

Eastern Canada Response Corporation Ltd.

Calculation of Bulk Oil Cargo Fee –
Great Lakes, Maritimes / Quebec and
Newfoundland Regions
**For the years ending
December 31, 2020 and 2021**



February 14, 2020

Report in connection with the Calculation of Bulk Oil Cargo Fee Rate – Great Lakes, Maritimes / Quebec and Newfoundland Regions for the years ending December 31, 2020 and 2021

**To the Directors of
Eastern Canada Response Corporation Ltd.**

As agreed with you, we have performed the procedures enumerated below, solely to assist you in evaluating management's assertion about Eastern Canada Response Corporation Ltd.'s compliance with the criteria established in the fee setting formula, as ratified at the multi-stakeholder consultation held in Toronto, Ontario, from June 1 to 5, 1998 and the interpretation of such formula as set out in the attached notes for the years ending December 31, 2020 and 2021 included in the accompanying Calculation of Bulk Oil Cargo Fee (BOCF) – Great Lakes, Maritimes / Quebec and Newfoundland Regions and summarized below:

Specified procedures performed

1. We obtained schedules prepared by management for the BOCF Rate Application for the Great Lakes, Maritimes / Quebec and Newfoundland Regions.
2. We compared for consistency the approach used in preparing these schedules with the prior year approach and the multi-stakeholder agreement.
3. We mathematically checked the schedules.
4. We compared the allocation of overhead costs for consistency with prior years and the multi-stakeholder agreement.
5. We agreed the tax rate used to the rate used in the audited financial statements of the Eastern Canada Response Corporation Ltd. (the Corporation) for the year ended December 31, 2019.
6. We agreed the interest rate to existing loan agreements held by the Corporation and the audited financial statements of the Corporation for the year ended December 31, 2019.
7. We agreed the depreciation rates used to those used in the audited financial statements of the Corporation for the year ended December 31, 2019.
8. We recalculated the required rate of return on investment based on the percentage agreed upon in meetings of the Board of Directors as per the guidance included in the multi-stakeholder agreement.
9. We recalculated the BOCF rate for the Great Lakes, Maritimes / Quebec and Newfoundland Regions using forecast revenues, expenses and volumes by dividing the forecast annual net expense by forecast annual volume of bulk oil cargo to be loaded or unloaded within the Corporation's Geographic Area of Response.

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



As a result of applying the procedures shown above, we report our findings below:

- a) With respect to item 1, we obtained the schedules from management.
- b) With respect to item 2, we did not note any inconsistencies with the prior year or the multi-stakeholder agreement.
- c) With respect to item 3, we did not note any discrepancies.
- d) With respect to item 4, we did not note any inconsistencies with the prior year or the multi-stakeholder agreement.
- e) With respect to item 5, we noted that the tax rate used in the calculation was 32% in comparison with the rate of 30.73% included in the financial statements of the Corporation for the December 31, 2019 year ended.
- f) With respect to item 6, we did not note any inconsistencies between the interest rate in the loan agreement or the interest rate disclosed in the financial statements of the Corporation for the year ended December 31, 2019.
- g) With respect to item 7, we did not note any inconsistencies with the depreciation rates used in the financial statements of the Corporation for the year ended December 31, 2019.
- h) With respect to item 8, we did not note any inconsistencies with the rate of return agreed in the Board meetings or set out in the multi-stakeholder agreement.
- i) With respect to item 9, we did not note any discrepancies.

These procedures do not constitute an audit of the Calculation of Bulk Oil Cargo Fee Rate – Great Lakes, Maritimes / Quebec and Newfoundland Regions for the years ending December 31, 2020 and 2021 and, therefore, we express no opinion on compliance with the report. Had we performed additional procedures or had we made an examination of the Calculation of Bulk Oil Cargo Fee Rate – Great Lakes, Maritimes / Quebec and Newfoundland Regions for the years ending December 31, 2020 and 2021, other matters might have come to our attention that would have been reported to you.

