

SERVICE AGREEMENT

BETWEEN

EPCOR WATER SERVICES INC.

- AND -

EPCOR WATER (WEST) INC.

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THIS AGREEMENT made effective as of the 1st day of January, 2015.

BETWEEN:

EPCOR WATER SERVICES INC., a corporation incorporated under the laws of the Province of Alberta (hereinafter referred to as the "**Service Provider**" or "EWSI")

OF THE FIRST PART

- and -

EPCOR WATER (WEST) INC., a corporation incorporated under the laws of the Province of British Columbia (hereinafter referred to as the "**Service Receiver**" or "EWW")

OF THE SECOND PART

WHEREAS the Service Receiver has requested the Service Provider to provide, and the Service Provider is willing to provide or cause others to provide Contract Services to the Service Receiver upon the terms and conditions set forth in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement including the recitals hereto unless otherwise indicated or the context otherwise requires, the following words and expressions shall have the following meanings:

"**Affiliate**" in relation to any Person shall mean any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person and, for the purpose of this definition, a Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise;

"**Business**" means the water utility business carried on by the Service Receiver;

"**Business Day**" shall mean any day except a Saturday, Sunday or statutory holiday in the Province of British Columbia and/or in the Province of Alberta;

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"**Canadian Prime Rate**" shall mean the rate of interest expressed as a rate per annum which the Royal Bank of Canada establishes from time to time at its main office in Edmonton, Alberta as its posted prime rate;

"**Contract Services**" means, collectively, the services more particularly described in Schedule "A";

"**Effective Date**" means January 1, 2015;

"**EUI**" means EPCOR Utilities Inc., an Affiliate of the Service Provider;

"**Information**" shall have the meaning ascribed thereto in Section 6.1;

"**Person**" shall mean an individual, corporation, partnership, joint venture, association, trust or unincorporated organization.

1.2 Number and Gender

Words used herein importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders.

1.3 References

References to the words "Article" and "Section" herein shall, unless the contrary be expressly stated, refer to an Article or Section of this Agreement, and references to "hereof", "herein", "hereby", "hereunder" and "this Agreement" refer to the whole of this Agreement including the Schedules attached hereto.

1.4 Amendments to Agreements and Law

References herein to any agreement or document, shall be deemed to be a reference to such agreement or document as varied, amended, modified, supplemented, or replaced from time to time. Any specific reference herein to any enactment of law shall be deemed to be such enactment as the same may be amended or re-enacted from time to time and every statute that may be substituted therefor and, in any such event reference to such enactment shall be read as referring to such enactment as so amended, re-enacted or the statute substituted therefor, as the case may be.

1.5 Headings

The division of this Agreement into Articles, Sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and are not to be used in construing or interpreting this Agreement or any portion thereof.

1.6 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

1.7 Severability

Each provision of this Agreement is intended to be severable and, if any provision is determined by a court of competent jurisdiction to be illegal or invalid or unenforceable for any reason whatsoever, such provision shall be severed from this Agreement and will not affect the legality or validity or enforceability of the remainder of this Agreement or any other provision hereof.

1.8 Next Business Day

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.9 Entire Agreement

This Agreement including the annexed Schedules constitutes the entire agreement among the parties relating to the matters set forth herein and in the Schedules and shall supersede and cancel any and all pre-existing agreements and understandings among the parties relating thereto and any and all prior contemporaneous negotiations, prior memoranda of understanding or position, and preliminary drafts and prior versions of this Agreement or the Schedules, whether signed or unsigned, shall not be used to construe the terms or affect the validity or interpretation of this Agreement or the Schedules.

1.10 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule "A" – Contract Services

Schedule "B" – Basis of Payment for Contract Services

ARTICLE 2
CONTRACT SERVICES**2.1 Contract Services**

Commencing on the Effective Date, the Service Provider shall provide, or cause an Affiliate or Affiliates of the Service Receiver to provide, the Contract Services more particularly described in Schedule "A" in accordance with this Agreement and the directions of the Service Receiver.

