

Compensation Principles

EAST-WEST TIE TRANSMISSION PROJECT

Connecting Ontario's Northwest



NextBridge Infrastructure (NextBridge) is a partnership between affiliates of NextEra Energy Canada, Enbridge Inc. and Borealis Infrastructure, established to participate in the Ontario transmission market. The partnership submitted a proposal to the Ontario Energy Board (OEB) for the planning, development, construction, ownership, operation and maintenance of the new East-West Tie Transmission Project (EWT or the Project) in northwestern Ontario (the Northwest). On August 7, 2013 NextBridge was designated by OEB to develop the EWT line and to file a Leave to Construct application.

The EWT is an approximately 447-kilometre (km) double-circuit 230-kilovolt (kV) transmission line connecting the Wawa Transformer Station to the Lakehead Transformer Station in the Municipality of Shuniah near Thunder Bay, with a connection at the Marathon Transformer Station. The new East-West Tie generally parallels an existing double-circuit 230-kV transmission line corridor (the existing East-West Tie) but avoids some sensitive features crossed by the existing line, including Pukaskwa National Park.

The Project is required to ensure the long-term reliability of the electricity supply in the Northwest. Industrial activities in the Northwest, particularly in the mining sector, are expected to drive electricity demand growth in the coming decades. Based on this growth, coupled with changes to the electricity supply in the area, the Independent Electricity System Operator (the IESO; formerly the Ontario Power Authority or the OPA) has identified a need for new electricity supply to the Northwest. The IESO analyzed alternatives and recommended expansion of the EWT based on technical, economic and other considerations.

If you have questions or would like more information, please:

Call 1-888-767-3006

Or

Email info@nextbridge.ca

Land Acquisition Approach

NextBridge will engage property owners in an open and respectful manner, with a commitment to timely, meaningful and transparent dialogue as it relates to property owner compensation and land rights. The term “property” is defined as fee simple ownership or other form of land tenure interest held by other means such as Crown Land Use Permits or Licenses of Occupation. The land acquisition process for the EWT and the land compensation principles outlined in this document will be coordinated in an equitable and consistent manner. To facilitate this, it is important that the land acquisition approach and associated land compensation principles are openly communicated and understood by property owners.

NextBridge is committed to building and maintaining respectful relationships with property owners, municipalities and communities engaged in, and potentially affected by, its projects. It is NextBridge’s preference to come to a mutually acceptable agreement with all affected property owners. Our approach and principles will support and facilitate timely resolutions and fair settlements.

Overview

An important element of NextBridge’s land acquisition strategy is the compensation that will be offered to affected property owners for the EWT Right-of-Way (ROW).

The generally accepted basis for the establishment of fair compensation relies upon the use of the fair market value of the lands. This has been established by a benchmark market data valuation that analyzed recent land transactions in close proximity to the project area. This valuation was completed by an appraisal firm, a member of the Accredited Appraiser Canadian Institute (AACI) with a designation from the Appraisal Institute of Canada.

Land Acquisition Process

Land Agents will be contacting affected property owners to discuss the fair market values associated with the proposed Project and provide a formal Offer of Compensation and Option Agreement. The Offer of Compensation will include:

- the Option Payment,
- the Review Payment
- the price per acre value and total dollars being paid for the area of the proposed ROW, and
- a value for merchantable timber loss within the area of the ROW.

Land Agents will provide an individual property sketch showing the affected property boundary, including an approximate acreage measurement for the areas affected by the proposed transmission line ROW, and any temporary work space area that may be required for construction. Each landowner will be given sufficient time to review and consider the material provided, and NextBridge will commit to a 48-hour no-contact period prior to following up with the landowner.

Following a review period of NextBridge’s Offer, the next steps in the process will depend upon whether individual property owners find NextBridge’s proposal acceptable or not. If the Offer is accepted, the acquisition process will proceed and the parties will finalize the transaction, and an Option Agreement will be

signed between the landowner and NextBridge. The Option Fee payment of \$1,000 will be mailed to the landowner within 60 days of the date of execution of the Option Agreement.

