

CANADIAN FOREST PRODUCTS LTD.

THIS TARIFF AGREEMENT is made as of the 27th day of March, 2021

BETWEEN:

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY,

a Crown corporation continued under the laws of British Columbia having its
head office at

333 Dunsmuir Street, Vancouver, British Columbia V6B 5R3

(herein called "**BC Hydro**")

OF THE FIRST PART

AND:

CANADIAN FOREST PRODUCTS LTD., CHETWYND DIVISION

having an office in British Columbia at

2800–1055 Dunsmuir Street, Vancouver, British Columbia V7X 1B5

(herein called the "**Customer**")

OF THE SECOND PART

ACCEPTED: April 22, 2021

ORDER NO. G-70-21



COMMISSION SECRETARY

WHEREAS:

- A. Electric Tariff Supplement No. 53 (the “**Initial Tariff Agreement**”) was approved by the BCUC pursuant to BCUC Order No. G-51-00, effective August 1, 2000 and enabled the Customer to receive a bypass rate for 20 years in respect of the service of the plant located at 4700-50th Street in Chetwynd, British Columbia (“**Customer's Plant**”);
- B. On June 22, 2020, the BCUC approved a six-month extension of the Initial Tariff Agreement by Order No. G-174-20;
- C. The Initial Tariff Agreement expires on January 31, 2021; and
- D. In accordance with the renewal provision of the Initial Tariff Agreement, BC Hydro and the Customer have agreed to renew the Initial Tariff Agreement in accordance with the revised terms set out below for a limited term to enable the transition of the Customer to applicable General Service rate in the Electric Tariff as set out herein (the “**Tariff Agreement**”).

NOW THEREFORE THIS AGREEMENT WITNESSES THAT BC Hydro and the Customer agree as follows:

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1.0 DEFINITIONS AND INTERPRETATION

1.1 In this Tariff Agreement, the following terms shall have the following meanings:

- (a) “**BCUC**” means British Columbia Utilities Commission or its successor;
- (b) “**Billing Period**” means a period of from 27 to 35 consecutive days between two regular meter readings and there shall be not less than 12 Billing Periods in any period of 52 consecutive weeks. The Billing Period will be a calendar month Billing Period from 0800 hours local time, at the Customer's Plant, on the first day of the calendar month to 0800 hours on the first day of the following calendar month, provided that the Billing Period may be varied by agreement between BC Hydro and the Customer;
- (c) “**Contract Demand**” has the meaning set out in section [5.1](#) of this Tariff Agreement;
- (d) “**Customer’s Plant**” has the meaning set out in Recital A;
- (e) “**CWD**” means BC Hydro’s Chetwynd substation which is a 138/25 kV distribution substation supplying the Chetwynd area;
- (f) “**Effective Date**” means the first day of the next Billing Period immediately following the approval of this Tariff Agreement by the BCUC or such other effective date as the BCUC so prescribes;
- (g) “**Electric Tariff**” means BC Hydro’s Electric Tariff as amended from time to time and approved by the BCUC;
- (h) “**Formula**” has the meaning set out in Appendix B;

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- (i) **“Initial Tariff Agreement”** has the meaning set out in Recital A;
- (j) **“Metering Equipment”** means an assembly of metering and ancillary equipment, including meters, metering transformers, and any other devices owned and used by BC Hydro in connection with metering Electricity at the Customer’s Plant,
- (k) **“Point of Delivery”** has the meaning set out in section 1.2 of the Electric Tariff;
- (l) **“Rate”** has the meaning ascribed to it in section [3.1](#);
- (m) **“Rider Charge”** means an ongoing monthly charge that the Customer pays for its use of the Shared Facilities, as set out in greater detail in Appendix B;
- (n) **“Shared Facilities”** means those BC Hydro owned electricity delivery facilities which, in the opinion of BC Hydro, are used, or potentially used, in whole or in part, by BC Hydro to supply other customers in addition to the Customer, as further described in Appendix A;
- (o) **“Tariff Agreement”** has the meaning set out in Recital D;
- (p) **“Term”** has the meaning set out in section [7.1](#); and
- (q) **“Transformer Energy Loss”** means the energy that is deemed to have been lost as a result of transformation from 138 kV to 25 kV at the CWD as determined by BC Hydro.

