

# **Eastern Canada Response Corporation Ltd.**

Calculations of Bulk Oil Cargo Fee -  
Great Lakes, Maritimes / Quebec and  
Newfoundland Regions  
**For the years ending  
December 31, 2019 and 2020**



## *Independent auditor's report*

To the Directors of Eastern Canada Response Corporation Ltd. (the Corporation)

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### *Our opinion*

In our opinion, the accompanying calculations of Bulk Oil Cargo Fee (BOCF) for the Great Lakes, Maritimes/Quebec and Newfoundland Regions for the years ending December 31, 2019 and 2020 (the financial information) are prepared, in all material respects, in accordance with Appendix "A" of the Report on the Multi-Stakeholder Consultations held in Toronto, Ontario, from June 1 to 5, 1998, and the interpretation of such formula as set out in the notes to the financial information.

### **What we have audited**

The Corporation's financial information comprises:

- the calculations of Bulk Oil Cargo Fee (BOCF) for the Great Lakes, Maritimes/Quebec and Newfoundland Regions for the years ending December 31, 2019 and 2020; and,
  - the notes to the financial information, which include the interpretation of the formula as noted above.
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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Emphasis of matter – basis of accounting and restriction on distribution and use*

We draw attention to the notes to the financial information, which describe the basis of accounting. The financial information is prepared to provide information to the members of the Corporation and Transport Canada. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the directors and management of the Corporation, its members and Transport Canada and should not be distributed to or used by parties other than the directors and management of the Corporation, its members and Transport Canada. Our opinion is not modified in respect of this matter.

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PricewaterhouseCoopers LLP  
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4  
T: +1 613 237 3702, F: +1 613 237 3963

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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### *Responsibilities of management and those charged with governance for the financial information*

Management of the Corporation (management) is responsible for the preparation of the financial information in accordance with the basis of accounting described in the notes to the financial information; this includes determining that the basis of accounting described in the notes to the financial information is an acceptable basis of accounting for the preparation of the financial information under the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial information*

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

March 19, 2019

**Eastern Canada Response Corporation Ltd.**  
**Calculation of Bulk Oil Cargo Fee (BOCF) - Great Lakes Region**  
**For the years ending December 31, 2019 and 2020**

	<b>2019 Forecast \$</b>	<b>2020 Forecast \$</b>
<b>Expenses and return on equity</b>		
Return on equity (note 2)	169,000	169,000
Debt servicing - interest on long-term debt (note 3)	210,000	200,000
Depreciation (note 4)	425,000	420,000
Operating costs - general operating and administration	1,770,000	1,940,000
Operating costs - provision for income taxes (note 5)	79,000	79,000
	2,653,000	2,808,000
<b>Other revenue</b> (excluding BOCF)		
Arrangement fees	300,000	300,000
Service revenue - net	100,000	100,000
Interest	20,000	20,000
Other	180,000	180,000
	600,000	600,000
Last year's surplus - deferred revenue from previous year	604,000	-
	1,204,000	600,000
<b>Net expense – BOCF revenue required</b>	1,449,000	2,208,000
<b>Estimated tonnes</b>		
Oil other than asphalt	3,300,000	3,300,000
Asphalt	300,000	300,000
<b>Bulk Oil Cargo Fee per tonne</b>		
Oil other than asphalt	0.420	0.640
Asphalt (note 6)	0.210	0.320

The accompanying notes are an integral part of this financial information.