It is NextBridge's objective to acquire land rights for the proposed Project by successfully negotiating mutually acceptable agreements with property owners. NextBridge is confident that a positive "win-win" outcome for both NextBridge and the affected property owners can be achieved by applying comprehensive and fair compensation principles, thereby avoiding the potentially prolonged, less flexible, and less certain outcomes associated with legislated expropriation procedures.

NextBridge also recognizes that in some cases, mutually acceptable resolutions with affected property owners may not always be possible. In these circumstances, the compensation principles put forth by NextBridge will not apply, and NextBridge will rely on the legislated expropriation process.

If the Offer time frame lapses, NextBridge will proceed with acquisition through the legislated expropriation process. An application will be filed with the OEB to seek expropriation authority pursuant to Section 99 of the *Ontario Energy Board Act 1998*. In such circumstances, a revised compensation offer will be provided to the Property Owner pursuant to Section 25 of the *Expropriations Act*. The Section 25 Offer will no longer include the compensation incentives originally presented in the Offer of Compensation because the early resolution objectives will no longer apply.

Forms of Land Agreements to be used by NextBridge during the Proposed EWT Transmission Line Project

NextBridge will be seeking Clearances for Preliminary EWT Transmission Line Surveying (Right of Access Agreements) for conducting investigative studies, including, but not limited to, geotechnical, soil, environmental, historical, and archaeological surveys. NextBridge does not anticipate any damages will result from these activities. However, in the event damages occur as a result of these activities, a Land Agent will meet with property owners to review and negotiate compensation, if required.

NextBridge will be seeking an Option Agreement for applicable land rights (an easement or mandatory total buyout land purchases) where primary residences, farm buildings, and/or commercial or industrial buildings are located within the Project ROW. This Option Agreement will grant NextBridge access to the lands for the purposes of field studies and with the sole and exclusive option to acquire an easement interest or a fee simple interest (mandatory total buyout) in the lands. The Grant of Easement or Fee Simple Purchase and Sale Agreement (mandatory total buyout) will be attached to the Option Agreement. The term of the option will be for a period of three years from the date of execution of the Option Agreement.

The Option Agreement will be exercised once NextBridge has received the OEB's Section 92 Leave to Construct Approval and Environmental Assessment Approval for the proposed Project. The balance of compensation due under the terms of the Option Agreement will be paid at the time the option is exercised.

Compensation Structure:

Incentives:

Property owners who accept NextBridge's offer to acquire an easement or a mandatory total buyout will be provided with the following incentive amounts:

- A \$1,000 option payment within 60 days of the execution of the Option Agreement, providing NextBridge with the option to acquire the interest easement or a mandatory total buyout, as applicable; and,
- \$4,000 at the time the option is exercised in cases where the property owner has not sought reimbursement for costs associated with independent AACI appraisal advice related to the NextBridge's Offer.

A Review Payment of \$1,000 will be paid, on a per agreement basis, as compensation for the time and any legal expense related to the property owner's review of the Option Agreement.

Principles Applicable to the Acquisition of Easement Rights

NextBridge will exercise the easement rights of the Option for Easement Agreement after approval of the Leave to Construct Application (Section 92 of the *Ontario Energy Board Act*) and the Environmental Assessment for the proposed Project. Property owners will be provided with the choice to receive the easement compensation as a lump sum or as periodic payments, the schedule for which will be mutually agreed upon between the property owner and NextBridge.

An annualized payment option will be offered to property owners with agricultural lands.

The annual payment will be calculated by multiplying the total value of the appraised proposed EWT ROW easement by the chartered bank prime lending rate as of January 1st of each year, plus one per cent, to arrive at the annual payment fee. All other applicable compensation amounts such as injurious affection, if appropriate, and incentive payments will be paid up front as a lump sum amount.

