, filings or records with any authorities) including, without limitation, all registrations, recordings and filings with public authorities as may be required in connection with the Transfer of the Phase I Contestable Work Assets and the Phase II Contestable Work Assets and all clearance certificates required pursuant to any applicable retail sales tax legislation on or before the Transfer Date Phase I or the Transfer Date Phase II, as applicable. For greater certainty, DeBeers shall deliver a certificate issued by the Minister of Finance of Ontario under Section 6 of the *Retail Sales Tax Act* (Ontario) to the effect that all requisite taxes under such Act have been paid by DeBeers.

6.2. DeBeers shall deliver to FNEI all necessary deeds, conveyances, Bill of Sale, assurances, transfers, assignments and consents, and any other documents necessary or reasonably required to effectively transfer the Contestable Work Assets to FNEI on the Transfer Date Phase I or the Transfer Date Phase II, as applicable, such that FNEI purchases the Contestable Work Assets:

- (a) with good and marketable title, free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and
- (b) free and clear of any work orders, non-compliance orders, deficiency notices or other such notices relative to the Contestable Work Assets or any part thereof which have been issued by any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities or agencies.

Furthermore, DeBeers shall represent and warrant to FNEI on and as of the Transfer Date Phase I with respect to the Phase I Contestable Work Assets and on and as of the Transfer Date Phase II with respect to the Phase II Contestable Work Assets that there are no matters under discussion with any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities

or agencies relating to work orders, non-compliance orders, deficiency notices or other such notices pertaining to the applicable Contestable Work Assets.

6.3. DeBeers shall deliver to FNEI on the Transfer Date Phase I a certificate from a senior officer of DeBeers confirming to the best of his/her knowledge, information and belief after due inquiries, as of the Transfer Date Phase I, the truth and correctness in all material respects of the following representations and warranties of DeBeers:

- (i) DeBeers is the sole owner of the Phase I Contestable Work Assets immediately prior to the Transfer of the Phase I Contestable Work Assets and has good and marketable title to such Phase I Contestable Work Assets free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and;
- (ii) any land rights relating to the Phase I Contestable Work Assets and delivered in favour of FNEI under Section 2.1 are all the land rights required in respect of the Phase I Contestable Work Assets and all such land rights delivered by DeBeers have been executed by all necessary and proper parties;
- (iii) all warranties associated with the Phase I Contestable Work Assets have been transferred to FNEI with effect as of the Transfer Date Phase I;
- (iv) the warranties and covenants of DeBeers in Section 7 of this Exhibit "A" are valid and binding obligations of DeBeers;
- (v) all deficiencies identified by FNEI in accordance with Section 1.6 above with respect to the Phase I Contestable Work Assets have been remedied;
- (vi) the Contestable Work Assets, except for the transmission line equipment are free from defect, errors and omissions in design, engineering, materials, construction and workmanship;
- (vii) transmission line equipment purchased by DeBeers or its subcontractors for the

Contestable Work Project shall be new and in accordance with the Technical Standards; and

- (viii) the Contestable Work Project has been performed in accordance with, and meets the requirements of the Technical Standards and the Contestable Work Assets continue to conform to the Technical Standards.

6.4 DeBeers shall deliver to FNEI on the Transfer Date Phase II a certificate from a senior officer of DeBeers confirming to the best of his/her knowledge, information and belief after due inquiries, as of the Transfer Date Phase II, the truth and correctness in all material respects of the representations and warranties of DeBeers contained in Section 6.3 as they pertain to the Phase II Contestable Work Assets and the Transfer Date Phase II.

7. DeBeers Warranties and Covenants.

7.1 DeBeers shall reperform any deficient work pertaining to the Contestable Work Assets identified in writing by FNEI to DeBeers within two (2) years of the Transfer Date Phase II. The warranty period for such reperformed work shall recommence for a further period of two (2) years. DeBeers shall not be liable for warranty under this Section 7.1 to the extent that the deficiency is covered by any manufacturer's or other warranty obtained by DeBeers pursuant to Section 1.7(a) of this Exhibit "A" and transferred to FNEI in accordance with Section 1.7(b) of this Exhibit "A" or is caused by normal wear and tear or by FNEI's failure to use and maintain the Contestable Work Assets in accordance with Good Utility Practice.

8. Survival of Representations and Warranties.

8.1 All representations and warranties contained in this Agreement on the part of each of the parties shall survive for a period of two (2) years from the Transfer Date Phase II. All covenants and agreements of each of the parties contained in this Agreement shall survive the Transfer, and the execution and delivery of any of the Bill of Sale, assignments or other instruments of transfer of title to the Contestable Work Assets and the payment of the Purchase Price.

9. Indemnity.

9.1 (a) DeBeers shall indemnify and save harmless FNEI and its successors, directors, officers, employees, representatives and agents (the "FNEI Indemnities") from and against any and all Losses actually suffered or incurred by the FNEI Indemnities arising out of, resulting from, connected with or attributable to:

- (i) a breach by DeBeers or its contractors, sub-contractors or agents of any Environmental Law(s) prior to the Transfer of the Contestable Work Assets;

- (ii) a release or discharge of any Hazardous Substance(s) related to the Contestable Work Assets caused by DeBeers or its contractors, sub-contractors, or agents prior to the Transfer of the Contestable Work Assets and contamination of the properties over which the Contestable Work Assets are located as a result of such release or discharge;

- (iii) any leaching, migration or seepage onto, across or into the property or premises of any person at any time of any Hazardous Substances caused by DeBeers or its contractors, sub-contractors or agents prior to the Transfer of the Contestable Work Assets that is present on, at or under any of the property over which the Contestable Work Assets are located;

- (iv) a breach by DeBeers of a provision of these Contestable Work Terms and Conditions;

- (v) non-compliance by DeBeers with or any liability arising out of the provisions of the Bulk Sales Act; and/or

- (vi) any fines or Remedial Order(s) of any kind that may be levied or made pursuant to any Environmental Law(s) attributable to a breach by DeBeers or its contractors, sub-contractors or agents of any Environmental Law(s) prior to the Transfer of the Contestable Work Assets.

except DeBeers shall not indemnify the FNEI Indemnities in accordance with this Section 9.1(a) if:

- (i) the contamination or release or discharge of Hazardous Substance(s) is caused by the negligence of FNEI, and then only to the extent of such negligence; or

- (ii) it is satisfactorily shown by DeBeers that the Hazardous Substances related to the Contestable Work Project were not present on, at, in or under the properties of which the Contestable Work Assets are located on or prior to the Transfer of the Contestable Work Assets.
- (b) FNEI shall indemnify and save harmless DeBeers and its successors, directors, officers, employees, representatives and agents (the "DeBeers Indemnitees") from and against any and all Losses actually suffered or incurred by the DeBeers Indemnitees arising out of, resulting from, connected with or attributable to:
- (i) any breach by FNEI of any of its representations, warranties or covenants contained in the Agreement;
 - (ii) any circumstance, occurrence, activity, event or state of affairs related to or in any way connected with the Contestable Work Assets on and after the Transfer thereof; and/or
 - (iii) any deficiency, default, error or omission in or adequacy of the design of the Technical Standards.
- (c) Notwithstanding the foregoing or any other provision to the contrary in this Agreement, neither party shall be liable to the other party under this Agreement under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental, economic or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arises in statute, contract, tort or otherwise. This Section 9.1(c) shall survive the expiry or the termination of this Exhibit "A".
- 9.2 (a) It is understood and agreed between the parties that FNEI is not assuming and shall not be liable or responsible for any of the liabilities, debts or obligations and demands, direct or indirect, absolute or contingent, of DeBeers, existing or accruing prior to the Transfer of the Contestable Work Assets, whether or not related to the Contestable Work Assets. DeBeers shall pay, satisfy, assume, discharge, observe, perform, fulfil, release, and indemnify and save harmless the FNEI Indemnitees from and against any such liabilities, debts and obligations and all costs, expenses, debts, demands, proceedings, suits, actions, losses, or claims in connection therewith.
- (b) Notwithstanding Section 9(a) above and for greater certainty, FNEI acknowledges and agrees that it shall be liable and responsible for any and all liabilities, debts or obligations and demands, direct or indirect, absolute or contingent, related to, attributable to or in any way connected with the Phase I Contestable Work Assets existing or accruing on or after the Transfer Date Phase I and the Phase II Contestable Work Assets existing or accruing on or after the Transfer Date Phase II. FNEI shall pay, satisfy, assume, discharge, observe, perform, fulfil, release and indemnify and save harmless the DeBeers Indemnitees from and against such liabilities, debts and obligations and all costs, expenses, debts, demands, proceedings, suits, actions, losses or claims in connection therewith.
- (c) Notwithstanding anything contained herein to the contrary, DeBeers shall indemnify, defend and hold the FNEI Indemnitees harmless from and against and all Losses actually incurred or suffered by the FNEI Indemnitees relating to, in connection with, resulting from, or arising out of (i) any occurrence or event relating to the Contestable Work Assets that would not have occurred but for the negligence of DeBeers, or (ii) any breach by DeBeers of any of its representations and covenants contained in this Agreement, provided that in each such case DeBeers shall not be liable hereunder to the FNEI Indemnitees to the extent that any Loss is attributable to the negligence or wilful misconduct of the FNEI Indemnitees. For greater certainty, in the event of contributory negligence or other fault of the FNEI Indemnitees, then the FNEI Indemnitees shall not be indemnified hereunder in the proportion that the FNEI Indemnitees' negligence or other fault contributed to any Loss.
10. (a) Promptly after receipt by an Indemnified Party of notice of any Third Party Claim, the Indemnified Party shall provide a Claim Notice to the Indemnifier within five (5) days after the Indemnified Party's receipt of notice of the Third Party Claim.
- (b) The Indemnifier shall have the right, upon written notice delivered to the Indemnified Party within thirty (30) days after receipt of the Claim Notice, to assume

the defence of such Third Party Claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the reasonable fees and disbursements of such counsel. The Indemnified Party shall co-operate in good faith in the defence of each Third Party Claim, even if the defence has been assumed by the Indemnifier and may participate in such defence assisted by counsel of its own choice at its own expense.

(c) If the Indemnifier declines or fails to assume the defence of the Third Party Claim on the terms provided above within such thirty (30) day period, the Indemnified Party may, at its option, employ counsel to represent or defend it in any such Third Party Claim and, if such Third Party Claim is a matter with respect to which the Indemnified Party is entitled to receive payment from the Indemnifier for the damage or loss in question, the Indemnifier will pay the reasonable fees and disbursements of such counsel as incurred; provided, however, that the Indemnifier will not be required to pay the fees and disbursements of more than one (1) counsel for all Indemnified Parties in any jurisdiction in any single Third Party Claim.

(d) In any Third Party Claim with respect to which indemnification is being sought hereunder, the Indemnified Party or the Indemnifier, whichever is not assuming the defence of such action, shall have the right to participate in such matter and to retain its own counsel at such party's own expense. The Indemnifier and the Indemnified Party, as the case may be, shall at all times use all reasonable efforts to keep each other reasonably apprised of the status of any matter the defence of which they are maintaining and to co-operate in good faith with each other with respect to the defence of any such matter.

(e) The Indemnified Party may not make any admission of liability or settle or compromise any Third Party Claim or consent to the entry of any judgement with respect to such Third Party Claim without the prior written consent of the Indemnifier, such consent not to be unreasonably withheld or delayed. Without the prior written consent of the Indemnified Party, such consent not to be unreasonably

withheld or delayed the Indemnifier shall not enter into any compromise or settlement of any Third Party Claim which would lead to liability or create any financial or other material obligation on the part of the Indemnified Party.

(f) The failure to provide a Claim Notice of a Third Party Claim to the Indemnifier shall relieve the Indemnifier from liability under this Agreement with respect to such Third Party Claim only if, and only to the extent that, such failure to provide a Claim Notice to the Indemnifier results in (i) the forfeiture by the Indemnifier of rights and defences otherwise available to the Indemnifier with respect to such Third Party Claim, (ii) material prejudice to the Indemnifier with respect to such Third Party Claim, or (iii) the loss of any right by the Indemnifier to recover any payment under its applicable insurance coverage.

(g) Each of DeBeers and FNEI agrees that it accepts each indemnity in favour of its respective directors, officers, employees, representatives, and agents, as applicable, as agent and trustee of each such director, officer, employee, representative and agent, as applicable. Each of DeBeers and FNEI agrees that the other party may enforce an indemnity in favour of any of that party's directors, officers, employees, representatives and agents, as applicable, on behalf of each such director, officer, employee, advisor, and agent, as applicable.

11. On the Transfer Date Phase I and Transfer Date Phase II, as applicable, DeBeers shall deliver to FNEI all documents (or copies thereof) and other data, technical or otherwise, regardless of format, which relate directly to the Phase I Contestable Work Assets and the Phase II Contestable Work Assets, as applicable, and which are necessary or convenient for the ownership, operation or maintenance of such Contestable Work Assets, including, but not limited to documentation describing the as-built electrical characteristics of the Contestable Work Assets. This documentation shall include, without limitation, such information as outlined in the Technical Standards and further information as may be determined by FNEI necessary for operation and maintenance of such Contestable Work Assets.