2.2 Warranty

The Service Provider represents and warrants that it is capable of providing, or causing an Affiliate or Affiliates of the Service Provider to provide, as the case may be, the Contract Services as required by this Agreement. The Service Provider further represents and warrants that the Contract Services provided by the Service Provider or by an Affiliate of the Service Provider pursuant to this Agreement will be performed with reasonable skill, care, and diligence and in accordance with generally accepted, good utility operating standards and practices.

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ARTICLE 3
PAYMENT**3.1 Compensation**

As full consideration for performance of the Contract Services whether by the Service Provider or an Affiliate or Affiliates of the Service Provider, the Service Receiver shall pay the Service Provider the compensation provided in Schedule B at the times and in the manner provided in Section 3.2. The Service Receiver shall have no obligation to pay any part of the compensation to any Affiliate of the Service Provider that may provide any of the Contract Services and the Service Provider shall instead be solely responsible for any such payments.

3.2 Invoicing and Payment

The Service Provider shall invoice the Service Receiver for the amount payable by the Service Receiver on account of the Contract Services for each month no later than the fifteenth (15th) calendar day of the following month or, in the alternative, shall direct charge the appropriate account as provided by the Service Receiver. Each invoice is payable within ten (10) days of the date on the invoice.

3.3 Method of Payment

Each invoice shall be paid in full in Canadian funds by account entry in the books of account of the Service Provider or by cheque or wire transfer to the Service Provider's account at such bank as the Service Provider may stipulate by notice to the Service Receiver from time to time. Direct charges shall be handled in accordance with the Service Receiver's standard accounting policies and practices.

3.4 Invoice or Charge Errors

If an error is found in any invoice or record of direct charge, the party identifying the error shall immediately advise the other party. Any adjustment necessary to correct such error shall be made in the following month's invoice or, in the case of an error in a direct charge, in accordance with the Service Receiver's standard accounting policies and practices.

3.5 Records

The Service Provider shall maintain complete and accurate books, records, and accounts of, and supporting documents for, all work performed and items billed for Contract Services. The Service Provider shall ensure that the books, records, accounts, and documents are not destroyed without the Service Receiver's written authorization for a period of seven (7) years after the termination or expiration of this Agreement.

The Service Provider shall, on demand, make available to the Service Receiver or its respective duly authorized representatives for inspection, reproduction, audit or any other reasonable purposes, every such book, record, account, and document.

3.6 Invoice or Charge Disputes

In the event that the Service Receiver disputes in good faith any part of a monthly invoice or direct charge, such dispute shall be resolved, in accordance with the provisions of Article 8. The Service Receiver shall nevertheless pay to the Service Provider the full amount of the invoice within the time limited by this Article 3. The Service Provider shall pay to the Service Receiver any adjustment which may finally be determined to be due to the Service Receiver on the resolution of the dispute plus interest at the rate of two percent (2%) per

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annum above the Canadian Prime Rate within fifteen (15) days of the date of such final determination.

ARTICLE 4

LIMITATION OF LIABILITY, ETC.

4.2 Limitation of Liability for Consequential Damages

Notwithstanding anything to the contrary contained in this Agreement, neither party will be liable to the other party for any damage, cost, expense, injury loss or other liability of an indirect, special or consequential nature suffered by the other party or claimed by any third party against the other party which arises due to such party's failure to perform its obligations under this Agreement or for any other reason (including negligence on its part or on the part of any person for whose acts it is responsible), howsoever and whensoever caused, and whether arising in contract, negligence or other tort liability, strict liability or otherwise; and without limiting the generality of the foregoing, damage, injury or loss of an indirect or consequential nature shall include loss of revenue, loss of profits, loss of production, loss of earnings, loss of contract, cost of purchased or replacement capacity and energy, cost of capital and loss of the use of any facilities or property owned, operated, leased or used by the other party.

ARTICLE 5

TERM

5.1 Term

This Agreement shall commence on the date hereof and shall continue in full force until December 31, 2017.