1.2 In this Tariff Agreement, except as otherwise expressly provided or as the context otherwise requires:

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- (a) Attached to and forming part of this Tariff Agreement are the following appendices:

Appendix A – Shared Facilities

Appendix B – Rider Charge;

- (b) Headings are for convenience only and are not intended as a guide to interpretation of this Tariff Agreement or any portion thereof;
- (c) The word "including", when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters but rather is permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope; and
- (d) A reference to an entity includes any successor to that entity.

2.0 TERMS AND CONDITIONS OF SERVICE AND CONFLICTING PROVISIONS

- 2.1 Except to the extent inconsistent with the terms and conditions of this Tariff Agreement, in which case the terms and conditions of this Tariff Agreement shall prevail, the supply and taking of electricity is subject to the terms and conditions of the Electric Tariff as it applies to customers served under General Service Rate Schedule 1611 as filed with and approved by the BCUC. The Customer may inspect the Electric Tariff during normal business hours at BC Hydro's head office or its other general offices and such right to inspect is sufficient notice of the terms and conditions contained therein.

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- 2.2 If there is an inconsistency between any of the provisions of this Tariff Agreement and the provisions of any other BCUC approved tariff, including the Electric Tariff, the provisions of this Tariff Agreement shall prevail.
- 2.3 For greater clarity and without limitation, the following provisions in this Tariff Agreement shall prevail over the following provisions in the Electric Tariff:
- (a) The definition of “Metering Equipment” set out in section [1.1\(i\)](#) of this Tariff Agreement shall prevail over the definition of “Metering Equipment” set out in section 1.2 of the Electric Tariff;
 - (b) Section [6.3](#) of this Tariff Agreement shall prevail over section 3.8 of the Electric Tariff; and
 - (c) References to Electricity Supply Agreement in the Electric Tariff, including Rate Schedule 1823, shall mean this Tariff Agreement.
- 2.4 All capitalized terms not otherwise defined in this Tariff Agreement shall have the meaning set out in the Electric Tariff.
- 3.0 RATE AND RIDER CHARGE**
- 3.1 The Customer will be billed for Energy and Demand in accordance with Rate Schedule 1823 and any other applicable Transmission Service rates of the Electric Tariff (the “**Rate**”).
- 3.2 In addition to the Rates, the Customer will pay the ongoing Rider Charge each Billing Period in accordance with Appendix B.

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4.0 TRANSFORMATION CAPACITY AT CWD

4.1 The Customer shall be entitled, for the Term, to receive transformation capacity through the Shared Facilities to allow for delivery of Electricity up to the Contract Demand.

4.2 Notwithstanding section [4.1](#) of this Tariff Agreement, the Customer acknowledges and agrees that all rights to title and ownership of the Shared Facilities shall remain with BC Hydro.

5.0 CUSTOMER'S LOAD

5.1 The Customer's load shall not exceed [REDACTED] kV.A of maximum Demand during the Term ("**Contract Demand**"), unless otherwise agreed to in accordance with this Article 5.0.

5.2 The Customer may increase its Contract Demand, from time to time during the Term, up to an aggregate maximum of [REDACTED] kV.A, upon 60 days' prior written notice to BC Hydro (each such request, a "**Demand Request**"). Upon review and assessment of a Demand Request, BC Hydro will provide written notice to the Customer outlining the conditions upon which such Demand Request will be approved, including, but not limited to, specifying a new Rider Charge as set out in Appendix B.

6.0 ELECTRICAL SYSTEM CONSIDERATIONS AND METERING

6.1 For the purposes of billing, the Energy and Demand charges shall include adjustment factors programmed at the point of metering for the Transformer Energy Loss.

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6.2 The supply of electricity shall be alternating current three-phase four-wire, having a frequency of 60 Hz, metered and delivered at a nominal potential of 25,000 volts at the Point of Delivery, subject to normal frequency and voltage variations.