12. The following Appendices form part of these Contestable Work Terms and Conditions:

Appendix A: Form of Bill of Sale
Appendix B: Phase I Contestable Work
Assets
Appendix C: Phase II Contestable Work
Assets
Appendix D: Form of Contestable Work
Project Cost Breakdown
Appendix E: OM&A Account Working
Example

13. If there is a conflict between a term of this Exhibit "A" and Exhibit "B", this Exhibit "A" will govern with respect to the Contestable Work Project.

Appendix "A" - Form of Bill of Sale

THIS BILL OF SALE made as of the _____ day of _____, 200____
BETWEEN:

(hereinafter referred to as "Transferor")

OF THE FIRST PART,

- and -

FIVE NATIONS ENERGY INC.

(hereinafter referred to as the "Transferee")

OF THE SECOND PART.

WHEREAS the Transferor agrees to transfer all of its right, title and interest in the Contestable Work Assets for the consideration and on the terms herein set forth;

NOW THEREFORE this Bill of Sale witnesseth that in consideration of payment of the sum of \$ _____ in Canadian funds by the Transferee to the Transferor and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The Transferor does hereby grant, sell, convey, assign, transfer and set over unto Transferee, its successors and assigns, all of the Transferor's right, title and interest in the Contestable Work Assets described in Appendix I attached hereto (the "Contestable Work Assets") with effect as at [time] on the date hereof.
2. The Transferee hereby acquires and accepts all of the right, title and interest of the Transferee in and to the Contestable Work Assets with effect as at [time] on the date hereof.
2. The Transferor represents and warrants to the Transferee that it has the authority to convey its right, title and interest in the Contestable Work Assets to the Transferee.
3. The Transferee shall immediately upon the execution and delivery of this Bill of Sale have possession of and may from time to time and at all times hereafter peaceably and quietly have, hold, possess and enjoy the Contestable Work Assets and every part thereof to and for its own use and benefit:
 - (a) with good and marketable title, free and clear of all mortgages, liens, demands, charges, pledges, adverse claims, rights, title, retention agreements, security interests, or other encumbrances of any nature and kind whatsoever; and
 - (b) free and clear of any work orders, non-compliance orders, deficiency notices or other such notices relative to the Contestable Work Assets or any part thereof which have been issued by any regulatory authority, police or fire department, sanitation, environment, labour, health or other governmental authorities or agencies; and there are no matters under discussion with any such department or authority relating to work orders, non-compliance orders, deficiency notices or other such notices.
4. Non-Merger. The parties agree that all covenants, agreements and other provisions in the Connection and Cost Recovery Agreement made between the Parties on [insert date, 2005] to be performed after the Transfer Date and all representations and warranties contained therein will survive for a period of two (2) years after the closing and the delivery of this Bill of Sale and will not merger therewith.

5. **Further Assurances.** Each of Transferor and the Transferee will from time to time execute and deliver all such further documents and instruments and do all acts and things as any other party may, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Bill of Sale.
6. **Applicable Law.** This Bill of Sale shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.
7. **Successors and Assigns.** This Bill of Sale shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and assigns.
8. **Severability.** If any provision of this Bill of Sale is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect any other provisions of this Bill of Sale which are hereby declared to be separate, severable and distinct.
9. **Counterparts.** This Bill of Sale may be executed in counterparts and the counterparts together shall constitute an original.
10. **Amendments.** No amendment of any provision of this Bill of Sale shall be binding on either Party unless consented to in writing by such Party.

IN WITNESS WHEREOF, the Transferor and the Transferee have caused this Bill of Sale to be executed by the signature of their proper authorized signatories, as of the day and year first written above.

FIVE NATIONS ENERGY INC.

Name:
Title:
I have the authority to bind the Corporation.

[INSERT NAME OF TRANSFEROR]

Name:
Title:

Name:
Title:
I/We have the authority to bind the Corporation.

Appendix "B" - Phase I Contestable Work Assets

- a new high voltage circuit breaker and bushing current transformers, one manually operated high voltage line disconnect, one motorized high voltage disconnect with line side ground switch in the Attawapiskat Transformer station.
- Insulated temperature controlled buildings at the Attawapiskat Station adequate to house controls for communications and power equipment.

Appendix "C" – Phase II Contestable Work Assets

- approximately 170 km of new high voltage 115 kV line (energized at 138 kV) from Moosonee Switching Station to Kashechewan Transformer Station;
- 2 new high voltage circuit breakers and bushing current transformers; 1 new high voltage circuit breaker without bushing current transformers, 3 new manually operated high voltage line disconnects; 2 new motorized high voltage disconnect switches with grounding switches, a new 5.5 Mvar 138 kV shunt reactor complete with surge arrestors, and a new high voltage switchyard station site adjacent to the Kashechewan Transformer Station;
- modification of the existing 115 kV line (energized at 138 kV) and the addition of the new 138 kV line to feed into the new site adjacent to the Kashechewan Transformer Station.
- connection of the existing Kashechewan Transformer Station to the new Kashechewan site for the continued supply of the existing Kashechewan station and the Kashechewan to Attawapsikat 115 kV line (energized at 138 kV).
- power line carrier telecommunications equipment and system at Five Nations Energy Inc. transformer stations in Fort Albany, Kashechewan, and Attawapsikat; including insulated temperature controlled buildings at each site adequate to house controls for communications and power equipment at Attawapsikat and Kashechewan, and communication controls in Fort Albany;
- station fence plus yard modifications at Attawapsikat Transformer Station and Fort Albany Transformer Station.

Appendix "D" - Form of Contestable Work Project Cost Breakdown

Permitting and Approvals: \$

Preliminary Engineering: \$

Design and Construction of 115 kV Transmission Line Moosonee to Kashechewan (170 km): \$

Design and Construction of Modifications to Kashechewan, Fort Albany and Attawapiskat 115 kV substations: \$

FNEI Connection Work Costs: \$

Project Management & Construction Supervision: \$

Contingencies: \$

GST @ 7%

Total = \$

Appendix "E" – OM&A Account Working Example

<u>Year</u>	<u>DeBeers Payment</u>	<u>FNEI Actual Cost</u>	<u>Difference</u>	<u>Opening Accumulated Difference</u>	<u>Closing Accumulated Difference</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Accumulated Interest</u>	<u>True-Up</u>
1	\$397,900	\$447,900	-\$50,000	\$0	-\$50,000			\$0	
2	\$397,900	\$372,900	\$25,000	-\$50,000	-\$25,000	6.00%	-\$3,000	-\$3,000	
3	\$397,900	\$392,900	\$5,000	-\$25,000	-\$20,000	5.50%	-\$1,375	-\$4,375	\$24,375
4	\$397,900	\$372,900	\$25,000	\$0	\$25,000	5.50%	\$0	\$0	
5	\$397,900	\$407,900	-\$10,000	\$25,000	\$15,000	6.00%	\$1,500	\$1,500	
6	\$397,900	\$387,900	\$10,000	\$15,000	\$25,000	6.50%	\$975	\$2,475	-\$27,475
7	\$397,900	\$422,900	-\$25,000	\$0	-\$25,000	6.00%	\$0	\$0	
8	\$397,900	\$382,900	\$15,000	-\$25,000	-\$10,000	6.00%	-\$1,500	-\$1,500	

1. Interest rate could be fixed, or change each year to reflect actual cost of borrowing such as prime rate plus a fixed amount.
2. Interest is simple interest and is not compounded.
3. Interest is calculated on opening accumulated balance at beginning of following year.
4. If the true-up took place at the end of the third year, the true-up would be a payment of \$24,375, including \$4,375 in interest from DeBeers to FNEI.
5. If the next true-up took place at the end of the sixth year, the true-up would be payment of \$27,475, including \$2,475 in interest from FNEI to DeBeers.
6. Note that after each true-up takes place, the accumulated difference and accumulated interest are reset to \$0.

Exhibit B - Terms and Conditions for the Victor Mine Site Medium Risk Connection

1. DeBeers and FNEI shall perform their respective obligations outlined in this Exhibit "B" in a manner consistent with Good Utility Practice and the Transmission System Code, in compliance with all Applicable Laws, including, but not limited to the requirements of the Electrical Safety Code, and using duly qualified and experienced people.

2. An estimate of Line Connection Pool Work Capital Costs, Transformation Connection Pool Work Capital Costs, OM&A Costs and a revenue and load forecast are provided in Schedule "B" of the Agreement. These costs and revenue form the basis of the estimated Pool Cost and Capital Contribution shown in Schedule "B".

3. By no later than 10 calendar days prior to the Transfer Date Phase II, FNEI shall provide DeBeers with a new Schedule "B" to replace Schedule "B" of the Agreement, which such replacement Schedule "B" shall make the necessary adjustments to the estimates in Schedule "B" for the purposes of determining and finalizing the Capital Contribution in accordance with the manner agreed to by the Parties in Appendix 1 hereto. The costs established pursuant to Section 4.1 of Exhibit "A" of the Phase I Contestable Work Assets and Phase II Contestable Work Assets shall be the basis of the adjusted and actual Line Connection Pool Work Capital Costs and the Transformation Connection Pool Work Capital Costs. Any adjustments to OM&A Costs or the revenue forecast in Schedule "B" shall be agreed upon by the Parties. The new Schedule "B" shall be made a part of the Agreement as though it had been originally incorporated into the Agreement.

4. (a) To the extent that the Pool Cost is not recoverable by the Line Connection Revenue, DeBeers agrees to pay FNEI the Capital Contribution towards the Pool Cost of the Line Connection Pool Work.

(b) DeBeers shall pay the Capital Contribution calculated in accordance with section 3 above on the Transfer Date Phase II.

(c) Attached as Appendix 1 of this Exhibit B is a hypothetical working example of how the Capital Contribution shall be calculated based on estimated project costs. Appendix 1 has been included for illustrative purposes only and if there is a conflict between another term or provision of this Agreement and Appendix 1, such other term or provision will govern.

5. FNEI shall perform a True-Up of Line Connection Revenue at each True-Up Point.

By no later than 30 calendar days following completion of each True-Up, FNEI shall provide DeBeers with all information in respect of the True-Up that DeBeers is entitled to receive in accordance with the requirements of the Transmission System Code and a new Schedule "B" to replace Schedule "B" of the Agreement which shall identify the following:

- (i) the Guaranteed Revenue Date if that date has changed as a result of the Updated Load Forecast; and
- (ii) an updated Table showing the Line Connection Revenue requirements and the Updated Load Forecast for the remainder of the fourteen year economic evaluation period where those amounts have changed as a result of the True-Up.

Each new Schedule "B" shall be made a part of the Agreement as though it had been originally incorporated into the Agreement.

6. If the result of a True-Up performed is that the Actual Load and Updated Load Forecast is:

- (i) less than the load in the Load Forecast and therefore does not generate the forecasted Line Connection Revenue required for the applicable economic evaluation period, DeBeers shall pay FNEI an amount to be calculated by FNEI in accordance with the requirements of the Transmission System Code applicable to medium-high and medium-low risk connections by no later than 30 days after the date of FNEI invoice therefor; and
- (ii) more than the load in the Load Forecast and therefore generates more than the forecasted Line Connection Revenue required for the applicable economic evaluation period, FNEI shall comply with the requirements of the Transmission System Code applicable to medium-high and medium-low risk connections and shall pay any amounts payable to DeBeers by no later than 30 days following the date that such amount is due and payable.

7. With respect to the installation of Embedded Generation; the effect of energy conservation, energy efficiency, load management or renewable energy activities and the effect thereof on True-Ups, FNEI shall comply with the requirements of the Transmission System Code.

8. Until FNEI has published and the Ontario Energy Board has accepted FNEI's procedure and methodology for determining the requirement for a capital contribution in accordance with the requirements of the Transmission System Code, any Capital Contributions paid by DeBeers under the terms this Exhibit "B" are subject to adjustment with such adjustment to be solely based on the procedure and methodology accepted by the OEB.

9. (a) In the event that the Line Connection Service Rate is rescinded or the methodology of determination or components is materially changed, the Parties agree to negotiate a new mechanism for the purposes of this Exhibit "B". The Parties shall have 90 calendar days from the effective date of rescission or fundamental change of the Line Connection Service Rate to agree to a new mechanism. If the Parties are unable to successfully negotiate a replacement within that 90 calendar day period, they shall submit to arbitration, in accordance with the requirements of the Transmission System Code (or the

Connection Agreement attached thereto); or if there is no arbitration provision in the Transmission System Code (or the Connection Agreement attached thereto), to the requirements of the Arbitration Act (Ontario), as amended, to settle on a new mechanism. The decision of the arbitrator shall be binding on each party with no right of appeal subject to a right of either party to appeal on a standard of review of reasonableness simpliciter.

- (b) The terms of reference of the arbitration shall be to identify a new mechanism that is, to the extent possible, fair to the parties and constitutes a reasonably comparable replacement for the Line Connection Service Rate.
- (c) Any settlement on a new mechanism pursuant to this Section 9 shall apply retroactively from the date on which the Line Connection Service Rate was rescinded or fundamentally changed. Until such time as a new mechanism is determined hereunder, any amounts to be paid by DeBeers under this Exhibit "B" shall be based on the Line Connection Service Rate in effect before the effective date of any such changes.

10. DeBeers shall provide FNEI with a copy of DeBeers' final monthly bills or authorize the IESO to provide FNEI with copies. FNEI agrees to use this information solely for the purpose of this Exhibit "B".