ARTICLE 6

CONFIDENTIALITY

6.1 Confidentiality

Subject to Section 6.2, each party shall keep confidential and shall not:

- (a) use, except for the purpose of performing its obligations or exercising its rights under this Agreement; or
- (b) disclose, except as contemplated or permitted in this Agreement;

any confidential information, trade secret or confidential financial, technical, scientific, business or other confidential or proprietary information or document of the other party or its Affiliates received by it or any of its Affiliates in the course of, or as a result of, the relationship established between the parties pursuant to this Agreement (herein referred to collectively as the "**Information**").

6.2 Exceptions

A party shall be entitled to disclose any Information to the extent:

- (a) such Information is or becomes generally known to the public other than through a breach of this Agreement or any other obligation of confidentiality between the parties;
- (b) such Information is lawfully obtained by that party from a third party or parties without breach of this Agreement or any other obligation of confidentiality between the parties, as shown by documentation sufficient to establish the third party as the source of such Information and to the knowledge of the disclosing party, without such disclosure constituting a breach by such third party or parties of an obligation of confidentiality;
- (c) such Information is comprised of technical Information and was known to the disclosing party prior to receipt thereof from the other party, as shown by documentation sufficient to establish such knowledge;
- (d) such disclosure is required in connection with any regulatory, legal or administrative proceeding; provided that where circumstances permit prior to disclosure, the disclosing party shall notify the other party in writing of such proposed disclosure and at the other party's request (and expense) apply for appropriate court or other orders to preserve the confidentiality of such Information;
- (e) that such disclosure is required by law or by order of any governmental body having competent authority; provided that where the circumstances permit prior to disclosure (other than any disclosure required by applicable securities laws) the disclosing party shall notify the other party in writing of any such proposed disclosure and shall at the other party's request (and expense) apply for appropriate court or other orders to preserve the confidentiality of such Information;
- (f) the other party shall have provided its prior written approval for such disclosure by the disclosing party.

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ARTICLE 7
FORCE MAJEURE

7.1 Relief from Obligations

Subject to Section 7.3, if, by reason of Force Majeure either party to this Agreement is unable, wholly or partially, to perform or comply with its covenants and obligations hereunder then the party so affected by Force Majeure shall be relieved of liability and shall suffer no prejudice for failing to perform or comply during the continuance and to the extent of the inability so caused from and after the happening of the event of Force Majeure, provided that the party invoking Force Majeure gives to the other party prompt notice, written or oral (but if oral, promptly confirmed in writing) of such inability and reasonably full particulars of the cause thereof. If notice is not promptly given then the party suffering the Force Majeure shall only be relieved from such performance or compliance from and after the giving of such notice. The party invoking Force Majeure shall use all reasonable efforts to remedy the situation and remove, so far as possible and with reasonable dispatch, the cause of its inability to perform or comply, provided, however, that settlement of strikes, lockouts and other industrial disturbances shall be wholly within the discretion of the party involved. The party invoking Force Majeure shall give prompt notice of the cessation of the event of Force Majeure. Nothing in this section shall relieve a party of its obligations to make payments when due hereunder.

7.2 Force Majeure

For the purposes of this Agreement, Force Majeure shall mean any event beyond the reasonable control of the party invoking Force Majeure including therein but without restricting the generality thereof:

- (a) lightning, storms, earthquakes, landslides, floods, tsunamis, washouts, and other Acts of God;
- (b) fires, explosions, ruptures, breakage of or accidents to pipeline, plant, machinery, equipment or storage facility;
- (c) strikes, lockouts, or other labour disturbances;
- (d) civil disturbances, sabotage, war, blockades, insurrections, vandalism, riots, epidemics;
- (e) arrests and restraints by governments or governmental agencies;
- (f) the order of any court;
- (h) inability to obtain or curtailment of supplies of feedstocks or of electric power, water, fuel or other necessary utilities or services to operate any facilities or of any materials or equipment;
or
- (i) inability to obtain or revocation or amendment of any permit, authorization or approval of any governmental authority required to perform or comply with any obligation under this Agreement, unless the revocation or modification of any such necessary permit, authorization or approval was caused by the violation of the terms thereof or consented to by the party holding the same.