The value of the easement will be subject to reassessment every five years, and adjustments (higher or lower) will be made to the annual payment amount based on this update.

The annual payment obligation will be converted to a one-time lump sum payment, subject to adjustments, in the event of the following circumstances:

- The land subject to the rights is rezoned or subdivided
- The land subject to the rights is sold, transferred, assigned or conveyed
- The property owner(s) passes away
- NextBridge determines that it no longer requires the easement interest for its operations
- The property owner in any event requests payment of the lump sum in writing

On a case-by-case basis, NextBridge will exempt having the lump sum conversion apply when the only contemplated change in circumstance is the transfer of ownership of the underlying lands from the original owners to their immediate first-generation offspring.

NextBridge's Offer will value all easement interests based upon 100% of the appraised fair market value of the total acreage over which the intended easement applies.

Property owners will receive payment for merchantable timber that is removed by NextBridge from the proposed Project ROW. The value of the merchantable timber will be established on the basis of local market timber rates. If property owners elect to retain the merchantable timber, the value of the trees will be deducted from the compensation offer from the easement settlement between NextBridge and the landowner.

Compensation for injurious affection will be provided only when reductions in market value of the remaining lands are incurred as a result of construction and operation of the proposed Project. If applicable, this amount will be determined through an independent appraisal process.

Other Compensation Provisions:

NextBridge commits to reimbursing property owners for reasonably incurred transaction costs (i.e. such as lawyer fees) associated with the review of applicable closing conveyance agreements.

NextBridge commits to compensating property owners for all damages that arise out of the operations of NextBridge, including the proposed Project construction, operation, and maintenance activities. These damages could include, but are not limited to, damage to tile drains, crop loss, rutting of laneways, fence or gate damage, and danger trees located outside of the proposed ROW limits.

Property owners who grant NextBridge easement interests will be contractually indemnified from all liabilities, damages, claims, suits, and actions arising out of NextBridge's construction activities and the operation and maintenance of the transmission line.

Principles Applicable to Mandatory Buyouts:

If primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings are located within the proposed ROW, NextBridge will offer a one-time option to either acquire:

- the landowner's entire property parcel or primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings located within the new ROW; or,
- the portion of the property that is on the corridor and provide compensation for the loss of the primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings, including reasonable relocation costs.

The fair market value of the property will be determined by a formal appraisal completed by an accredited AACI appraiser, in accordance with the provisions of the *Expropriations Act*.

Crown land will require consent or a grant of easement rights from the Ministry of Natural Resources. An assessment by an accredited AACI appraiser will also be obtained for the establishment of the proper apportionment for the land value component and associated primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings that are located within the proposed ROW.

Other Compensation Provisions for Mandatory Total Buyouts:

NextBridge commits to reimbursing property owners for reasonably incurred transaction costs such as lawyer fees associated with the review of applicable closing conveyancing agreements.

Where applicable, NextBridge will compensate for any reasonable, non-agricultural business loss. NextBridge will also provide compensation for equivalent reinstatement and such other similar compensation as would be provided for under the Expropriations Act.

Trapper Payments

NextBridge will consult with the Ministry of Natural Resources and Forests to confirm which trappers, if any, may be affected by the proposed corridor. Registered active trappers will be consulted and provided compensation if impacted by the construction of the Project. This will include damage to trapper assets, general disturbance, adverse effects, and impacts to trapping operations.

Mining Claims, Mining Licenses of Occupation, or Mining Leases

NextBridge will be consulting with the Ministry of Northern Development and Mines to determine if affected Mining Claims, Mining Licenses of Occupation or Mining Leases are current and valid and if any compensation is due to eligible Claims holders.

Going Forward

NextBridge is looking forward to building a respectful, professional and long-term relationship with you. It is our intention and preference to come to a mutually acceptable agreement, and we are committed to being a good neighbour to you and your community.

If you have questions or want more information, please call 1-888-767-3006 or email info@nextbridge.ca.