6.3 BC Hydro owns and is responsible for the maintenance of only the Metering Equipment installed up to the Point of Delivery at the Customer's Plant. Notwithstanding the foregoing, the Customer owns and is responsible for any other electrical equipment beyond the Point of Delivery located at the Customer's Plant.

7.0 TERM AND TERMINATION

7.1 Subject to early termination as provided herein, this Tariff Agreement and BC Hydro's obligation to provide electrical service pursuant to the Rate, shall commence on the Effective Date continuing in force until the earlier of 10 years and the date that the Customer ceases taking service under this Tariff Agreement (the "**Term**"). Upon expiry of the Term or earlier termination of this Tariff Agreement in accordance with its terms, the parties may pursue and enforce any rights and may enforce any obligations arising under this Tariff Agreement prior to the expiry of the Term.

7.2 The parties acknowledge and agree that the Customer shall have the right to terminate this Tariff Agreement upon 60 days' prior written notice.

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- 7.3 Notwithstanding section [7.1](#) and [7.4](#), where the Customer breaches a fundamental term or condition of this Tariff Agreement or is in substantial breach of a term or condition of this Tariff Agreement or abandons this Tariff Agreement, BC Hydro may, without prejudice to any other rights or remedies it has, terminate this Tariff Agreement by giving the Customer 10 days' prior written notice to remedy the breach. If the Customer fails to remedy such breach within 10 days of receipt of such notice, this Tariff Agreement shall terminate immediately.
- 7.4 If BC Hydro is, at any time, able to discontinue service in accordance with the Electric Tariff, this Tariff Agreement terminates immediately.
- 7.5 Upon the expiration or early termination of this Tariff Agreement, the Customer will cease taking service under the Rate and the Customer will be subject to the BC Hydro General Service rate schedule applicable to the Customer's class of service as determined appropriate by BC Hydro in accordance with the Electric Tariff.

8.0 GENERAL

- 8.1 **Mutual Cooperation:** The parties agree that each of them shall:
- (a) Make bona fide efforts to resolve any disputes arising between them by amicable negotiations; and
 - (b) Provide frank, candid and timely disclosure of all relevant facts, information and documents to facilitate those negotiations.

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- 8.2 **Notices:** Unless otherwise provided for by this Tariff Agreement, a notice, consent, request, demand, statement or bill that either party may be required or may desire to give to the other party shall be in writing and shall be deemed to be given to and received by the addressee on the business day next following when it is delivered by hand, courier or electronic transmission, and is deemed to be given when received if delivered by prepaid mail at the address that each party shall give notice of from time to time.

The address that BC Hydro gives notice of is:

BC HYDRO

Key Account Manager

4th Floor,

333 Dunsmuir St.,

Vancouver, BC V6B 5R3

The address that the Customer gives notice of is:

CANADIAN FOREST PRODUCTS LTD.

2900-1055 Dunsmuir St.,

PO Box 49420 Bentall Post Station

Vancouver, BC V7X 1B5

- 8.3 **Successors/Assigns:** This Tariff Agreement shall operate and take effect for the benefit of, and be binding upon, BC Hydro and the Customer and their respective successors. This Tariff Agreement, or any part of it, or any benefit or interest in it, shall not be assigned by the Customer without the prior written consent of BC Hydro. BC Hydro shall not unreasonably withhold consent for the assignment of this Tariff Agreement by the Customer.

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- 8.4 **Waiver:** Any failure of a party to enforce or require the strict performance of any of the provisions of the Tariff Agreement shall not in any way constitute a waiver of these provisions; or affect or impair those provisions or any right a party has at any time to avail itself of any remedies it may have for any breach of these provisions, or to require work to be performed in accordance with the Tariff Agreement. Neither party is bound by a waiver of any provision of the Tariff Agreement unless the waiver is clearly expressed in writing and signed by the party.
- 8.5 **Governing Law:** This Tariff Agreement shall be governed by the laws of the Province of British Columbia. BC Hydro and the Customer shall comply with all relevant laws and regulations and the relevant orders, rules and requirements of all lawful authorities having jurisdiction.