7.3 Exclusions From Relief

No party shall be entitled to the benefits of the provisions of this Article 7 under any of the following circumstances:

- (a) if the failure to perform or comply with any of the covenants or obligations herein imposed upon it was caused by arrest or restraint by governments or governmental agencies or the order of any court and such arrest, restraint or order was the result of a breach by the party claiming suspension of the term of a permit, license, certificate or other authorization granted by a governmental or regulatory body having jurisdiction or of any applicable laws, regulations or orders;
- (b) if the failure to perform or comply with any of the covenants or obligations herein imposed upon it was caused by the party invoking Force Majeure having failed to use all reasonable efforts to remedy the situation and remove, so far as possible and with reasonable dispatch, the cause of its inability to perform or comply with such covenants or obligations; or
- (c) if the failure to perform or comply with any of the covenants or obligations herein imposed upon it was caused by lack of funds or other financial cause for whatever reason.

ARTICLE 8
DISPUTE RESOLUTION

8.1 Dispute Resolution

Any matter in dispute under or relating to this Agreement unless settled in the manner provided by Section 8.2 shall be finally resolved by binding arbitration in the manner provided in Article 8.

8.2 Informal Dispute Resolution

The parties wish to foster a mutually beneficial relationship under this Agreement and to encourage an informal mechanism for the resolution of disputes. Either party may at any time notify the other party of an intention to discuss or dispute any matter connected with this Agreement. Within fifteen (15) days of receiving such notification, the parties shall each appoint a representative knowledgeable on the topic at issue and such representatives shall meet within the following thirty (30) days in an attempt to settle the matter at issue. If the representatives of the parties are unable to resolve the matter at issue within thirty (30) days of their first meeting, then the parties shall each appoint a senior officer knowledgeable on the topic at issue and such senior officers shall meet within fifteen (15) days in an attempt to resolve the matter at issue. If the senior officers of the parties are unable to resolve the matter at issue within a further thirty (30) day period following their first meeting, or if either party fails to appoint a representative or senior officer or if such representatives or senior officers fail to meet with each other in either case within the time periods specified herein, then either party may refer the matter at issue to binding arbitration in accordance with this Article 8.

8.3 Arbitration

In the event that the parties are unable to resolve a disagreement or dispute pursuant to Section 8.2, either party may serve a notice on the other party of its intention to formally arbitrate stating with reasonable particularity the subject matter of such dispute. Within sixty (60) days of service of such notice the parties shall endeavour to agree upon and appoint a single arbitrator who shall determine the matter. Should the parties be unable to agree upon a single arbitrator within such sixty (60) day period, then either party may at any time thereafter appoint its own arbitrator and may serve notice upon the other party to appoint an arbitrator. Upon receipt of such notice the other party shall have ten (10) days in which to appoint an arbitrator. If either party shall fail to appoint an arbitrator within ten (10) days of receipt of a demand to do so, then upon application by the party that has appointed an arbitrator the second arbitrator shall be appointed by any Justice of the Court of Queen's Bench of Alberta. The two arbitrators thus appointed shall appoint a third arbitrator within ten (10) days of the appointment of the second arbitrator. If the two arbitrators shall fail to appoint the third arbitrator, then upon application by either party such third arbitrator shall be appointed by any Justice of the Court of Queen's Bench of Alberta. The three arbitrators shall constitute a board of arbitrators (herein referred to as the "Board of Arbitrators") which shall determine the matter.

8.4 Qualifications

Each of the parties shall endeavour to select an arbitrator who in its sole discretion is qualified by education and training to pass upon the particular question in dispute and in selecting a third arbitrator the two arbitrators shall also endeavour in their discretion to select a person who is qualified by education and training to pass upon the particular question in dispute.

8.5 Proceedings

The single arbitrator or the Board of Arbitrators so chosen shall proceed immediately to hear and determine the question in dispute. The parties shall use their respective best efforts to cause the decision of the single arbitrator or of the Board of Arbitrators or the majority thereof to be communicated to the parties not later than thirty (30) days after the close of argument in the arbitration, subject to any reasonable delay due to unforeseen circumstances.

