

Eastern Canada Response Corporation Ltd.

Calculation of Bulk Oil Cargo Fee (BOCF) –
Great Lakes, Maritimes / Quebec and
Newfoundland Regions
**For the years ending
December 31, 2023 and 2024**



February 28, 2023

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, 2023 and 2024

To the Directors of Eastern Canada Response Corporation Ltd.

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Eastern Canada Response Corporation Ltd.'s Board of Directors (the Corporation) in evaluating management'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 June 5, 1998, and the interpretation of such formula as set out in the attached notes for the years ending December 31, 2023 and 2024 included in the accompanying Calculation of Bulk Oil Cargo Fee (BOCF) – Great Lakes, Maritimes / Quebec and Newfoundland Regions and summarized below. This report may not be suitable for another purpose. This report relates only to the subject matter specified above and does not extend to any financial statements of the Corporation taken as a whole.

Responsibilities of the Engaging Party

The Corporation has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Corporation is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Corporation, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics

We have complied with the relevant ethical and independence requirements in the rules of professional conduct/code of ethics issued by the various professional accounting bodies.

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Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Corporation in the terms of engagement dated January 12, 2023, on the subject matter.

| Procedures | Findings |
|--|--|
| 1 Obtain the schedules prepared by management for the BOCF Rate Application for the Great Lakes, Maritimes / Quebec and Newfoundland Regions. | We obtained the schedules from management. |
| 2 Compare, for consistency, the approach used in preparing these schedules with the prior year approach and the multi-stakeholder agreement. | We did not note any inconsistencies with the prior year or the multi-stakeholder agreement. |
| 3 Mathematically check the schedules. | We did not note any discrepancies. |
| 4 Compare, for consistency, the allocation of overhead costs with the prior years and the multi-stakeholder agreement. | We did not note any inconsistencies with the prior year or the multi-stakeholder agreement. |
| 5 Agree the tax rate used to the rate used in the audited financial statements of the Corporation for the year ended December 31, 2022. | We noted that the tax rate used in the calculation was 28.00% in comparison with the rate of 29.07% included in the audited financial statements of the Corporation for the year ended December 31, 2022. |
| 6 Agree the interest rate to terms of the loan agreement held by the Corporation and as disclosed in the audited financial statements of the Corporation for the year ended December 31, 2022. | We did not note any inconsistencies between the interest rate in the loan agreement and the interest rate disclosed in the audited financial statements of the Corporation for the year ended December 31, 2022. |
| 7 Agree the depreciation rates used to the audited financial statements of the Corporation for the year ended December 31, 2022. | We did not note any inconsistencies with the depreciation rates used in the audited financial statements of the Corporation for the year ended December 31, 2022. |



Procedures

Findings

- | Procedures | Findings |
|---|---|
| 8 Recalculate 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. | We did not note any inconsistencies with the rate of return agreed in the Board meetings or set out in the multi-stakeholder agreement. |
| 9 Recalculate 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. | We did not note any discrepancies. |

Restriction on Distribution and Use

Our report is intended solely for the directors and management of the Corporation, its members and Transport Canada. We neither assume nor accept any responsibility or liability to any other third party in respect of this report. Our report should not be distributed to parties other than the directors and management of the Corporation, its members, and Transport Canada.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Ottawa, Ontario

Eastern Canada Response Corporation Ltd.

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

For the years ending December 31, 2023 and 2024

| | 2023 Forecast \$ | 2024 Forecast \$ |
|---|------------------------|------------------------|
| Expenses and return on equity | | |
| Return on equity (note 2) | 179,000 | 179,000 |
| Debt servicing – interest on long-term debt (note 3) | 122,000 | 181,000 |
| Depreciation (note 4) | 379,000 | 375,000 |
| Operating costs – general operating and administration | 1,899,000 | 1,855,000 |
| Operating costs – provision for income taxes (note 5) | 69,500 | 69,000 |
| | 2,648,500 | 2,659,000 |
| Other revenue (excluding BOCF) | | |
| Arrangement fees | 300,000 | 300,000 |
| Service revenue – net | 100,000 | 100,000 |
| Interest | 90,000 | 60,000 |
| Other | 210,000 | 210,000 |
| | 700,000 | 670,000 |
| Last year's surplus – deferred revenue from previous year | 393,000 | - |
| | 1,093,000 | 670,000 |
| Net expense – BOCF revenue required | 1,555,500 | 1,989,000 |
| Estimated tonnes | | |
| Oil other than asphalt | 2,400,000 | 2,400,000 |
| Asphalt | 300,000 | 300,000 |
| BOCF per tonne | | |
| Oil other than asphalt | 0.610 | 0.780 |
| Asphalt (note 6) | 0.305 | 0.390 |