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IN WITNESS WHEREOF the duly authorized representative of each party has executed this Agreement.

**BRITISH COLUMBIA HYDRO AND
POWER AUTHORITY**

CANADIAN FOREST PRODUCTS LTD.

By: 
(signature)

Printed Name: Keith Anderson

Title: VP, Customer Service

By: 
(signature)

Printed Name: KEVIN HORSNELL

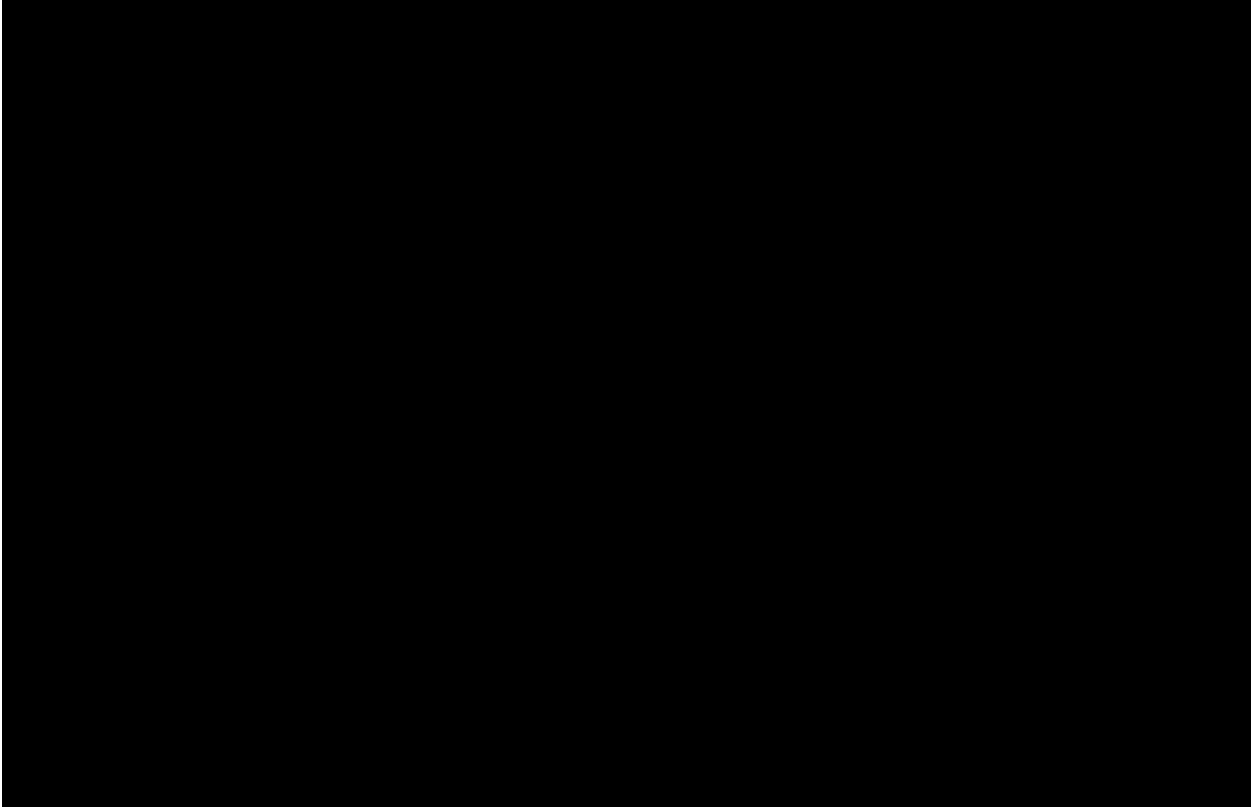
Title: V.P. Operations, Canada

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**APPENDIX A
SHARED FACILITIES**



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APPENDIX B
RIDER CHARGE

1 RIDER CHARGE

The Rider Charge is applied as a monthly amount charged each Billing Period during the Term based on the following table:

Contract Demand (MVA)	Monthly Rider Charge (\$)

The purpose of the Rider Charge is to recover costs relating to the Shared Facilities during the Term. The Rider Charge has been calculated by estimating the Customer's portion of maintenance, finance, amortization, tax and capital-related costs over the Term in real dollars. These costs are then adjusted for future inflation to nominal dollars and levelized, resulting in a single fixed monthly payment amount.