8.6 Questions of Law

Every submission to arbitration pursuant to this Article 8 shall contain a provision requiring the arbitrator or Board of Arbitrators, if so requested by either party, to state in the form of a special case for the opinion of the Court of Queen's Bench of Alberta any question of law arising in the course of the reference.

8.7 Final Decision

The decision of the single arbitrator or of the majority of the Board of Arbitrators, as the case may be, shall be drawn up in writing and signed and shall, notwithstanding anything to the contrary contained in the *Arbitration Act* and subject to the specific provisions of and limitations in this Agreement, be final and binding upon the parties hereto and all Persons claiming through or under them as to any question or questions so submitted to arbitration, and the parties shall perform and comply with the terms and conditions thereof. Judgment upon the award rendered the single arbitrator or the majority of the Board of Arbitrators, as the case may be, may be entered in any Court having jurisdiction and thereupon execution or other legal process may issue thereon.

8.8 Costs

Unless otherwise agreed by the parties, each party shall bear the costs it incurs in connection with the arbitration and all other costs of the arbitration shall be borne equally by the parties hereto.

8.9 Arbitration Act

In all respects not provided for elsewhere in this Article 8 the provisions of the *Arbitration Act* shall apply to any arbitration undertaken hereunder.

8.10 Continuing Obligations

The supply and purchase of Contract Services and payment therefor under this Agreement shall continue during the dispute resolution proceedings contemplated by this Article 8.

**ARTICLE 9
NOTICE****9.1 Notice**

Any notice, consent, request or other communication to be given in connection with this Agreement shall be in writing and shall be given by:

- (a) personal delivery or registered mail, postage prepaid, to the following address for the recipient; or
- (b) facsimile transmission to the following facsimile number (confirmed by a copy delivered by personal delivery to the following address) for the recipient;

addressed to the recipient as follows:

To Service Provider:

EPCOR Water Services Inc.
EPCOR Tower, 2000 10423-101 Street, NW
Edmonton, Alberta
T5H OE8

Attention: Stephen Stanley
Senior Vice President, Water Canada
Telephone: (780) 412-7755
Facsimile: (780) 969-8249

To Service Receiver:

EPCOR Water (West) Inc.
#10 – D 1343 Alberni Highway, Pine Tree Centre
Parksville, British Columbia
V9P 2B9

Attention: Vince Corkery

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Director, Municipal Operations
Telephone: (780) 969-8429
Facsimile: (780) 425-7876

or to such other address, facsimile number or individual for notice as may then have been designated by the respective party pursuant to Section 9.2. Any communication given to a party as aforesaid shall be deemed to have been given at the time and upon the date of the receipt at the address of such party.

9.2 Change of Address

Any party may from time to time change its address, facsimile number or individual for notice by a notice given to the other parties in accordance with Section 9.1.

ARTICLE 10 GENERAL

10.1 Time of Essence

Time shall be of the essence of this Agreement and of all of its terms.

10.2 Further Assurance

The parties shall with reasonable diligence perform all acts, execute and deliver all documents and instruments, do all such things and provide all such reasonable assurances as may be necessary or desirable to give effect to the provisions of this Agreement.

10.3 Amendments or Waiver

This Agreement may not be amended except by written instrument signed by all of the parties hereto. No indulgence or forbearance by any party hereunder shall be deemed to constitute a waiver of its rights to insist on performance in full and in a timely manner of all covenants of each of the other parties hereunder and any such waiver, in order to be binding upon a party, must be express and in writing and signed by such party and then such waiver shall be effective only in the specific instance and for the purpose for which it is given. No waiver of any term, condition or covenant by any party shall be deemed to be a waiver by such party of its rights to require full and timely compliance with the same term, condition or covenant thereafter, or with any other term, covenant or condition of this Agreement at any time.

10.4 No Discharge on Termination

Any provision of this Agreement under which an obligation of one party hereto has accrued but has not been discharged shall not be affected by termination of this Agreement, nor shall the party liable to perform be discharged as a result of any such termination, nor shall termination prejudice any right of one party against the other in respect of anything done or omitted hereunder prior to such termination or in respect of any right to damages or other remedies.