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, 2023 and 2024

| | 2023 Forecast \$ | 2024 Forecast \$ |
|---|------------------------|------------------------|
| Expenses and return on equity | | |
| Return on equity (note 2) | 428,000 | 428,000 |
| Debt servicing – interest on long-term debt (note 3) | 326,000 | 485,000 |
| Depreciation (note 4) | 870,000 | 870,000 |
| Operating costs – general operating and administration | 7,312,000 | 7,486,000 |
| Operating costs – provision for income taxes (note 5) | 166,000 | 166,000 |
| | <u>9,102,000</u> | <u>9,435,000</u> |
| Other revenue (excluding BOCF) | | |
| Arrangement fees | 1,000,000 | 1,000,000 |
| Service revenue – net | 200,000 | 200,000 |
| Interest | 125,000 | 75,000 |
| Other | 630,000 | 630,000 |
| | <u>1,955,000</u> | <u>1,905,000</u> |
| Last year's surplus – deferred revenue from previous year | 2,268,000 | - |
| | <u>4,223,000</u> | <u>1,905,000</u> |
| Net expense – BOCF revenue required | <u>4,879,000</u> | <u>7,530,000</u> |
| Estimated tonnes | | |
| Oil other than asphalt | 23,000,000 | 23,000,000 |
| Asphalt | 200,000 | 200,000 |
| BOCF per tonne | | |
| Oil other than asphalt | 0.211 | 0.326 |
| Asphalt (note 6) | 0.106 | 0.163 |

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, 2023 and 2024

| | 2023 Forecast \$ | 2024 Forecast \$ |
|---|---------------------------------|---------------------------------|
| Expenses and return on equity | | |
| Return on equity (note 2) | 143,000 | 142,000 |
| Debt servicing – interest on long-term debt (note 3) | 121,000 | 179,000 |
| Depreciation (note 4) | 309,000 | 310,000 |
| Operating costs – general operating and administration | 2,123,000 | 2,160,000 |
| Operating costs – provision for income taxes (note 5) | 56,000 | 56,000 |
| | <hr/> 2,752,000 | <hr/> 2,847,000 |
| Last year's surplus – deferred revenue from previous year | 159,000 | - |
| | <hr/> 2,593,000 | <hr/> 2,847,000 |
| Net expense – BOCF revenue required | | |
| Estimated tonnes | | |
| Oil other than asphalt | 24,200,000 | 25,400,000 |
| Asphalt | 65,000 | 65,000 |
| BOCF per tonne | | |
| Oil other than asphalt | 0.107 | 0.112 |
| Asphalt (note 6) | 0.054 | 0.056 |

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

Eastern Canada Response Corporation Ltd.

Notes to the Financial Information

December 31, 2023 and 2024

1 Basis of preparation

This financial information has been prepared in order to calculate the estimated Bulk Oil Cargo Fee (BOCF) for the years ending December 31, 2023 and 2024 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 7.88% per annum for the forecasted years ending December 31, 2023 and 2024.

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, 2023 and 2024.

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, 2023 and 2024:

| | |
|---|--------|
| Furniture and office equipment | 10% |
| Computer equipment and application software | 33.3% |
| Communications equipment | 10% |
| Marine equipment | 4%–10% |
| Vehicles | 30% |
| Tools and building materials | 5% |
| Boat launch | 5% |
| Warehouse | 5% |
| Building | 5% |
| Land inventory | 10% |
| Leasehold improvements | 10% |

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Notes to the Financial Information

December 31, 2023 and 2024

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 28% has been used for the forecasted years ending December 31, 2023 and 2024.

6 BOCF per tonne (asphalt)

The BOCF per tonne for asphalt has been provided for at one-half of the BOCF per tonne for oil other than asphalt.