Exhibit B - Terms and Conditions for the Victor Mine Site Medium Risk Connection

Appendix 1 - Capital Contribution Calculation Working Example

Connection Cost Recovery Agreement - FNEI and DBC																
Appendix E - Capital Contribution Requirements																
Victor Mine Site Energy and Peak Power Requirements - (Source spreadsheet 143232-CA-0000-002 Rev1)																
Expected Max Loads	Kw	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(Grid power available Oct 2006, Mine Operational Oct 2008 to Mar 2020, thereafter mine site remediation (assume peak load 10,000 kW))																
		2993	8130	15643	18535	18709	18893	18669	19136	19136	19136	19136	18362	20174	20239	20239
Project Costs - (De Beers Canada Builds Facilities and Transfers to FNEI)																
115 kV Transmission Line Moosonee to Kashechewan		\$22,57														
		9,684														
Fort Albany Substation Modifications		\$1,149,														
		730														
Kashechewan Substation Modifications		\$6,161,														
		979														
Attawapiskat Substation Modifications		\$2,531,														
		739														
Permitting and Approvals		\$450,0														
		00														
Preliminary Engineering		\$350,0														
		00														
Project Management & Construction Supervision		\$650,0														
		00														
Sub - Total =		\$33,87														
		3,132														
Contingencies		\$3,387,														
		313														
Total =		\$37,26														
		0,445														
Capital Contribution Requirement Calculation Payable by De Beers Canada to FNEI																
Cost	XNPV	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
FNEI Connection Costs	\$362,700	\$362,70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$362,700
		0														
Annual O & M	\$2,871,70	\$0	\$200,0	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$397,9	\$5,372,70
	1	00	00	00	00	00	00	00	00	00	00	00	00	00	00	0
Incremental Revenue	(\$5,839)	(\$211)	(\$495)	(\$712)	(\$775)	(\$783)	(\$782)	(\$787)	(\$797)	(\$797)	(\$797)	(\$781)	(\$802)	(\$841)	(\$843)	(\$421)
Date/Value		38899	39264	39630	39995	40360	40725	41091	41456	41821	42186	42552	42917	43282	43647	44013
Capital Contribution	\$3,228,56															
=	2															

[illegible]

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-6

Reference 1: Exhibit 6 / page 12

Preamble

Reference 1 states that FNEI transitioned, in May 2025, from a defined contribution pension plan “in which the utility matched employees’ contributions of between 5-9% earnings, to a model where FNEI makes all contributions to employees’ plan.”

Reference 1 also states that FNEI will no longer issue a retention amount of 10% of employees’ salary.

Question(s)

a) What is the net impact on total employee compensation of transitioning to the new pension model and ending the issuance of retention payments? Please provide any analysis conducted by FNEI to support its decision to transition to the new pension model.

b) Please describe the pension plan model in more detail, including the ownership of the pension plan and FNEI’s forecast of its contributions during the 2026-2030 rate term.

RESPONSE:

- a) The net impact of ending FNEI's 10% retention payments and transitioning to a full employer contribution to FNEI’s pension plan is under the materiality threshold on an annual basis, and results in lower costs. FNEI made this change to its compensation in order to promote better employee retention in light of competition for skilled resources in a relatively small labour market. Had FNEI continued the issuance of retention payments in 2025, the total cost of such payments would be \$155k for the year. Conversely, transitioning to FNEI’s revised pension plan contributions totals \$140k for 2025.

1 b) FNEI's pension plan is a defined contribution pension plan that has been in effect since
2 2006. It is administered by an Administrator who operates and interprets the plan. The
3 below table provides FNEI's forecast of its contributions during the 2026-2030 rate term,
4 assuming 2% as a generic inflation amount in line with pre-filed evidence. (Exhibit 1, Page
5 16 of Application).

Year	2026	2027	2028	2029	2030
FNEI Contribution to Pension (\$K)	286	291	297	303	309

6
7
8
9
10

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 6-STAFF-7

Reference 1: Exhibit 6 / page 13

Preamble

Reference 1 describes FNEI's Maintenance Service Agreements which it holds with each of its three customers. Reference 1 states that FNEI established these agreements under the OEB's direction in the EB-2009-0387 proceeding. FNEI states that:

"The MSAs are in the form of master services agreements, and do not have a fixed fee for annual services or fixed scope of work. The MSAs allow FNEI to procure services at fixed labour rates and equipment rental rates on an as-needed basis, pursuant to a prescribed form of purchase order. This type of MSA arrangement provides FNEI with the appropriate flexibility to meet its maintenance and emergency response needs. These MSAs are ongoing with annual adjustments for inflation."

Question(s)

a) Please file and summarize each of the Maintenance Service Agreements FNEI holds with the three LDCs it serves.

b) Please describe FNEI's process for periodically reviewing the Maintenance Service Agreements to ensure that they continue to provide the best value for ratepayers.

RESPONSE:

a) Please find attached 6-Staff-7 FNEI-MSAs.

b) FNEI reviews the Maintenance Service Agreements (MSAs) that it holds with the three local distribution utilities that it serves on an annual basis. FNEI has not changed the terms of these agreements since the beginning of its historical rate term in 2018. FNEI applies yearly changes

- 1 to the labour rates in these agreements in line with cost of living increases on general labour.
- 2 These increases in labour rates were below average OEB inflation rates for transmitters over
- 3 the period of 2018-2025.



ATTAWAPISKAT POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Attawapiskat Power Corporation
General delivery, Attawapiskat, ON P0L 1A0
(hereinafter referred to as "APC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and APC now wish to enter into this Contract in order to establish terms and conditions whereby APC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by APC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. APC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at APC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) APC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;



- (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the APC operational insurance;
 - (F) Employer's liability; and
 - (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of APC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.
- (iii) Worker's Compensation
- Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by APC.
- (iv) APC shall ensure that all coverage applies to APC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, APC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of APC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) APC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the APC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of APC and/or its Subcontractors.



- (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.
- (d) All limits and deductibles are expressed in Canadian dollars.
- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

APC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) APC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnitee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of APC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing APC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI



Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.

- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.
- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "APC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any APC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an APC Indemnatee, then such APC Indemnatee shall not be indemnified hereunder in the proportion that the APC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) APC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the APC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) APC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. In no event shall APC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any APC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any APC Indemnatee (unless the APC Indemnatee claim is in respect of personal injury or death).



- (c) Neither APC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.
- (d) Notwithstanding anything else in this Contract, the parties agree that APC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless APC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by APC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of APC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to APC an amount, which shall be limited to:
 - (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to APC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, APC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.



7.2 Termination by FNEI

- (a) APC will be deemed to be in default under this Contract if it:
 - (i) fails to perform any material obligation of APC under this Contract;
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to APC of its default and in the event APC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), APC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by APC by reason of any undertakings or commitments by APC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, APC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to APC within that period (the "Cure Period") APC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.



ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for APC performance of the Work and obligations under the Contract, FNEI shall pay APC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by APC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by APC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing APC's costs of performing the Work, in the opinion of APC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to APC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, APC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., APC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1. FNEI obligated to pay only for the services provided, APC should have supporting documentation included in invoice.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", APC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: _____

Name: _____

Title: _____

Date: _____

[Redacted Signature]

Vladimir YovarovOperations Manager25. 11. 2015**Attawapiskat Power Corporation**

By: _____

Name: _____

Title: _____

Date: _____

[Redacted Signature]

Christina Edwards-KabakeGeneral Manager25. 11. 2015

**APPENDIX "A" – SCOPE OF WORK**

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC. The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

- i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 250 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accommodation, while working for FNEI :

15 %



D) **Planned weekly inspections** of local transformer station : \$ 250/week

E) **Materials:** FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

FNEI AND APC will target an initial response requirement to FNEI within one (1) hour on average.. APC have qualified staff available to be contacted by FNEI on a continuous basis, and contact numbers will be provided to FNEI.

**APPENDIX "C": LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) APC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	



FORT ALBANY POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Fort Albany Power Corporation
P.O. Box 236
For Albany, ON P0L 1H0
(hereinafter referred to as "FAPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and FAPC now wish to enter into this Contract in order to establish terms and conditions whereby FAPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by FAPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. FAPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date...

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at FAPC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) FAPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
 - (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the FAPC operational insurance;



- (F) Employer's liability; and
- (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of FAPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

(iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by FAPC.

- (iv) FAPC shall ensure that all coverage applies to FAPC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, FAPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of FAPC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) FAPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the FAPC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of FAPC and/or its Subcontractors.
- (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.



- (d) All limits and deductibles are expressed in Canadian dollars.
- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

FAPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) FAPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnitee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of FAPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing FAPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnitee, then such FNEI Indemnitee shall not be indemnified hereunder in the proportion that the FNEI Indemnitee's negligence or fault contributed to any Indemnifiable Loss.
- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnitee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.



- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "FAPC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any FAPC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an FAPC Indemnatee, then such FAPC Indemnatee shall not be indemnified hereunder in the proportion that the FAPC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) FAPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the FAPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) FAPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. In no event shall FAPC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any FAPC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any FAPC Indemnatee (unless the FAPC Indemnatee claim is in respect of personal injury or death).
- (c) Neither FAPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.



- (d) Notwithstanding anything else in this Contract, the parties agree that FAPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless FAPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by FAPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of FAPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to FAPC an amount, which shall be limited to:
- (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to FAPC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, FAPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

7.2 Termination by FNEI

- (a) FAPC will be deemed to be in default under this Contract if it:
- (i) fails to perform any material obligation of FAPC under this Contract;



- (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to FAPC of its default and in the event FAPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), FAPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by FAPC by reason of any undertakings or commitments by FAPC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, FAPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to FAPC within that period (the "Cure Period") FAPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for FAPC performance of the Work and obligations under the Contract, FNEI shall pay FAPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by FAPC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by FAPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the



date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing FAPC's costs of performing the Work, in the opinion of FAPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to FAPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, FAPC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., FAPC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", FAPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By:

Name:

Title:

Date:

Vladimir KovorovOperations Manager25.11.2015**Fort Albany Power Corporation**

By:

Name:

Title:

Date:

Joslyn NakogeeGeneral ManagerNovember 25/15



APPENDIX "A" – SCOPE OF WORK

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC . The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.

ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included

iii) Snow Machine/ ATV : \$ 250 / day

iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included

v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accomodation, while working for FNEI :

15 %



D) Planned weekly inspections of local transformer station : \$ 250/week

E) Materials: FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX "B" – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

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Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem .

FNEI AND FAPC will target an initial response requirement to FNEI within one (1) hour on average.. FAPC have qualified staff available to be contacted by FNEI on a continuous basis , and contact numbers will be provided to FNEI.

**APPENDIX "C": LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 x 5 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) FAPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	



KASHECHEWAN POWER CORPORATION

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2016

BETWEEN:

FIVE NATIONS ENERGY INC.,

a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Kashechewan Power Corporation

P.O. Box 229
Kashechewan, ON P0L 1S0
(hereinafter referred to as "KPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and KPC now wish to enter into this Contract in order to establish terms and conditions whereby KPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by KPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts



ARTICLE 2 : ENTIRE AGREEMENT

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. KPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at KPC then existing published commercial rates.



3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) KPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
 - (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the KPC operational insurance;
 - (F) Employer's liability; and



- (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of KPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

- (iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by KPC.

- (iv) KPC shall ensure that all coverage applies to KPC agents, assigns and employees.

4.2 General Insurance Conditions:

- (a) Certificates of Insurance

Before starting work, KPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of KPC obligation to maintain such insurance.
 - (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
 - (iii) KPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
 - (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the KPC's final invoice.
 - (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.
- (b) All deductibles shall be to the account of KPC and/or its Subcontractors.
 - (c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.
 - (d) All limits and deductibles are expressed in Canadian dollars.



- (e) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

KPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) KPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnatee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnatee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of KPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing KPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.



- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "KPC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any KPC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an KPC Indemnatee, then such KPC Indemnatee shall not be indemnified hereunder in the proportion that the KPC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) KPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the KPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) KPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. In no event shall KPC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any KPC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any KPC Indemnatee (unless the KPC Indemnatee claim is in respect of personal injury or death).
- (c) Neither KPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.



- (d) Notwithstanding anything else in this Contract, the parties agree that KPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless KPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by KPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of KPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to KPC an amount, which shall be limited to:
- (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to KPC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, KPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

7.2 Termination by FNEI

- (a) KPC will be deemed to be in default under this Contract if it:
- (i) fails to perform any material obligation of KPC under this Contract;
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.



- (b) In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to KPC of its default and in the event KPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), KPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by KPC by reason of any undertakings or commitments by KPC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, KPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to KPC within that period (the "Cure Period") KPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for KPC performance of the Work and obligations under the Contract, FNEI shall pay KPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by KPC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by KPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.