10.5 Enurement

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

10.6 Assignment

This Agreement shall be assignable by either party as necessary in connection with any bona fide financings, financing leases, reorganizations and mergers but this Agreement shall not otherwise be assigned by either party without the prior written consent of the other party which consent each of the parties covenants not to unreasonably withhold. Notwithstanding any permitted assignment the assignor shall continue to remain liable for the performance of obligations under this Agreement unless such assignor is released therefrom by instrument in writing signed by the other party.

10.7 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which when taken together shall constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank, Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto under their respective corporate seals attested by the signatures of their respective officers duly authorized in that behalf as of the day and year first above written.

EPCOR WATER SERVICES INC.

Per:




Stephen Stanley
Senior Vice President, Water Canada

Dated:

Dec 19, 2014

EPCOR WATER (WEST) INC.

Per:



Vince Corkery
Director, Municipal Operations

Dated:

December 18, 2014

SCHEDULE A**CONTRACT SERVICES**

The Contract Services shall consist of the following services:

A1. SERVICES PROVIDED BY AFFILIATES OF THE SERVICE PROVIDER (EUI)**1. Board & Executive**

All Board of Director & executive services necessary to carry on the Business including, without limitation, the following services:

- (a) Reviewing, approving, and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
- (b) Executive functions required to prepare and implement overall corporate goals and direction.
- (c) Review and approve operating and capital budgets, and any financing requirements for the business.
- (d) Establish and approve corporate policies.

2. Corporate Finance

All corporate finance services necessary to carry on the Business including, without limitation, the following services:

- (a) Accounts payable.
- (b) Payroll processing.
- (c) Preparation, research and compliance of Canadian Federal and Provincial income tax and commodity tax returns and preparation of income tax provisions for financial statement reporting and planning.
- (d) Corporate Accounting advice and direction to each subsidiary's finance group, and developing and maintaining corporate finance policies and procedures.
- (e) Accounting Standards – support of financial systems and processes to meet

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International Financial Reporting Standards ('IFRS') requirements.

- (f) Financial reporting and analysis.
- (g) Financial Management Trainee Program.
- (h) Financial statement audits by external auditors, if and when required in respect of either the Service Provider, an Affiliate of the Service Provider (EUI) or the Service Receiver.

3. Treasury

All treasury services necessary to carry on the Business including, without limitation, the following services:

- (a) Insurance and Physical Risk Management.
- (b) Treasurer – Corporate Finance.
- (c) Treasury Operations.

4. Risk Assurance and Advisory Services

All risk assurance and advisory services necessary to carry on the Business including, without limitation, the following services:

- (a) Compliance with National Instrument 52-109, the Canadian legislation equivalent to the United States Sarbanes-Oxley Act (commonly referred to as "CSOx").
- (b) Internal control reviews including audit projects.
- (d) Enterprise risk management.

5. Human Resources

All human resources services necessary in relation to the employees of the Service Receiver including, without limitation, the following services:

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- (a) Total Rewards.
- (b) Human Resources Consulting.
- (c) Talent Management.

6. Information Services

All information services necessary to carry on the Business including, without limitation, the following:

- (a) Major Capital Projects.
- (b) Application Services.
- (c) Infrastructure Operatons.

7. Supply Chain Management

All supply chain management services necessary to carry on the Business including, without limitation, the following services:

- (a) Mailroom operation.
- (b) Disaster recovery planning.
- (c) Corporate procurement – Strategic Sourcing.
- (d) Corporate security.
- (e) Facilities management – formerly Real Estate.
- (f) Operations, maintenance and administration including space and rent – formerly SCM Corporate.

8. Public and Government Affairs

All public and government affairs services necessary to carry on the Business including, without limitation, the following services:

- (a) Director – Corporate Communications.
- (b) Corporate Communications.
- (c) Community Relations.

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(d) Government Relations.