It is understood that this report is intended solely for the information of the Directors and Management of Eastern Canada Response Corporations Ltd., its members and Transport Canada, to assess the compliance of the Corporation's calculation with the criteria established in the fee setting formula, as ratified at the multi-stakeholder consultation held in Toronto, Ontario, from June 1 to 5, 1998 and the interpretation of such formula as set out in the attached notes. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

Eastern Canada Response Corporation Ltd.

Calculation of Bulk Oil Cargo Fee (BOCF) – Great Lakes Region

For the years ending December 31, 2020 and 2021

	2020 Forecast \$	2021 Forecast \$
Expenses and return on equity		
Return on equity (note 2)	151,000	151,000
Debt servicing – interest on long-term debt (note 3)	148,000	140,000
Depreciation (note 4)	445,000	445,000
Operating costs – general operating and administration	1,977,000	2,025,000
Operating costs – provision for income taxes (note 5)	71,000	71,000
	<u>2,792,000</u>	<u>2,832,000</u>
Other revenue (excluding BOCF)		
Arrangement fees	300,000	300,000
Service revenue – net	100,000	100,000
Interest	40,000	30,000
Other	190,000	190,000
	<u>630,000</u>	<u>620,000</u>
Last year's surplus – deferred revenue from previous year	<u>977,000</u>	<u>-</u>
	<u>1,607,000</u>	<u>620,000</u>
Net expense – BOCF revenue required	<u>1,185,000</u>	<u>2,212,000</u>
Estimated tonnes		
Oil other than asphalt	3,800,000	3,800,000
Asphalt	300,000	300,000
Bulk Oil Cargo Fee per tonne		
Oil other than asphalt	0.300	0.560
Asphalt (note 6)	0.150	0.280

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, 2020 and 2021

	2020 Forecast \$	2021 Forecast \$
Expenses and return on equity		
Return on equity (note 2)	361,000	361,000
Debt servicing – interest on long-term debt (note 3)	396,000	373,000
Depreciation (note 4)	1,220,000	1,220,000
Operating costs – general operating and administration	7,015,000	7,188,000
Operating costs – provision for income taxes (note 5)	170,000	170,000
	9,162,000	9,312,000
Other revenue (excluding BOCF)		
Arrangement fees	1,000,000	1,000,000
Service revenue – net	200,000	200,000
Interest	80,000	50,000
Other	570,000	570,000
	1,850,000	1,820,000
Last year's surplus – deferred revenue from previous year	2,092,000	-
	3,942,000	1,820,000
Net expense – BOCF revenue required	5,220,000	7,492,000
Estimated tonnes		
Oil other than asphalt	26,000,000	26,000,000
Asphalt	200,000	200,000
Bulk Oil Cargo Fee per tonne		
Oil other than asphalt	0.200	0.287
Asphalt (note 6)	0.100	0.144

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, 2020 and 2021

	2020 Forecast \$	2021 Forecast \$
Expenses and return on equity		
Return on equity (note 2)	120,000	120,000
Debt servicing – interest on long-term debt (note 3)	146,000	136,000
Depreciation (note 4)	407,000	407,000
Operating costs – general operating and administration	2,020,000	2,057,000
Operating costs – provision for income taxes (note 5)	56,000	57,000
	2,749,000	2,777,000
Other revenue (excluding BOCF)		
Last year's surplus – deferred revenue from previous year	428,000	-
	2,321,000	2,777,000
Estimated tonnes		
Oil other than asphalt	38,000,000	38,000,000
Asphalt	50,000	50,000
Bulk Oil Cargo Fee per tonne		
Oil other than asphalt	0.061	0.073
Asphalt (note 6)	0.031	0.037

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

Eastern Canada Response Corporation Ltd.

Notes to the Financial Information

December 31, 2020 and 2021

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, 2020 and 2021 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 6.63% per annum for the forecasted years ending December 31, 2020 and 2021.

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 3.15% has been used for the forecasted years ending December 31, 2020 and 2021.

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, 2020 and 2021.

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, 2020 and 2021

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, 2020 and 2021.

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.