8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing KPC's costs of performing the Work, in the opinion of KPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to KPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, KPC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., KPC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", KPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

**ARTICLE 9 : COUNTERPARTS**

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By:

Name:

Vladimir Gororov

Title:

Operations Manager

Date:

25. 11. 2015**Kashechewan Power Corporation**

By:

Name:

Mary Williams

Title:

General Manager

Date:

November 25, 2015

**APPENDIX "A" – SCOPE OF WORK**

A) Labour: FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Management, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 57.00/hr
- ii) Apprentice 3rd year Line Staff \$ 52.00/hr
- iii) Apprentice 2nd year Line Staff \$ 47.00/hr
- iv) Apprentice 1st year Line Staff \$ 37.00/hr
- v) General Labourer \$30.00/hr.
- vi) On Call LDC staff \$50/week

B) Overtime Calculation:

1. For the short projects (less than 5 working days), premium for hours worked outside regular hours (work between 5:00 pm & 7:30 am, weekdays & Saturdays, add 50%, Sundays add 100%, and statutory holidays, add 150%.
2. For winter or other projects longer than five working days, overtime premium for hours will be based on the following: After work hours within a seven day period; 40, add 50%, Saturdays and Sundays, add 100% and statutory holidays, add 150%.

Overtime hours should comply with Provincial Labour Act.

C) Equipment Rental : FNEI will rent, as required, various work and transportation equipment that is owned by the LDC. The equipment must be in good working order, and if used for HV electrical work, be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period.

- i) Truck Stand-by (multi passenger) \$ 5000.00/year, Truck rental \$250.0 per day include fuel for in the community use and plus fuel for the winter road.
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 250 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

Administrative Overhead: an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expenses, and accomodation, while working for FNEI :

15 %



D) Planned weekly inspections of local transformer station : \$ 250/week

E) Materials: FNEI will, as required, purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25%.

APPENDIX “B” – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

FNEI AND KPC will target an initial response requirement to FNEI within one (1) hour on average. KPC have qualified staff available to be contacted by FNEI on a continuous basis, and contact numbers will be provided to FNEI.

**APPENDIX “C”: LIST OF CONTACTS****A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Operations Manager Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	CEO Phone: 705 268 0056 Cell: Fax: 705 268 0071 E-mail:	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) KPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7-STAFF-1

Reference 1: Exhibit 1 / page 30, July 9, 2025

Reference 2: Exhibit 1 / Appendix 3 / FNEI Financial Statements, July 9, 2025

Reference 3: Exhibit 5 / page 4, July 9, 2025

Reference 4: Excel Chapter 2 Appendices, July 9, 2025

Reference 5: Exhibit 1 / Appendix 2 - FNEI Finance Policy and Procedure Manual, July 9, 2025

Preamble

At Reference 1, FNEI states that its “core business of FNEI is the regulated transmission of electricity”, continuing to state:

“To the limited extent, if any, that FNEI has engaged or expects to engage in any non-utility activity, such activities and their financial impact have been and will be segregated from the financial results contained in this application for the purposes of establishing the base revenue requirement.”

Regarding FNEI’s audited financial statements (Reference 2):

- In FNEI’s Statement of Income and Other Comprehensive Income, For the year ended December 31, 2024, Non-regulated expenses of \$556,465 are shown. However, there is no line item for non-regulated revenue.

- Schedule 6 - Schedule of Expenses - Non-regulated, For the year ended December 31, 2024, shows that most of the Non-regulated expenses of \$556,465 are related to “Community support”.

In Exhibit 5, page 4 of the application (Reference 3), FNEI shows other revenue of \$80,000 for the 2026 test year revenue requirement. Appendix 2-H states that this amount relates to Account 4405, Interest and Dividend Income.

Question(s)

a) Please explain why non-regulated revenues were not segregated in FNEI’s Statement of Income and Other Comprehensive Income, for the year ended December 31, 2024.

b) If possible, please quantify non-regulated revenues for the year ended December 31, 2024, if

:

1 materially different than the \$80,000 included as other revenue in the 2026 test year revenue
2 requirement.

3 c) Please demonstrate and quantify how non-regulated revenues and expenses have been
4 incorporated into the 2026 test year revenue requirement, including the amounts relating to
5 “Community support”.

6 d) Please describe any non-utility activities that FNEI is currently (or plans to be) involved in.

7 e) Please provide the types of investments FNEI is considering making as part of achieving its
8 corporate objectives that extend beyond the development and operation of a transmission system and
9 provide examples. Please explain how these investments directly link to FNEI’s corporate objects in
10 section 8.9 Donations, of its Finance Policy and Procedure Manual (Reference 5 page
11 182/582).

12
13 **RESPONSE:**

14 a) There have been no non-regulated revenues. Further to our response to 1-Staff-1(b), an
15 explanation of what FNEI’s approach to its non-transmission expenses (i.e., profits) might
16 assist the Board. Any such funds could be used for a very wide range of things – from
17 funding social programs (e.g., funding a skills training program in one or more of
18 Kashechewan, Fort Albany and Attawapiskat (the three James Bay First Nations)) to
19 investing in a small renewable project. The former would not generate any revenues – and
20 FNEI could either fund such programs directly or provide funds to one or more of the First
21 Nations. The latter *could* generate revenues, if the renewable project was successful.
22 However, FNEI would not invest directly in such a project (for accounting, etc. reasons). It
23 would instead transfer funds to a separate entity.

24 b) See response to a) immediately above.

25 c) As noted in a) above, there are no non-regulated FNEI revenues to report. With respect to
26 non-regulated expenses such as Community Support, please see 1-Staff-1 (a). As such, there
27 are no non-regulated revenues or expenses included within FNEI’s 2026 revenue
28 requirement. Revenues are limited to transmission revenue from the IESO and Other
29 Revenue from Interest and Dividend Income, and expenses are limited to capital and
30 operating related expenditures required for FNEI’s regulated transmission business.

31 d) See response to 1-Staff-1(b).

32 e) See response to 1-Staff-1(b).

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7-STAFF-2

Reference 1: EB-2016-0231, FNEI Decision and Order, December 14, 2017, page 8

Reference 2: EB-2024-0063, Cost of Capital Generic Proceeding decision, March 27, 2025, page 18

Reference 3: EB-2016-0231, OEB Staff Submission, August 23, 2017, page 36

Reference 4: EB-2016-0231, FNEI Reply Submission, September 8, 2017, page 6

Preamble

The decision (page 8) for FNEI's 2017 and 2018 transmission revenue requirements (EB-2016-0231) stated:

"because... non-regulated activities will be recorded according to the OEB's accounting requirements, FNEI will be able and required to report on them as part of its annual regulatory record keeping and reporting to the OEB and in its next cost of service application."

In the same decision, the OEB also stated "it is important that the OEB is able to identify what non-utility decisions are made and expenses incurred." The OEB noted that "when FNEI's Board of Directors approves non-transmission spending decisions, the accounting entries must be recorded as non-rate regulated revenues and expenses."

The OEB also stated that "non-regulated capital assets should not be included in the utility's rate base" and "non-regulated capital expenditures should also be recorded separately."

For the 2026 test year revenue requirement, Appendix 2-H also shows \$0 for both:

- Account 4375, Revenues from Non Rate-Regulated Utility Operations
- Account 4380, Expenses of Non Rate-Regulated Utility Operations.

1 The OEB's generic cost of capital proceeding decision (page 18) stated that "the OEB is firmly of
2 the view that the cost of capital should be determined based on the use of funds and the risk profiles
3 of utilities, rather than their ownership type or capital source."

4
5 Question(s)

6 a) Please explain how FNEI has addressed the OEB's expectations that non-regulated activities are
7 to be clearly accounted for separately in the OEB's Reporting and record keeping requirements and
8 in the current application.

9 b) Please demonstrate and quantify how non-regulated revenues and expenses have been
10 incorporated into the 2026 test year revenue requirement, given that \$0 has been incorporated into
11 Accounts 4375 and 4380 in Appendix 2-H. Please update the appendix as necessary.

12 c) Please explain how FNEI has enabled the OEB to "identify what non-utility decisions are made
13 and expenses incurred."

14 d) Please explain how FNEI has treated non-transmission spending decisions and whether this has
15 been done in accordance with the previous OEB decision that stated that "the accounting entries
16 must be recorded as non-rate regulated revenues and expenses", i.e., not to be recovered in the 2026
17 test year revenue requirement, given that Appendix 2-H is a revenue offset.

18 e) Given the cost of capital generic proceeding, please provide more detail regarding FNEI's risk
19 profile as a not-for-profit utility, as well as the use of funds (including the use of funds dedicated to
20 non-transmission spending).

21 f) In OEB staff's submission in FNEI's 2017 and 2018 transmission revenue requirements
22 proceeding, OEB staff proposed a "Financial Viability Revenue Rider" (FVRR). In its reply
23 submission, FNEI disagreed with OEB staff's approach. Is FNEI still of the same view? Please
24 explain.

25
26 RESPONSE:

27
28 a-d) FNEI has met the OEB's expectations by excluding non-regulated expenses from the 2026
29 revenue requirement. As noted in 7-Staff-1, there are no non-regulated revenues to report, and as
30 such \$0 is the correct figure to report in Account 4375. Similarly, given that the impact on revenue
31 requirement of non-regulated expenditures would be to create negative Other Revenue, the
32 appropriate inclusion in Account 4380 is \$0, as including expenses in this Account for rate-making

1 purposes would decrease Other Revenue and increase transmission revenue. Accounting entries
2 appropriately categorize non-regulated expenses as non-regulated, consistent with OEB direction,
3 and exclude these amounts from Other Revenue, ensuring they do not impact the 2026 revenue
4 requirement establishing transmission revenue. To improve transparency, FNEI is open to formally
5 identifying and declaring revenues in excess of costs which are not needed for the operation of its
6 regulated transmission business (i.e. amounts akin to a dividend for a for-profit entity).

7
8 e) FNEI believes that its risk factors are basically no different than the risk factors of any other
9 Ontario transmitter – i.e., business risk factors such as regulatory and policy change, technology
10 risks, and severe weather; or financial risks such as solvency, liquidity and ability to attract capital
11 and raise debt. If anything, the location of FNEI's system would suggest a higher risk profile due to
12 weather and terrain – i.e., the fact that FNEI's system is located in the muskeg of the James Bay
13 lowlands, prone to spring ice break-ups on the Albany and Attawapiskat Rivers, and more recently,
14 subject to forest fires.

15
16 f) Yes, FNEI is of the same view (for all of the reasons set out in section 6.3 of FNEI's reply
17 submission in EB-2016-0231). Other than being Indigenous-owned and non-profit (which ratepayers
18 benefit from, by virtue of no income tax expense included in FNEI's revenue requirement), FNEI
19 carries on business in the same commercial, regulatory and business setting as every other Ontario
20 transmitter. Treating FNEI different from other transmitters in terms of having a different ROE is, in
21 FNEI's view, incongruent. There is no good or justifiable reason for unequal treatment.

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7-STAFF-3

Reference 1: Filing Requirements For Electricity Transmission Applications, Chapter 2,
Revenue Requirement Applications, February 11, 2016, page 34

Reference 2: EB-2016-0231, FNEI Decision and Order, December 14, 2017, page 3

Reference 3: Exhibit 4 / page 11, July 9, 2025

Reference 4: Exhibit 1 / Appendix 3 / FNEI Financial Statements, July 9, 2025

Preamble

In summary, the Filing Requirements state that utilities such as FNEI are expected to submit an application to adjust their revenue requirement once the appropriate limits for reserves have been achieved. The decision (page 3) for its 2017 and 2018 transmission revenue requirements (EB-2016-0231) noted that FNEI's "Operating and Capital Reserves were never funded."

Reference 4 shows three funds: a General Fund, a Capital Fund, and an Insurance Reserve Fund.

Question(s)

a) As per the Filing Requirements statement noted in the preamble, please explain the appropriateness of such an adjustment to the 2026 test year revenue requirement to be explored in this proceeding, given that the decision (page 3) for its 2017 and 2018 transmission revenue requirements noted that FNEI's "Operating and Capital Reserves were never funded."

b) Please explain when amounts started to be allocated to FNEI's Operating, Insurance, and Capital Reserves, and provide a status of such funds as of December 31, 2024 and September 30, 2025.

c) Please explain whether the term "Operating" reserve fund and "General" reserve fund can be used interchangeably.

d) Please provide FNEI's actual annual profit (or revenues in excess of costs) for each year of the 2017-2024 period. Please also provide the actual annual profits (or revenues in excess of costs) in terms of an ROE (%), further to "Table 7 FNEI Notional Return on Equity" in Exhibit 4.

e) Please advise whether FNEI earned revenues in excess of costs in years after which the Operating

1 and Capital reserves were (or would have been) fully funded. If so, please provide the revenues in
2 excess of costs earned during the 2017-2024 period incremental to the amount required to fully fund
3 the Operating and Capital reserves.

4 f) Please provide a detailed explanation of how revenues in excess of costs that FNEI earned during
5 the 2017-2024 period were accounted for and used, if they were not directed towards the funding of
6 the Operating and Capital reserves.

7 g) Please quantify any distributions from operating surplus for the 2017-2024 period and where
8 these amounts were recorded in FNEI's audited financial statements.

9
10
11 **RESPONSE:**

12 a) Please see response to 7-Staff-4 part a. FNEI provides the following additional context
13 relating to this interrogatory:

14
15 FNEI's approach to reserves has evolved over time. At the time that FNEI was first
16 energized (November 2001), a number of factors led FNEI to believe that it needed to set
17 aside funds in a capital reserve, operating reserve and insurance reserve. Only an insurance
18 reserve was ever funded, and FNEI's position is that an insurance reserve remains the only
19 reserve fund FNEI needs or should be required to have going forward.