To determine the Rider Charge, the Customer's pro-rata share of costs for Shared Facilities is calculated based on the Customer's Contract Demand divided by the CWD firm station capacity of [REDACTED] MVA (the "Formula").

The Rider Charge has been calculated based on two parts: Part I relating to current operations and existing assets at CWD; and Part II relating to estimated asset additions over the Term. The Part I and Part II charges are comprised of the following components:

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Part I Existing Assets

A) Maintenance Expense Component

The Rider Charge includes a maintenance expense component, which covers BC Hydro's estimated costs for maintenance work on the Shared Facilities over the Term. Using BC Hydro's reasonable accounting judgement, the maintenance expense component is an expense and not a capital cost. To calculate this component of the Rider Charge, BC Hydro has forecasted maintenance expenses for the Shared Facilities at CWD for the Term based on actual maintenance expenses incurred by BC Hydro over the period from fiscal 2008 through to fiscal 2019, adjusted to real 2020 dollars by the Consumer Price Index. For the Shared Facilities, the Customer's allocation of forecasted costs is determined by the Formula. BC Hydro has forecasted maintenance expenses for the distribution line that extends from CWD to the Customer Plant using the average cost per kilometer for maintaining BC Hydro's system of distribution lines multiplied by the total length of the line. The total Part I maintenance component is the aggregate of the Shared Facilities maintenance and the distribution line maintenance; this component is escalated by an assumed inflation factor of 2 per cent per year for fiscal 2022 through to fiscal 2029.

B) Amortization, Finance and Tax Component

- (a) Amortization of the Shared Facilities cost is calculated based on the net book value and the estimated life of the equipment and applying straight-line amortization in accordance with BC Hydro's normal practice. The Customer's share of the total amortization is based on the Formula;

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- (b) Finance charges are calculated on the average of opening and closing net book value of Shared Facilities' assets in place at fiscal 2020 multiplied by BC Hydro's weighted average cost of capital multiplied by the Formula; and
- (c) Taxes are calculated based on the total actual taxes for fiscal 2020 for CWD and Shared Facilities multiplied by the Formula. The value is escalated by one year to reflect a fiscal 2021 value.

The above Maintenance, Amortization, Finance and Taxes are added and multiplied by the present value factor at BC Hydro's weighted average cost of capital to determine the total present value of costs over the Term. The monthly payment is the amortizing payment over the Term to recover the total present value of costs at BC Hydro's weighted average cost of capital.

Part II Future Capital Expenditures

A) Amortization, Finance and Tax Component

The Rider Charge also recovers a portion of the estimated additions to the Shared Facilities over the Term. These are estimated as the average capital expenditure over the past nine years from fiscal 2012 to fiscal 2020 adjusted to fiscal 2020 dollars in the same way as historic maintenance costs (see above). BC Hydro has assumed that asset additions over the Term will be equal to the average additions over the past nine years in real dollars.

- (a) The amortization and net book values of new assets are calculated starting in fiscal 2020, based on an assumed useful life of 30 years.
- (b) Finance charges on these assets are calculated at the average net book value for each year, multiplied by BC Hydro's weighted average cost of capital.

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- (c) BC Hydro has estimated property taxes and grants-in-lieu of property taxes at 1.99 per cent of the book value of asset additions, which matches the average tax and grant rate as a percentage of the assessed value for 2020.

The total of the annual Amortization, Finance charges, and Taxes is multiplied by the Formula and the present value over the Term is calculated. The monthly payment is the amortizing payment that will recover the present value over the Term at BC Hydro's weighted average cost of capital.

2 TOTAL RIDER CHARGE

The total Rider Charge is the sum of the Part I and Part II charges calculated as shown above.

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