9. Legal

All legal services necessary to carry on the Business including, without limitation, the following services:

- (a) Legal services and administration related to corporate and business affairs.
- (b) Administration of the Code of Conduct requirements.
- (c) Ensuring compliance with federal and provincial privacy legislation and regulations.
- (d) Management oversight of the Code of Conduct compliance plans, coordinating and administering ongoing reporting requirements.

10. Health, Safety & Environment Services

All health, safety and environment services necessary to carry on the Business including, without limitation, the following services:

- (a) Corporate Health and Safety.

11. Strategic Planning and Development

All corporate development services necessary to carry on the Business including, without limitation, the following services:

- (a) Financial Modelling.
- (b) Corporate Development

12. Corporate Incentive Compensation

The above services include an at-risk element related to incentive programs. The program itself is not a separate service, but the costs of any incentives are tracked separately.

A2. ASSET USAGE FEES (EUI)

All fees necessary to support the Business including, without limitation, the following functions:

- (a) Disaster Recovery Leasehold.
- (b) Equipment – EPCOR Tower.
- (c) Furniture and Fixtures.
- (d) Human Resources Information System.
- (e) Information Systems.
- (f) Leasehold Improvements – EPCOR Tower.
- (g) Oracle General Ledger System.
- (h) Vehicles.

A3. FINANCIAL AND ADMINISTRATIVE SERVICES PROVIDED BY THE SERVICE PROVIDER (EWSI)**1. Operations Management / Senior Vice President group**

All operations management services necessary to carry on the Business including, without limitation, the following functions:

- (a) General management and oversight.
- (b) Operational and business related oversight.

2. Financial Services / Business Unit Controller group

All financial services necessary to carry on the Business including, without limitation, the following functions:

- (a) Financial oversight.
- (b) Administration of the financial reporting services.
- (c) Asset accounting administration.
- (d) Budget administration and development and maintenance of corporate accounting policies and procedures.
- (e) Financial support for regulatory applications.

3. Rent

All rent necessary to carry on the activities of the financial and administrative services staff at EPCOR Tower.

4. Operational Health and Safety / Business Unit Health, Safety and Environment group

All operational health and safety services necessary to carry on the Business including, without limitation, the following functions:

- (a) Ensuring that existing Health and Safety practices and procedures are well designed and in compliance with legislation and compatible with Service Provider Safety Management Policies.

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- (b) Business services including internal loss management, safety and training and related support staff.
- (c) Health, Safety and Environment Audit and Inspections.
- (d) Environmental Issues Management.
- (e) Health, Safety, Environment and Training, Legal Compliance and Reporting.

5. Information Services / Information Technology Direct Corporate Charges group

All information services necessary to carry on the Business including, without limitation, the following functions:

- (a) Application support.
- (b) Relationship management.
- (c) Licence fees, desktop support and server support.

6. Public & Government Affairs / Business Unit Operations Communications group

All public and government affairs services necessary to carry on the Business including, without limitation, the following functions:

- (a) Stakeholder relations and public consultation services.
- (b) Internal communications (related to business unit matters).
- (c) External communications (includes coordination of business' unit considerations such as public safety notices, performance reports, public addresses and presentations, print collateral, operational issues management, etc.).

7. Technical Training

All technical training services necessary to carry on the Business including, without limitation, the following functions:

- (a) Design, development and delivery of technical training to operations staff and monitoring their compliance with regulatory requirements to maintain continuous and

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current health, safety and technical training.

8. Other Services / Corporate Allocations group

All other services necessary to carry on the Business including, without limitation, the following functions:

- (a) Corporate shared services allocations, further allocated to EWW.

9. Human Resources / Business Unit Human Resources group

All human resources functions necessary to carry on the Business including, without limitation, the following function:

- (a) Human resources management.
- (b) Abilities management.
- (c) Recruiting.

10. Regulatory Affairs

All regulatory affairs services necessary to carry on the Business including, without limitation, the following services:

- (a) Monitor and coordinate responses to regulatory and policy activities or initiatives within various government ministries, departments and/or agencies which may affect the Business.
- (b) Manage regulatory interfaces with government, regulatory and market agencies, and other industry participants.
- (c) Manage and co-ordinate tariff and facility applications with business units.