20
21 In November 2001, the factors influencing FNEI's view that three reserve funds were
22 required were as follows:

23
24 • FNEI had no equity and no material amounts of cash on hand. Funds from the federal
25 government and other private sector lenders had been utilized for construction of the
26 transmission system.

27
28 • FNEI's immediate owners (the three James Bay distribution companies) and ultimate
29 owners (the three James Bay First Nations) had no real ability to access financing in
30 connection with the transmission system. And FNEI had no ability to add further debt.
31 The FNEI system was built shortly after the Quebec ice storm (January 1998), which made
32 it impossible to obtain insurance on FNEI's transmission system – a topic that was

1 canvassed at FNEI's very first rate application. As a result, FNEI's main private sector
2 lenders (Pacific & Western Bank and Manulife) required FNEI to establish and immediately
3 fund an insurance reserve (i.e., self insure) in an amount equal to the maximum probable
4 loss established via an independent risk study (\$4 million). FNEI quickly had fully funded
5 the insurance reserve by Q1 of 2007 – and it remains funded to this day (it is a covenant in
6 FNEI's Credit Agreement).

7
8 As time passed, FNEI gained operational experience, increased its equity in the company,
9 and managed cash flow and expenditures in a prudent matter. FNEI is in a very different
10 position today than it was almost 25 years ago. Most importantly, it now has the standard
11 mechanisms that any utility would utilize to manage unanticipated operating or capital costs
12 (which was the rationale for FNEI an operational and capital reserve in 2001) - i.e., cash on
13 hand and a bank line of credit for operating cost variances; and standard capital expenditure
14 planning and ability to borrow from conventional lenders in the event of a significant capital
15 expenditure. Given FNEI's operating experience and financial position (including its actual
16 capital structure), FNEI anticipates no issue borrowing from conventional lenders. While the
17 insurance reserve remains in place (because the Credit Agreement requires it to be funded at
18 the \$4 million level), there may be a point in time where the insurance reserve is no longer
19 required. Given that FNEI's financial and operational status is similar to other Ontario
20 transmitters, no impact or adjustment should be made to FNEI's 2016 revenue requirement.

21 b) Please see response to 7-Staff-4 part a.

22 c) No such reserve funds exist. The General Fund and Capital Fund are explained in FNEI's
23 response to 7-Staff-4 part a.

24 d) Please see below Notional Return on Equity for the years 2017 to 2024:
25

1

\$ (millions)	2017	2018	2019	2020	2021	2022	2023	2024
Transmission Revenue	7.83	8.14	7.79	8.11	8.18	8.42	8.59	8.55
Other Revenue	2.29	2.36	2.40	2.42	2.33	8.85	0.49	0.49
Total Revenue	10.12	10.51	10.19	10.53	10.50	17.27	9.08	9.04

OM&A	3.77	4.88	3.74	3.45	3.57	4.42	5.56	5.35
Depreciation & Amortization	3.67	3.67	3.82	4.03	3.99	10.48	1.99	1.95
Deemed Interest	1.06	1.06	1.11	1.17	1.16	1.13	1.10	1.09
Total Costs & Expenditures	8.51	9.61	8.67	8.65	8.72	16.03	8.65	8.38

Utility Net Income	1.61	0.90	1.52	1.88	1.78	1.24	0.43	0.66
Deemed Equity on Actual Rate Base	14.47	14.32	14.97	15.79	15.72	15.36	14.90	14.78
Notional Return on Equity	11.1%	6.3%	10.2%	11.9%	11.3%	8.1%	2.9%	4.4%

2

3 e) See response to part c above

4 f) See response to part c above

5 g) Please see non-regulated expenses reported in FNEI's audited financial statements.

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RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7-STAFF-4

Reference 1: Exhibit 1 / page 30, July 9, 2025

Reference 2: Exhibit 1 / Appendix 3 / FNEI Financial Statements, July 9, 2025

Reference 3: EB-2016-0231, IRRs to Board Staff, April 12, 2017, page 20

Reference 4: EB-2016-0231, OEB Staff Submission, August 23, 2017, page 38

Reference 5: Exhibit 1 / Appendix 2 / Finance Policy and Procedure Manual, page 100

Preamble

FNEI stated that in its last revenue requirement proceeding (EB-2016-0231), the OEB directed FNEI to close out its Capital and Operating Reserves, and to maintain its Insurance Reserve. FNEI noted that it has complied with both directives. However, in FNEI's audited financial statements, Statement of Financial Position, As at December 31, 2024, page 260/582, the following three funds are shown:

- General Fund - \$5,293,342
- Capital Fund - \$26,121,820
- Insurance Reserve Fund - \$4,000,000

A draft FNEI Reserves Policy was filed in response to interrogatories in the 2017 and 2018 revenue requirements proceeding. OEB staff's submission in the 2017 and 2018 revenue requirements proceeding stated the following regarding the insurance reserve:

The Insurance Reserve Fund is used as a form of self-insurance coverage on FNEI's transmission line poles and wires (as FNEI was unable to purchase commercial insurance on these assets). The Insurance Reserve Fund is also required by FNEI's lenders.

Question(s)

a) Please explain why FNEI has stated that it has closed out its Capital and Operating reserves, when

:

1 its December 31, 2024 audited financial statements show balances of \$5,293,342 in the General
2 Fund and \$26,121,820 in the Capital Fund.

3 b) Please explain whether FNEI would prefer to keep its Capital and Operating reserves open,
4 despite the direction from the OEB in its 2017 and 2018 revenue requirements proceeding.

5 c) As FNEI intends to maintain its existing Insurance Reserve Fund, please confirm and explain why
6 it would be needed in conjunction with FNEI's proposed ROE and the availability of a Z-factor
7 (which both allow for a utility to maintain sufficient funds in order to address unforeseen
8 circumstances).

9 d) Please file an updated FNEI Reserves Policy, also given that section "6.3. Reserves and Restricted
10 Funds" of its Finance Policy and Procedure Manual does not address Capital Reserves.

11 e) Please confirm that the following still applies regarding FNEI's Insurance Reserve Fund. If either
12 of the following do not still apply, please explain:

- 13
- 14 i. Used as a form of self-insurance coverage on FNEI's transmission line poles and wires
15 (as FNEI is unable to purchase commercial insurance on these assets)
- 16 ii. Required by FNEI's lenders
17
18

19 **RESPONSE:**

20 a. The only reserve fund is for insurance. The general fund and capital fund are simply a way
21 of segregating utility equity. By definition, a reserve fund must be cash funded. The
22 insurance reserve fund is offset by \$4M of restricted deposits. The capital fund, which is not
23 a reserve, is calculated as the reported capital assets less the reported long-term debt. The
24 general fund is everything else. The segregation of equity has no impact on rates.

25 b. See response to a) immediately above. FNEI does not have capital or operating reserves.

26 c. As noted in 7-Staff-3, the insurance reserve is a requirement of FNEI's lenders pursuant to
27 FNEI's Credit Agreement. Also as noted in 7-Staff-3, once that Credit Agreement ends, it
28 may be that the insurance reserve is no longer required (given the Z-factor availability and
29 FNEI's ability to borrow funds). However, that is something that FNEI will determine when
30 it next refinances. Two further points:

- 31 • FNEI assumes that Board Staff is not suggesting (in this question) that because FNEI has
32 been prudent and set aside an insurance reserve (as opposed to expending these funds as

- 1 non-regulated funds – i.e., akin to a dividend) that FNEI should have its ROE reduced or
2 access to a Z-factor mechanism denied.
- 3 • FNEI’s maximum probable loss is now \$23 million (not \$4 million).
- 4 d. As FNEI does not have any capital or operating reserves, and its insurance reserve has been
5 fully funded since 2007, no reserves policy exists.
- 6 e. Both confirmed.
- 7
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RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY 7- STAFF-5

Reference 1: EB-2024-0063 Cost of Capital Decision, March 27, 2025, page 65

Reference 2: Excel Chapter 2 Appendices, July 9, 2025

Reference 3: RRWF, July 9, 2025

Preamble

The OEB's cost of capital decision states:

"the rate for notional debt will be at the lower of the DLTDR at the time of issuance and the weighted average cost of actual long-term debt, but only when there are material variances relating to the notional debt (i.e., with material impacts on the revenue requirement)."

Question(s)

a) Please revise Appendix 2-OA to show the Capitalization Ratio (% and \$), Cost Rate (%), and Return (\$) of both Notional Long-term Debt and Actual Long-term Debt.

b) Please ensure that the sum of the Notional Long-term Debt and Actual Long-term Debt matches that in the RRWF.

RESPONSE:

a) Please find attached an updated Appendices (FNEI_2026RR_Appendices_IRR_20251016) and Revenue Requirement Workform (FNEI_2026RR_Appendices_IRR_20251016). An update has been made to include notional long-term debt at the OEB's deemed long-term debt rate of 4.51%, in the amount of \$11.5 million as shown in Appendix 2-OB. Inclusion of notional long-term debt has revised the weighted long-term debt rate applicable to FNEI's cost of capital and revenue requirement, from 4.59% in the original application to 4.54%. This change is reflected in the cost of capital and revenue requirement in the revised Revenue Requirement Workform.

b) Please see a) above.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 7-STAFF-6

Reference 1: Exhibit 1 / page 30, July 9, 2025

Reference 2: Exhibit 3 / page 8

Reference 3: Exhibit 6 / page 15 & 16, July 9, 2025

Reference 4: Exhibit 7 / page 4 & 5, July 9, 2025

Preamble

Reference 1 states that FNEI's:

"changes in FNEI's methodology, as compared to FNEI's previous rate application (EB-2016-0231), are limited to the recognition of long-term land leases as finance leases, and their inclusion in rate base via Account 2005 - Property Under Finance Lease. Concurrent with the recognition of the long-term value of FNEI's finance leases as assets, FNEI adopted notes payable to the long term lessors and has included these liabilities in the derivation of its long-term debt rate."

As part of FNEI's transition to IFRS, FNEI was required to modify the accounting treatment of long-term lease agreements. Reference 3 states that "where these agreements had traditionally been treated as a rent operating expense, their term and nature dictated they be deemed finance leases by FNEI's auditor and accounting advisors."

Reference 3 states:

"As a consequence of this transition, FNEI now calculates the long-term value of each lease and takes on a liability equal to this amount, as shown in Exhibit 7 under Section 5, Long-Term Debt. At the same time, FNEI recognizes an asset of an equal amount, and claims straight-line amortization of this amount over the term of the lease. Amortization of Property Under Finance Lease is included in FNEI's Fixed Asset Continuity Schedule, found in [Appendix 2-BA]."

Concurrent with the adoption of said finance leases, FNEI has taken on the long-term liability of the value of the three land leases over the term of the agreements, with a regular payment schedule

1 including interest.

3 Question(s)

4 a) Please explain the years of FNEI's audited financial statements that were impacted by this issue.

5 b) Please provide the revenue requirement impact if the leases were treated as operating leases and
6 compare to the revenue requirement impact using the finance lease treatment.

7 c) Please provide any past OEB precedents (including the EB#) that address issues similar to FNEI's
8 proposed treatment of finance leases.

11 **RESPONSE:**

12 a) FNEI transitioned to IFRS effective 2015. In 2019, IFRS-16 took effect and was
13 implemented by FNEI in the same year to maintain compliance with accounting standards.
14 IFRS-16 requires the treatment of long-term leases as finance leases, and FNEI's
15 accountants and auditors confirmed this treatment as required in order to maintain
16 compliance with IFRS-16. As such, the transition to finance lease treatment impacts 2019
17 and all years thereafter.

18 b) Removal of all assets from Account 2005 Property Under Finance Lease in rate base and
19 including the total payments of FNEI's three leases of \$249,599 in 2026 as rent would revise
20 FNEI's as-filed 2026 base revenue requirement from \$10.44 million to \$10.35 million.

21 c) FNEI has not completed a comprehensive scan of all OEB precedents of treatment of
22 finance leases. FNEI relied upon the advice of its external auditors and accounting experts in
23 classifying the leases in question as finance leases, as well as direction in the OEB's
24 Accounting Procedures Handbook, Article 425, Accounting for Specific Items: Leases.
25 FNEI has scanned the following recent applications before the OEB to identify inclusion of
26 finance leases in Account 2005 Property Under Finance Lease in rate base:

- 28 • EB-2025-0044 Entegrus Powerlines Inc. 2026 Cost of Service: Appendix 2-BA
29 includes assets in Account 2005 which fully depreciate in 2021;
- 30 • EB-2025-0014 Oshawa PUC Distribution 2026 Cost of Service: Appendix 2-BA
31 includes assets in Account 2005 with remaining net book value up to and included
32 the 2026 test year.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 8-STAFF-1

Reference 1: Exhibit 1 / Pages 19-20, July 9, 2025

Reference 2: Exhibit 8 / Pages 3-5, 8, July 9, 2025

Preamble

FNEI is requesting establishment of a utility-specific deferral account titled the Environmental Remediation Deferral Account (ERDA), effective January 1, 2026. This account is to track FNEI's portion of costs incurred for environmental remediation of lands in Attawapiskat.