# Eastern Canada Response Corporation Ltd.

## Calculation of Bulk Oil Cargo Fee (BOCF) - Maritimes / Quebec Region

For the years ending December 31, 2019 and 2020

	2019 Forecast \$	2020 Forecast \$
<b>Expenses and return on equity</b>		
Return on equity (note 2)	404,000	404,000
Debt servicing - interest on long-term debt (note 3)	570,000	530,000
Depreciation (note 4)	1,185,000	1,200,000
Operating costs - general operating and administration	6,864,000	6,817,000
Operating costs - provision for income taxes (note 5)	190,000	190,000
	<u>9,213,000</u>	<u>9,141,000</u>
<b>Other revenue</b> (excluding BOCF)		
Arrangement fees	1,000,000	1,000,000
Service revenue - net	200,000	200,000
Interest	50,000	50,000
Other	540,000	540,000
	<u>1,790,000</u>	<u>1,790,000</u>
Last year's surplus - deferred revenue from previous year	<u>2,279,000</u>	-
	<u>4,069,000</u>	<u>1,790,000</u>
<b>Net expense – BOCF revenue required</b>	<u>5,144,000</u>	<u>7,351,000</u>
<b>Estimated tonnes</b>		
Oil other than asphalt	24,400,000	24,400,000
Asphalt	200,000	200,000
<b>Bulk Oil Cargo Fee per tonne</b>		
Oil other than asphalt	0.210	0.300
Asphalt (note 6)	0.105	0.150

The accompanying notes are an integral part of this financial information.

# Eastern Canada Response Corporation Ltd.

## Calculation of Bulk Oil Cargo Fee (BOCF) - Newfoundland Region

For the years ending December 31, 2019 and 2020

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	<b>2019 Forecast \$</b>	<b>2020 Forecast \$</b>
<b>Expenses and return on equity</b>		
Return on equity (note 2)	136,000	136,000
Debt servicing - interest on long-term debt (note 3)	225,000	212,000
Depreciation (note 4)	400,000	410,000
Operating costs - general operating and administration	1,987,000	2,018,000
Operating costs - provision for income taxes (note 5)	65,000	65,000
	<hr/> 2,813,000	<hr/> 2,841,000
<b>Other revenue</b> (excluding BOCF)		
Last year's surplus - deferred revenue from previous year	502,000	-
	<hr/> 2,311,000	<hr/> 2,841,000
<b>Estimated tonnes</b>		
Oil other than asphalt	33,000,000	33,000,000
Asphalt	50,000	50,000
<b>Bulk Oil Cargo Fee per tonne</b>		
Oil other than asphalt	0.070	0.086
Asphalt (note 6)	0.035	0.043

The accompanying notes are an integral part of this financial information.

# Eastern Canada Response Corporation Ltd.

## Notes to the Financial Information

December 31, 2019 and 2020

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### 1 Basis of preparation

This financial information has been prepared in order to calculate the Bulk Oil Cargo Fees (BOCF) for the years ending December 31, 2019 and 2020 in accordance with Appendix "A" of the Report on the Multi-Stakeholder Consultations held in Toronto, Ontario from June 1 to 5, 1998, and the interpretation of such formula based on forecast annual net expenses. The components that make up net expenses are:

- return on equity;
- debt servicing;
- depreciation;
- operating costs; less
- other revenue.

### 2 Return on equity

Return on equity is provided for at a rate of 7.44% per annum for the forecasted years ending December 31, 2019 and 2020.

### 3 Debt servicing - interest on long-term debt

Interest on long-term debt is provided for at the rates and terms specified in the Corporation's debt agreements. For the purposes of this calculation, a rate of 4.35% has been used for the forecasted years ending December 31, 2019 and 2020.

### 4 Depreciation

Depreciation is provided for over the estimated useful service lives of capital assets, using the straight-line method at the following rates for the forecasted years ending December 31, 2019 and 2020.

Furniture and office equipment	10%
Computer equipment and application software	33.3%
Communications equipment	10%
Marine equipment	5% - 10%
Vehicles	30%
Tools and building materials	5%
Boat launch	5%
Warehouse	5%
Building	5%
Land inventory	10%
Leasehold improvements	10%



# **Eastern Canada Response Corporation Ltd.**

Notes to the Financial Information

**December 31, 2019 and 2020**

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## **5 Operating costs - provision for income taxes**

Income taxes are provided for at the estimated combined federal and provincial income tax rates within the Corporation's geographic area of response. For the purposes of this calculation, a combined rate of 32% has been used for the forecasted years ending December 31, 2019 and 2020.

## **6 Bulk Oil Cargo Fee per tonne (asphalt)**

The Bulk Oil Cargo Fee per tonne for asphalt has been provided for at one-half of the Bulk Oil Cargo Fee per tonne for oil other than asphalt.