11. Supply Chain Management / Business Unit Supply Chain Management group

All supply chain management services necessary to carry on the Business including, without limitation, the following services:

- (a) Administration of procurement services. Including but not limited to competitive bidding, PO creation, issuing requests for quotations and requests for proposals, contract administration, Supplier Relationship management.
- (b) Setting and managing standards of products and services.
- (c) Setting terms of payment.
- (d) Administration of the Warehousing and Materials Management services.

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- (e) Inventory Management and Item Administration.

12. Business Process Management

All business process management services necessary to carry on the Business including, without limitation, the following services:

- (a) Reviewing and managing current business processes.
- (b) Implementing new business processes.

13. Shared Services Incentive

The above services include an at-risk element related to incentive programs. The program itself is not a separate service, but the costs of any incentives are tracked separately.

A4. MANAGEMENT AND TECHNICAL SERVICES PROVIDED BY THE SERVICE PROVIDER (EWSI)

1. Capital Planning and Management

All capital planning and management services necessary to carry on the Business including, without limitation, the following functions:

- (a) Provide support for long term utility capital planning program annually and provide conceptual assessment, cost estimates/budgeting, project justification, regulatory support and management of capital plan implementation.

2. Operational Planning and Management

All operational planning and management services necessary to carry on the Business including, without limitation, the following functions:

- (a) Development and maintenance of operations procedures, maintenance protocols, emergency and disaster recovery plans.
- (b) Access to computer based water operations and maintenance management systems (hydrant maintenance, water main flushing program, valve maintenance, fire hydrant flow tests, etc.).
- (c) Maintenance of the water distribution engineering and water models and utilization of these models for system planning and operational assessments.
- (d) Access to specialized technical expertise and intellectual property related to water utility operations including water quality, water distribution, demand management and forecasting, daily, monthly reporting, etc.
- (e) Review of submissions from developers and the City of White Rock for new customer connections and water main extensions/upgrades to assess serviceability, location of valves and hydrants, and to confirm available versus required fire flows.
- (f) Support review of emerging drinking water and environmental standards and implications related to local utilities.
- (g) Support for water source protection initiatives including aquifer management and stakeholder interface and liaison.

3. Safety Program

All safety program services necessary to carry on the Business including, without limitation, the following functions:

- (a) Implement and ensure maintenance of EPCOR based safety program.
- (b) Provide necessary support during incidents and investigative support.
- (c) Access to all safety training and loss control programs.
- (d) Review, track and corrective action of safety performance within the water utility.

4. Operational Audits and Due Diligence

All operational audits and due diligence services necessary to carry on the Business including, without limitation, the following functions:

- (a) Introduce specific operational performance measures and tracking system.
- (b) Regular water quality audits and Quality Assurance and Quality Control due diligence.
- (c) Asset reviews and checks.
- (d) Ensure implementation of all water operations programs and procedures.
- (e) Review of monthly and annual reports and tracking of specific outcome measures.
- (f) Annual water loss audits to monitor water use and identify any concerns with leakage.

SCHEDULE B**BASIS OF PAYMENT FOR CONTRACT SERVICES****A. Contract Price to Service Receiver**

The Compensation (“Contract Price”) payable by the Service Receiver to the Service Provider for 2015, 2016 and 2017 shall be as follows:

Services Provided by	2015	2016	2017
A1. Corporate Services provided by affiliates of the service provider (EUI)	\$93,218	\$95,083	\$96,984
A2. Asset usage fees (EUI)	\$20,711	\$21,125	\$21,548
A3. Shared Services provided by the service provider (EWSI)	\$81,455	\$83,085	\$84,747
A4. Management and Technical Services provided by the Service Provider (EWSI)	Fully Loaded Cost: Standard salary and labour rate, sectional overhead, fringe burden, and cost recovery surcharge. Actual vehicle, material, fringe benefit, contractor and out of pocket expenses incurred.		

B. Method of Payment and True Up

The Service Provider will charge the Service Receiver a monthly contract price for items A1, A2 and A3. At the end of the year, the Service Provider will true up the charged amount with the allocated costs.