Contaminants of concern have been identified at several sites within the Attawapiskat First Nation community. FNEI is anticipated to bear a portion of the cost of environmental remediation of contaminants and has reason to believe such costs will be material to FNEI. Remediation is expected to be funded by multiple parties, including FNEI, however the allocation of costs for site-specific remediation work has not been finalized amongst the parties at this time. The sites for which FNEI's financial participation is expected contain twelve above ground bulk fuel storage tanks and a diesel generation station and its associated fuel storage tanks.

FNEI is in the process of finalizing agreements with other parties for the sharing of the cost of a full technical assessment to determine the extent of environmental remediation required and identify the preferred remedial solution. Subsequent to the completion of this assessment, further detail will be available to FNEI and the other potential funding parties with respect to the full extent of remediation required, the cost of such remediation, and the timing for completion of such remediation work.

In light of the prospect of material costs during the 2026 to 2030 rate term which cannot reasonably be forecast by FNEI at this time, FNEI is requesting a deferral account to record such

1 costs and seek disposition in a future rate proceeding.
2 FNEI expects that its allocated costs will substantially exceed the utility's materiality threshold of
3 \$52,071. At this time, the quantum of costs for environmental remediation is highly certain and the
4 timing of such costs is unknown, rendering FNEI unable to account for such costs within this
5 application on a prospective basis.
6

7 Question(s)

8 a) Please confirm that the main drivers of the environmental remediation of lands in Attawapiskat
9 relate to twelve above ground bulk fuel storage tanks and a diesel generation station and its
10 associated fuel storage tanks.

11 b) Please elaborate on why it is anticipated that FNEI will bear a portion of the cost of
12 environmental remediation of contaminants. As part of your response please include the following
13

14 i. Has FNEI conducted any legal or environmental assessments to confirm its liability?

15 How is FNEI potentially accountable for the damages?

16 ii. Were there any prior warnings, inspections, or maintenance failures that could have
17 prevented this?
18

19 c) Please explain whether FNEI has finalized agreements with other parties for the
20 sharing of the cost of a full technical assessment to determine the extent of environmental
21 remediation required and identify the preferred remedial solution. Please provide further details on
22 the agreement and technical assessment if available. Please also explain whether the allocation of
23 costs for site-specific remediation work has been finalized amongst the parties.

24 d) If yes, please provide further detail with respect to the full extent of remediation required, the cost
25 of such remediation, the allocation of costs amongst the parties, the timing for completion of such
26 remediation work, and any other additional information that may be helpful to the OEB.

27 e) If no, please explain why not. Can FNEI provide any preliminary cost estimates or ranges, even if
28 uncertain? Please also provide an expected timeline on when these details would be finalized.

29 f) Given that FNEI stated that "at this time, the quantum of costs for environmental remediation is
30 highly certain", please explain why the quantum of expected costs has not been provided in the
31 application and incorporated into the 2026 test year revenue requirement (as opposed to seeking the
32 establishment of the ERDA).

1 g) Why does FNEI believe ratepayers should bear the cost of remediation?
2

3 **RESPONSE:**

4 a) The environmental remediation of lands in Attawapiskat will occur in six distinct areas. The
5 diesel generation station and the tank farm are two of those six areas. Allocation of
6 responsibility for remediation costs is still under negotiation by the various parties, but
7 FNEI's expectation is that it will only be responsible for: (a) a majority of the remediation
8 costs at the diesel generating station; and (b) a very small portion of the remediation costs at
9 the tank farm. FNEI will not have responsibility for any remediation costs at the other four
10 areas.

11 b) Numerous entities were involved in the arrangements that led to the construction of the
12 FNEI transmission line and the transfer of the electricity distribution systems in the three
13 James Bay communities from HONI/Remotes to the three James Bay First Nations (the
14 "Omushkego Ishkotayo Project" – including:

- 15 • FNEI
- 16 • Ontario Hydro Networks Company Inc. (now "**HONI**")
- 17 • Ontario Hydro Remote Communities Service Company Inc. (now "**Remotes**")
- 18 • Fort Albany, Kashechewan and Attawapiskat First Nations (the "**First Nations**")
- 19 • the electricity distribution companies in the First Nations (the "**LDCs**")
- 20 • the federal government

21 At the time of the Omushkego Ishkotayo Project, there was known environmental
22 contamination at the diesel generation site in Attawapiskat (and the adjacent diesel tanks that
23 supplied the generator). Since the new FNEI transmission line essentially replaced the diesel
24 generation assets in the three James Bay communities, responsibility for any future
25 remediation costs associated with the generation station was transferred to FNEI. Thus,
26 FNEI has legal responsibility for any diesel generation station-related remediation costs in
27 Attawapiskat.

28
29 c) An environmental consulting firm carried out environmental site investigations in
30 Attawapiskat in 2024 to determine the extent and nature of contamination in Attawapiskat.
31 This work was also informed by similar studies done dating back to the late 1990s. The
32 same consulting firm also prepare a 2025 report outlining available remedial/risk

1 management actions. FNEI hired a separate consultant to peer review the above-noted work
2 and reports. The parties with responsibility for remediation costs are currently negotiating a
3 cost sharing arrangement. It is not yet finalized.

4 d) Not applicable.

5 e) The information requested is subject to a non-disclosure agreement. Moreover, numerous
6 parties are currently involved in assessing the extent of contamination, remediation options
7 available, as well as negotiating cost responsibility. These assessments and negotiations are
8 currently ongoing.

9 f) FNEI expected remediation costs are based on cost estimates provided by the environmental
10 consultant that carried out the remediation study. No remediation work has commenced.
11 Actual costs may differ and could be higher or lower than the cost estimates.

12 g) Transmission ratepayers should bear these remediation costs. As noted above, the diesel
13 generation station in Attawapiskat is a direct proxy for a transmission line. If HONI had
14 environmental remediation costs associated with the ownership and operation of its
15 transmission system, those costs would get recovered in transmission rates. The same
16 principle should apply to remediation costs associated with the diesel generation station in
17 Attawapiskat.

18 The contamination pre-dates FNEI and was not caused by FNEI. Moreover, contamination
19 at diesel generating stations is common – as the handling of fuel and operation of the diesel
20 generation station is an inherently risky activity. To the best of FNEI's knowledge, the
21 remediation was not the result of any negligence of the prior owner/operator of the
22 generating station.

23 Finally, FNEI's members (akin to shareholders, consisting of the three First Nations) should
24 not bear responsibility for these remediation costs. It would be a perverse and particularly
25 cruel outcome for these three communities (after being in the unfortunate circumstance of
26 not being connected to the transmission grid like every other Ontario electricity consumer
27 but instead having to bear the noise and pollution of the diesel generators) to now be told
28 they should bear remediation costs associated with the provision of such inferior electricity
29 service.

30

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 8-STAFF-2

Reference 1: Exhibit 8 / Page 8, July 9, 2025

Preamble

The proposed Accounting Order states that FNEI shall establish the ERDA, effective January 1, 2026.

Question(s)

a) Please explain why FNEI's accounting order states that "amounts will be credited to the ERDA as incurred", instead of debited as incurred.

b) For principal amounts, please explain why FNEI's accounting order proposed journal entries show a credit to Account 1508 and a debit to "various accounts", instead of vice versa.

c) For carrying charges, please explain why FNEI's accounting order proposed journal entries show a credit to Account 1508 and a debit to "various accounts", instead of vice versa.

d) For carrying charges, please explain why FNEI's accounting order proposed journal entries show an adjustment to "various accounts", instead of to Account 6035, Other Interest Expense.

RESPONSE:

Please see below an updated accounting order addressing the items raised.

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Five Nations Energy Inc.

Draft Accounting Order

**Account 1508 – Other Regulatory Assets, Sub-account Environmental Remediation
Deferral Account (“ERDA”)**

Five Nations Energy Inc. (FNEI) shall establish the new deferral account, “Environmental Remediation Deferral Account” (ERDA), effective January 1, 2026, to record expenses incurred from FNEI’s portion of costs for the environmental remediation of lands in Attawapiskat that are currently not included in transmission rates.

Amounts entered in the ERDA will be debit entries that are equal to all of the environmental remediation project costs that are incurred by FNEI. Amounts will be debited to the ERDA as incurred. Carrying charges will be applied to the ERDA on a monthly basis at the Ontario Energy Board’s (OEB) prescribed rates.

Balances in the ERDA sought for disposition are subject to an OEB prudence review, which will require the presentation of appropriate supporting documentation. FNEI will seek disposition of the amounts in the ERDA no later than its next Cost of Service application, or as otherwise directed by the OEB. At the time of FNEI’s next Cost of Service application, FNEI will recommend either the continuance or discontinuance of the Sub-Account, and the OEB will make a determination in that matter.

Annual Entries:

Dr: 1508	Sub-Account ERDA
Cr: Various Accounts	
To record expenses generated from FNEI’s portion of costs for environmental remediation of lands in Attawapiskat.	
Dr: 1508	Sub-Account ERDA
Cr: 6035	Other Interest Expense
To record Carrying Charges associated with amounts recorded in Sub-Account ERDA	

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 8-STAFF-3

Reference 1: Exhibit 6, Pages 15-16, July 9, 2025

Reference 2: Filing Requirements For Electricity Transmission Applications, Chapter 2,
Revenue Requirement Applications, February 11, 2016, Page 29

Reference 3: Excel Chapter 2 Appendices, July 9, 2025

Reference 4: Exhibit 1 / Appendix 3 / FNEI Financial Statements, July 9, 2025

Preamble:

The Filing Requirements state:

“The applicant must identify any asset retirement obligations (AROs) and any associated depreciation or accretion expenses in relation to the AROs, including the basis and calculation of how these amounts were derived.”

OEB staff also notes that FNEI’s December 31, 2024 audited financial statements, Appendix 2-BA, and Appendix 2-C do not disclose any remediation cost issue.

Question(s):

a) Please identify and quantify any AROs and any associated depreciation or accretion expenses in relation to the AROs, including the basis and calculation of how these amounts were derived.

b) Please explain how any AROs were addressed in Appendix 2-BA and Appendix 2-C.

c) Please explain why the December 31, 2024 audited financial statements do not disclose any remediation cost issue.

d) Please provide any past OEB precedents (including the EB#) that address issues similar to FNEI’s proposed treatment of environmental remediation of lands in Attawapiskat, including:

i. any deferral accounts similar to the proposed ERDA and/or

:

1 ii. treatment of rate base, depreciation, and OM&A
2
3

4 **RESPONSE:**

- 5 a) FNEI does not have any AROs.
6 b) Given FNEI does not have any AROs, no AROs have been incorporated into Appendix 2-
7 BA or 2-C.
8 c) FNEI's December 31, 2024 audited financial statements disclose the remediation cost issue
9 under Note 12 Commitments and contingencies, stating "The Company has recently become
10 aware of a potential liability for the remediation and cleanup related to a fuel leak. The costs
11 associated with the cleanup are not determinable at this time."
12 d) FNEI has not completed a full scan of all OEB records for deferral accounts or similar
13 measures addressing environmental remediation, however FNEI is aware of examples of
14 OEB-approved deferral accounts for environmental remediation. By way of example, legacy
15 Enbridge Gas Distribution Inc. ("EGD") received approval of a Manufactured Gas Plant
16 Deferral Account ("MGPDA") in EB-2005-0001, which persisted (and was cleared to
17 ratepayers) up to and including the year 2018 (EB-2019-0105). Though the account was
18 closed after 2018 disposition effective 2019 as part of an OEB-approved settlement
19 agreement, the parties to that agreement also agreed EGD (then Enbridge Gas Inc.) may
20 request that the OEB reopen the account in the future in the event that new circumstances
21 arose where costs were anticipated that would be eligible for recording in the MPGDA. The
22 MGPDA incorporated the following costs:
23
24 • Responding to all enquiries, demands and court actions relating to former MGP sites;
25 • All oral and written communications with existing and former third party liability
26 and property insurers of the Company;
27 • Conducting all necessary historical research and reviews to facilitate the Company's
28 responses to all enquiries, demands, court actions and communications with
29 claimants, third parties and insurers;
30 • Engaging appropriate experts (for example, environmental, insurance archivists,
31 engineers, etc.) for the purposes of evaluating any alleged contamination that may

1 have resulted from former Manufactured Gas Plant (“MGP”) operations, and
2 appropriate steps to remediate/contain/monitor such contamination, if any;
3 • Engaging legal counsel to respond to all demands and court actions by claimants,
4 and to take appropriate steps in relation to the Company’s existing and former third
5 party liability and property insurers;
6 • Undertaking appropriate research into the regulatory treatment of costs resulting
7 from former MGP operations in the United States; and,
8 • Any amounts which are payable to any claimant following settlement or trial,
9 including any damages, interest, costs and disbursements and any recoveries from
10 insurers or third parties.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 8-STAFF-4

Reference 1: Exhibit 1 / Page 20, July 9, 2025

Reference 2: Exhibit 8 / Pages 5-6, July 9, 2025

Preamble

FNEI is proposing use of the OEB's generic Incremental Cloud Computing Implementation Costs Deferral Account (ICCICDA), to facilitate the procurement of an upgrade to FNEI's current asset management system. FNEI began the early stages of procurement in Q1 2025 and anticipates finalizing selection of a vendor and solution in Q3 or Q4 2025, with implementation planned for 2026. Due to the timing of procurement, FNEI is not able to establish an operational or capital budget for these investments within this application.

Question(s)

- a) Please explain whether FNEI has finalized the selection of a vendor and solution as planned in Q3 or Q4 2025, and whether implementation is still planned for 2026.
- b) If yes, has FNEI been able to establish an operational or capital budget for these investments within this application and incorporated into the 2026 test year revenue requirement (as opposed to seeking the use of the ICCICDA).
- c) If no, why not?

RESPONSE:

- a) FNEI has selected a vendor, and is in the late stages of contract finalization.
- b) FNEI now has the information necessary to include the costs of the cloud solution within its 2026 budget. The ongoing expenditures required for the cloud solution are all operational, with no capital additions required for implementation. The annual cost of the cloud solution is \$8,400, plus one-time implementation costs incurred in 2026 of \$2,100. As such, FNEI has included an incremental \$8,820 in its revised 2026 revenue requirement (i.e. \$8,400 plus

1 \$2,100/5) included with submission of interrogatories. Updated figures are reflected in FNEI
2 2026RR_Appendices_IRR_20251016 and FNEI 2026RR_RRWF_20251016.

3 FNEI has incurred \$23,650 in external procurement and implementation costs in 2025, and
4 anticipates incurring an incremental \$1,350 for a total cloud implementation cost in 2025 of
5 \$25,000. FNEI maintains its request for disposition of this amount (i.e. \$25,000) via the
6 OEB's ICCICDA.

7 c) See b) above.

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**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 8-STAFF-5

Reference 1: Exhibit 1 / Page 26, July 9, 2025

Reference 2: Filing Requirements For Electricity Transmission Applications, Chapter 2,
Revenue Requirement Applications, February 11, 2016, Page 35

Preamble

FNEI is requesting the establishment of a deferral account, as needed, to track revenue requirement deficiencies incurred from January 1, 2026, until FNEI's proposed 2026 revenue requirement is approved. The Filing Requirements state that in the event an applicant seeks an accounting order to establish a new deferral or variance account, eligibility criteria must be met relating to causation, materiality, and prudence. In addition, applicants must include a draft accounting order with a description of the mechanics of the account, including examples of general ledger entries, and the manner in which the applicant proposes to dispose of the account at the appropriate time.

Question(s)

a) Regarding the establishment of the proposed deferral account, as needed, to track certain revenue requirement deficiencies, please provide evidence to address the eligibility criteria and a draft accounting order, as outlined in the Filing Requirements.

RESPONSE:

Reference 1 states the following:

"[FNEI requests] such final and interim Orders, accounting orders and deferral and variance accounts as may be necessary in relation to the approving or fixing of just and reasonable rates for the transmission of electricity effective January 1, 2026, including the establishment of a deferral account as needed to track Revenue Requirement deficiencies incurred from January 1, 2026, until FNEI's proposed 2026 Revenue Requirement is approved."

FNEI has not requested a new deferral account at this time; rather FNEI requests the Orders necessary on an as-needed basis to allow for recovery of transmission revenue with an effective date of January 1, 2026 in the event a Final Decision and Order is received later than the effective date. This said, to the degree the OEB determines a deferral account is the most appropriate means to recovery foregone revenue resulting from an implementation date of FNEI's approved revenue requirement that is later than the effective date, the following addresses causation, materiality and prudence. FNEI proposes to provide a Draft Accounting Order at a later stage of this proceeding, should one be required.

Causation

The requested deferral account is needed to capture the revenue requirement shortfall that will arise between January 1, 2026 (the start of FNEI's new test year) and the date on which the OEB approves FNEI's 2026 revenue requirement and rates. This deficiency is a direct result of the timing between the start of the test year and the effective date of the OEB's Decision and Order, and is not impacted by any other factors. The need for the account is therefore caused by factors beyond FNEI's control, namely the timing of the OEB's rate-setting process and the prescribed effective date of rates. A deferral account to capture foregone revenue would pass the causation test.

Materiality

The potential revenue requirement deficiency for the interim period is expected to be material relative to FNEI's overall revenue and cost structure. As per Exhibit 1 page 23, FNEI's materiality threshold is approximately \$52,000. The difference between the current and proposed revenue requirement is approximately \$200,000/month. Absent this account, FNEI could face a material shortfall that would impair its ability to recover its prudently incurred costs, maintain its financial integrity, and continue to provide safe and reliable transmission service. A deferral account to capture foregone revenue would pass the materiality test.

Prudence

FNEI's request is consistent with established OEB practice and the principles of regulatory fairness. Approval of a January 1, 2026 effective date is FNEI's request of the OEB, which the OEB will ultimately decide on in this proceeding. The approach ensures transparency, aligns with OEB precedent (where similar accounts have been approved to bridge regulatory lag), and avoids any

1 retroactive rate-making concerns. All entries will be supported by appropriate documentation, and
2 the balance will be subject to audit and OEB approval before disposition. A deferral account to
3 capture foregone revenue would pass the prudence test.

4

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 9-STAFF-1

Reference 1: Exhibit 9 / page 3

Preamble

Reference 1 states:

“The proportional distribution of costs established in HONI's methodology - with 60% of costs allocated to the network pool, 30% of costs allocated to the transformer connection pool and 10% of costs allocated to the line connection pool - continues to accurately reflect how FNEI's transmission equipment functions in practice.”

Question

a) Please discuss the impact, if any, of the closure of the DeBeers mine on the appropriateness of FNEI using Hydro One's cost allocation.

RESPONSE:

a) In FNEI's submission, the Hydro One cost allocation remains appropriate for application to FNEI. As shown in Exhibit 10, page 5, Table 2, FNEI continues to have Network, Line Connection, and Transformation Connection Charge Determinants, and thus continues to rely on all three asset types and contributes to all three transmission pools. As noted by FNEI on page 3 of Exhibit 9, continued use of this approach appropriately serves regulatory efficiency in light of the immaterial impact of FNEI's revenue requirement on Uniform Transmission Rates.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 10-STAFF-1

Reference 1: EB-2016-0231 Rate Order January 18, 2018 / page 3

Reference 2: Exhibit 10 / Table 2 Total Annual Charge Determinants in Megawatts

Preamble:

Reference 1 presents FNEI's charge determinants for the 2018 (Network Connection = 230.41 MW, Line Connection = 248.86 MW, Transformation Connection = 73.04 MW).

At Reference 1, the Transformation Connection charge determinant is significantly lower than the Line Connection or Network charge determinants.

Reference 2 shows that the proposed connection charge determinants for 2026 are equal (Line Connection = 83 MW, Transformation Connection = 83 MW), and the Network charge determinant is significantly lower (71 MW).

Question:

a) Please explain why the Transformation Connection charge determinant at Reference 1 is significantly lower than the Network and Line Connection charge determinants.

b) Please explain why the Network and Line Connection charge determinants decrease in FNEI's proposal compared to in Reference 1.

c) Please discuss the bill impacts to typical residential customers of the decrease in FNEI's proposed charge determinants compared to Reference 1.

RESPONSE:

- a) Historically, significant Line Connection and Network charge determinants related to providing service to the DeBeers Victor Mine. DeBeers did not pay transformation connection charges.

- 1 b) As articulated in detail in FNEI’s application and evidence, the cessation of operations by
2 DeBeers substantially reduced load, and thus charge determinants, on FNEI’s system.
3 c) FNEI did not prepare a hypothetical load forecast and bill impacts in which DeBeers
4 maintained its operations at the Victor Mine, given the facility was closed permanently in
5 early 2023. As articulated in Exhibit 10, tables 4 and 5, the combined bill impacts of FNEI’s
6 requested revenue requirement and charge determinant forecast are as follows:

Table 4: Typical Residential Customer Bill Impact

	Current	Proposed	Change (\$)	Change (%)
Distribution	43.94	43.94		
RTSRs	18.87	18.90		
Total Delivery	62.81	62.84	0.03	0.05%
Regulatory Charges	5.01	5.01		
Cost of Power	74.90	74.90		
Total Bill Before Taxes	142.71	142.74	0.03	0.02%

Table 5: Typical Small Commercial Customer Bill Impact

	Current	Proposed	Change (\$)	Change (%)
Distribution	108.51	108.51		
RTSRs	40.76	40.83		
Total Delivery	149.27	149.35	0.07	0.05%
Regulatory Charges	13.05	13.05		
Cost of Power	199.72	199.72		
Total Bill Before Taxes	362.04	362.12	0.07	0.02%

7

**RESPONSES TO ONTARIO ENERGY BOARD STAFF
INTERROGATORIES**

INTERROGATORY 10-STAFF-2

Reference 1: Exhibit 10 / page 6

Reference 2: Exhibit 10 / pages 7-8

Preamble

Reference 1 presents the changes to Uniform Transmission Rates as a result of FNEI's proposed revenue requirements and cost allocation. FNEI states:

"A comparison between Tables 4 and 5 demonstrates that FNEI's 1 2026 proposed Revenue Requirement results in an immaterial impact on UTRs, as described below: • 0.16% impact on Network rates • 0.00% impact on Line Connection rates • 0.29% impact on Transformer Connection rates"

Reference 2 presents the bill impacts of FNEI's proposed Revenue Requirement for 2026. The bill impacts are presented for a "Typical Residential Customer" and a "Typical Small Commercial Customer". The impacts to the monthly bills of both types of customers are stated as +0.02%.

Question

a) Please provide, in live excel format, the calculations which support the UTR impacts described at Reference 1.

b) Please confirm that "Typical Residential Customer" refers to a distribution-connected household that consumes 750 kWh per month, and that "Typical Small Commercial Customer" refers to a general service customer connected at less than 50 kV and consuming 2000 kWh monthly.

c) Please provide, in live excel format, the calculations which support the Bill Impacts presented at Reference 2.

RESPONSE:

:

- 1 a. Please find attached 10-Staff-2 UTR Impacts – Live Excel.xlsx file – revenue allocation
- 2 worksheet. This attachment incorporates updates to incorporate cloud computing costs (see
- 3 8-Staff-4) and the inclusion of notional long-term debt (see 7-Staff-5).
- 4 b. Confirmed.
- 5 c. Please find attached 10-Staff-2 UTR Impacts – Live Excel.xlsx file – Bill Impact
- 6 Worksheet.

Transmission Revenue Requirement Rebasing Model - Five Nations Energy Inc.
Utilis Consulting Inc.

Revenue Requirement Allocation by Rate Pool - Data based on OEB Decision and Order January 22, 2025

Updated for FNEI Data

Transmitter	Revenue Requirement			
	Network	Line Connection	Transformation Connection	Total
Hydro One (effective January 1, 2025)	\$1,280,063,491	\$ 221,893,543	\$ 633,465,726	\$ 2,135,522,760
HOSSM (effective January 1, 2025)	\$ 26,007,789	\$ 4,510,371	\$ 12,870,489	\$ 43,388,649
FNEI	\$ 9,295,387	\$ 1,985,007	\$ 3,096,192	\$ 14,376,586
CNPI (effective January 1, 2025)	\$ 2,785,600	\$ 483,089	\$ 1,378,511	\$ 4,647,200
WPLP (effective January 1, 2024)	\$ 43,489,861	-	-	\$ 43,489,861
B2MLP (effective January 1, 2024)	\$ 37,647,615	-	-	\$ 37,647,615
NRLP (effective January 1, 2024)	\$ 8,314,329	-	-	\$ 8,314,329
UCT 2 (effective January 1, 2025)	\$ 75,681,985	-	-	\$ 75,681,985
CLLP	\$ 18,535,124	-	-	\$ 18,535,124
All Transmitters	\$1,486,782,181	\$ 228,072,010	\$ 650,810,828	\$ 2,377,665,018

Transmitter	Revenue Requirement			
	Network	Line Connection	Transformation Connection	Total
Hydro One (effective January 1, 2025)	\$1,280,063,491	\$ 221,893,543	\$ 633,465,726	\$ 2,135,522,760
HOSSM (effective January 1, 2025)	\$ 26,007,789	\$ 4,510,371	\$ 12,870,489	\$ 43,388,649
FNEI (effective January 1, 2025)	\$ 4,786,579	\$ 630,384	\$ 2,269,529	\$ 7,686,492
CNPI (effective January 1, 2025)	\$ 2,785,600	\$ 483,089	\$ 1,378,511	\$ 4,647,200
WPLP (effective January 1, 2024)	\$ 43,489,861	-	-	\$ 43,489,861
B2MLP (effective January 1, 2024)	\$ 37,647,615	-	-	\$ 37,647,615
NRLP (effective January 1, 2024)	\$ 8,314,329	-	-	\$ 8,314,329
UCT 2 (effective January 1, 2025)	\$ 75,681,985	-	-	\$ 75,681,985
CLLP (effective January 1, 2025)	\$ 18,535,124	-	-	\$ 18,535,124
All Transmitters	\$1,497,313,973	\$ 227,817,387	\$ 650,884,255	\$ 2,375,215,615

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
Hydro One	230,449	223,708	180,288	238
HOSSM	3,498	2,735	635	
FNEI	71	83	83	
CNPI	523	549	549	
WPLP	184	-	-	
B2MLP	-	-	-	
NRLP	-	-	-	
UCT 2	-	-	-	
CLLP	-	-	-	
All Transmitters	234,735	227,075	191,567	

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
Hydro One	230,449	223,708	180,288	552
HOSSM	3,498	2,735	635	
FNEI	250	249	75	
CNPI	523	549	549	
WPLP	184	-	-	
B2MLP	-	-	-	
NRLP	-	-	-	
UCT 2	-	-	-	
CLLP	-	-	-	
All Transmitters	234,895	227,241	191,556	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (B/NW/Month)	6.38	1.00	3.40	
Hydro One	0.85407	0.97335	0.97335	
HOSSM	0.01735	0.01978	0.01978	
FNEI	0.00417	0.00476	0.00476	
CNPI	0.00186	0.00212	0.00212	
WPLP	0.02902	0.00000	0.00000	
EWPLP	0.02512	0.00000	0.00000	
B2MLP	0.00505	0.00000	0.00000	
NRLP	0.05050	0.00000	0.00000	
CLLP	0.01237	0.00000	0.00000	
All Transmitters	1.00000	1.00000	1.00000	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates (B/NW/Month)	6.37	1.00	3.39	
Hydro One	0.85491	0.97444	0.97444	
HOSSM	0.01727	0.01980	0.01980	
FNEI	0.00320	0.00384	0.00384	
CNPI	0.00186	0.00212	0.00212	
WPLP	0.02905	0.00000	0.00000	
B2MLP	0.02514	0.00000	0.00000	
NRLP	0.05055	0.00000	0.00000	
UCT 2	0.05055	0.00000	0.00000	
CLLP	0.01238	0.00000	0.00000	
All Transmitters	1.00000	1.00000	1.00000	

Note 1: CNPI Revenue Requirement and Charge Determinants per OEB Decision and Order EB-2015-0354 dated January 14, 2016.

Note 2: FNEI Revenue Requirement and Charge Determinants per OEB Revenue Requirement and Charge Determinant Order EB-2016-0231 dated January 18, 2018.

Note 3: Hydro One Revenue Requirement and Charge Determinants per OEB Decision and Order EB-2024-0217 dated October 24, 2024.

Note 4: HOSSM Revenue Requirement and Charge Determinants per OEB Decision and Order EB-2024-0218 dated October 24, 2024.

Note 5: B2M LP Revenue Requirement per OEB Decision and Order EB-2023-0129 dated September 7, 2023.

Note 6: NRLP Revenue Requirement per OEB Decision and Order EB-2023-0128 dated September 7, 2023.

Note 7: UCT 2 Revenue Requirement per OEB Decision and Order EB-2024-0254, dated October 24, 2024

Note 8: WPLP Revenue Requirement and Charge Determinants per OEB Decision and Order EB-2023-0168 dated November 20, 2023.

Note 9: The revenue requirements of CNPI, FNEI, and HOSSM are allocated to the three transmission rate pools on the same basis as is used for Hydro One. The revenue requirements of B2MLP, NRLP, UCT 2, and WPLP are allocated entirely to the Network rate pool. The total revenue requirements for each of the three transmission rate pools are then divided by the total charge determinants for each rate pool to establish the UTRs to two decimal places. The IESO uses the revenue collected from the UTRs to settle on a monthly basis with all rate-regulated transmitters using the revenue allocation factors.

Note 10: The allocation factors for each transmitter other than Hydro One are calculated by dividing each

Transmission Revenue Requirement Rebasing Model - Five Nations Energy Inc.

Utilis Consulting Inc.

Bill Impacts

Line	Component	2025 UTR	2025 UTR Incl. 2026 FNEI RR
1	Total UTR Revenue Requirement	\$ 2,375,215,616	\$ 2,377,665,018
2	% Increase (decrease) in Revenue Requirement		0.10%
	Load Forecast (MW)	238	238
3	% Impact of load forecast decrease (increase)		0.00%
4 = 2+3	Net impact on average transmission rates		0.13%
5	Transmission rates as a % of transmission-connected customer's Total Bill		
6 = 4*5	Estimated average transmission-connected customer's total bill		
7	Transmission rates as a % of distribution-connected customer's Total Bill		13%
8 = 4*7	Estimated average distribution-connected customer's bill impact		0.0%

	Network	Line Connection	Transformation Connection
Current Rate	6.37	1.00	3.39
Proposed Rate	6.38	1.00	3.40
Difference (\$)	0.01	0.00	0.01
Difference (%)	0.16%	0.00%	0.29%
Assumed Allocation	60%	10%	30%
Weighted Average Increase in UTRs			0.18%

Rate Class	UR
Monthly Consumption (kWh)	750
Peak (kW)	0.00
Loss factor	1.067
Charge determinant	kWh

	Current OEB-Approved			Proposed			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Service Charge	\$ 41.61	1	\$ 41.61	\$ 41.61	1	\$ 41.61	\$ -	0.00%
Distribution Volumetric Charge	\$ -	750	\$ -	\$ -	750	\$ -	\$ -	N/A
RRRP Adjustment	\$ -	1	\$ -	\$ -	1	\$ -	\$ -	N/A
DRP Adjustment	\$ -	1	\$ -	\$ -	1	\$ -	\$ -	N/A
Fixed Rate Riders	\$ (0.11)	1	\$ (0.11)	\$ (0.11)	1	\$ (0.11)	\$ -	0.00%
Volumetric Rate Riders	\$ -	750	\$ -	\$ -	750	\$ -	\$ -	N/A
Sub-Total A (excluding pass through)			\$ 41.50			\$ 41.50	\$ -	0.00%
Line Losses on Cost of Power	\$ 0.0999	43	\$ 4.27	\$ 0.0999	43	\$ 4.27	\$ -	0.00%
Total Deferral/Variance Account Rate Riders	\$ (0.0025)	750	\$ (1.88)	\$ (0.0025)	750	\$ (1.88)	\$ -	0.00%
CBR Class B Rate Riders	\$ (0.0005)	750	\$ (0.38)	\$ (0.0005)	750	\$ (0.38)	\$ -	0.00%
GA Rate Riders	\$ -	750	\$ -	\$ -	750	\$ -	\$ -	N/A
Smart Meter Entity Charge (if applicable)	\$ 0.42	1	\$ 0.42	\$ 0.42	1	\$ 0.42	\$ -	0.00%
Additional Fixed Rate Riders	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	N/A
Additional Volumetric Rate Riders	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	N/A
Sub-Total B - Distribution (includes Sub-Total A)			\$ 43.94			\$ 43.94	\$ -	0.00%
Retail Transmission Rate - Network Service Rate	\$ 0.0140	793	\$ 11.10	\$ 0.0140	793	\$ 11.10	\$ -	0.00%
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$ 0.0098	793	\$ 7.77	\$ 0.0099	793	\$ 7.85	\$ 0.08	1.02%
Sub-Total C - Delivery (including Sub-Total B)			\$ 62.81			\$ 62.89	\$ 0.08	0.13%
Wholesale Market Service Rate (WMS) - not incl including CBR	\$ 0.0041	793	\$ 3.25	\$ 0.0041	793	\$ 3.25	\$ -	0.00%
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$ 0.0004	793	\$ 0.32	\$ 0.0004	793	\$ 0.32	\$ -	0.00%
Rural Rate Protection Charge	\$ 0.0015	793	\$ 1.19	\$ 0.0015	793	\$ 1.19	\$ -	0.00%
Standard Supply Service - Administration Charge (if applicable)	\$ 0.25	1	\$ 0.25	\$ 0.25	1	\$ 0.25	\$ -	0.00%
TOU-Off Peak	\$ 0.076	473	\$ 35.91	\$ 0.076	473	\$ 35.91	\$ -	0.00%
TOU-Mid Peak	\$ 0.122	135	\$ 16.47	\$ 0.122	135	\$ 16.47	\$ -	0.00%
TOU-On Peak	\$ 0.158	143	\$ 22.52	\$ 0.158	143	\$ 22.52	\$ -	0.00%
Total Bill on TOU (before Taxes)			\$ 142.71			\$ 142.79	\$ 0.08	0.06%
HST	13.0%		\$ 18.55	13.0%		\$ 18.56	\$ 0.01	0.06%
Ontario Electricity Rebate (OER)	-13.1%		\$ (18.69)	-13.1%		\$ (18.71)	\$ (0.01)	-0.09%
Total Bill on TOU			\$ 142.57			\$ 142.64	\$ 0.08	0.06%

Distribution rate protection applies to R1 and R2 customers

Rate Class	UOE
Monthly Consumption (kWh)	2,000
Peak (kW)	0.00
Loss factor	1.067
Charge determinant	kWh

	Current OEB-Approved			Proposed			Impact	
	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Service Charge	\$ 25.51	1	\$ 25.51	\$ 25.51	1	\$ 25.51	\$ -	0.00%
Distribution Volumetric Charge	\$ 0.0370	2,000	\$ 74.00	\$ 0.0370	2000	\$ 74.00	\$ -	0.00%
RRRP Adjustment	\$ -	1	\$ -	\$ -	1	\$ -	\$ -	N/A
DRP Adjustment	\$ -	1	\$ -	\$ -	1	\$ -	\$ -	N/A
Fixed Rate Riders	\$ -	1	\$ -	\$ -	1	\$ -	\$ -	N/A
Volumetric Rate Riders	\$ (0.0001)	2,000	\$ 0.20	\$ (0.0001)	2000	\$ 0.20	\$ -	0.00%
Sub-Total A (excluding pass through)			\$ 99.31			\$ 99.31	\$ -	0.00%
Line Losses on Cost of Power	\$ 0.0999	134	\$ 13.38	\$ 0.0999	134	\$ 13.38	\$ -	0.00%
Total Deferral/Variance Account Rate Riders	\$ (0.0018)	2,000	\$ 3.60	\$ (0.0018)	2000	\$ 3.60	\$ -	0.00%
CBR Class B Rate Riders	\$ (0.0005)	2,000	\$ 1.00	\$ (0.0005)	2000	\$ 1.00	\$ -	0.00%
GA Rate Riders	\$ -	2,000	\$ -	\$ -	2000	\$ -	\$ -	N/A
Smart Meter Entity Charge (if applicable)	\$ 0.4200	1	\$ 0.42	\$ 0.42	1	\$ 0.42	\$ -	0.00%
Additional Fixed Rate Riders	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	N/A
Additional Volumetric Rate Riders	\$ -	0	\$ -	\$ -	0	\$ -	\$ -	N/A
Sub-Total B - Distribution (includes Sub-Total A)			\$ 108.51			\$ 108.51	\$ -	0.00%
Retail Transmission Rate - Network Service Rate	\$ 0.0108	2,134	\$ 23.05	\$ 0.0110	2134	\$ 23.47	\$ 0.43	1.85%
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$ 0.0083	2,134	\$ 17.71	\$ 0.0083	2134	\$ 17.71	\$ -	0.00%
Sub-Total C - Delivery (including Sub-Total B)			\$ 149.27			\$ 149.70	\$ 0.43	0.29%
Wholesale Market Service Rate (WMS) - not incl including CBR	\$ 0.0041	2,134	\$ 8.75	\$ 0.0041	2134	\$ 8.75	\$ -	0.00%
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$ 0.0004	2,134	\$ 0.85	\$ 0.0004	2134	\$ 0.85	\$ -	0.00%
Rural Rate Protection Charge	\$ 0.0015	2,134	\$ 3.20	\$ 0.0015	2134	\$ 3.20	\$ -	0.00%
Standard Supply Service - Administration Charge (if applicable)	\$ 0.2500	1	\$ 0.25	\$ 0.25	1	\$ 0.25	\$ -	0.00%
TOU-Off Peak	\$ 0.0760	1,260	\$ 95.76	\$ 0.076	1260	\$ 95.76	\$ -	0.00%
TOU-Mid Peak	\$ 0.1220	360	\$ 43.92	\$ 0.122	360	\$ 43.92	\$ -	0.00%
TOU-On Peak	\$ 0.1580	380	\$ 60.04	\$ 0.158	380	\$ 60.04	\$ -	0.00%
Total Bill on TOU (before Taxes)			\$ 360.04			\$ 362.47	\$ 2.43	0.68%
HST	13.0%		\$ 46.94	13.0%		\$ 47.07	\$ 0.13	0.27%
Ontario Electricity Rebate (OER)	-13.1%		\$ 47.30	-13.1%		\$ 47.43	\$ 0.13	0.27%
Total Bill on TOU			\$ 360.70			\$ 361.68	\$ 0.99	0.27%

	Current	Proposed	Change (\$)	Change (%)
Distribution	43.94	43.94		
RTSRs	18.87	18.90		
Total Delivery	62.81	62.84	0.03	0.05%
Regulatory Charges	5.01	5.01		
Cost of Power	74.90	74.90		
Total Bill Before Taxes	142.71	142.74	0.03	0.02%

Note: The bill impacts are from HON's latest rate case (Dec 2024). I've updated the RTSRs for the Jan 21/2025 decision and then compared that to the proposed UTRs.

	Current	Proposed	Change (\$)	Change (%)
Distribution	108.51	108.51		
RTSRs	40.76	40.83		
Total Delivery	149.27	149.35	0.07	0.05%
Regulatory Charges	13.05	13.05		
Cost of Power	199.72	199.72		
Total Bill Before Taxes	362.04	362.12	0.07	0.02%

Note: The bill impacts are from HON's latest rate case (Dec 2024). I've updated the RTSRs for the Jan 21/2025 decision and then compared that to the proposed UTRs.