



Order - BELCO Change in Control Application

Date: 2 October 2020

1. Further to a notice of change in control made by Algonquin Power & Utilities Corp. (“Algonquin”), Bermuda Sustainability Holdings Ltd (“BSHL”), Bermuda Sustainability Midco Ltd (“Midco”), Bermuda Sustainability Acquisition Ltd (“BSAL”), Ascendant Group Limited (“Ascendant”) and Bermuda Electric Light Company Limited (“BELCO”) (the “Application”), the Regulatory Authority (“RA”), pursuant to Section 87 of the Regulatory Authority Act 2011 and Sections 26(1), 26(3), 29(1) and (2), 30 of the Electricity Act 2016, hereby:
 - a. consents to the transfer of the Bulk Generation Licence (BG2017102701-02) held by BELCO and the Transmission, Distribution and Retail Licence (TDR2017102701-02) held by BELCO (the “TD&R Licence”) (together, the “Transfer”) by way of change in control from Ascendant to Algonquin (the “Change in Control”); and
 - b. approves the proposed concentration represented by the Transfer and Change in Control.
2. The consent in paragraph a. and the approval in paragraph b. are subject to –
 - a. the conditions set out in Annex A; and
 - b. reasonable efforts by Algonquin, Ascendant¹ and BELCO to abide by, and fulfil, the commitments made in and concurrent with the Application set out in Annex B (the “Commitments”).

So ordered this 2nd day of October

¹ Further references to “Ascendant” in this order refer to the amalgamated company following the amalgamation of Ascendant and Bermuda Sustainability Acquisition Ltd upon completion of the Change in Control.

Annex A Conditions

1. Inter-company services will be rendered at market rates and will contribute to improving the operational efficiency of BELCO.
2. To maintain a Bermudian influence of the company, BELCO's head office will be located in Bermuda and its board of directors must comprise a majority of directors possessing Bermudian Status.
3. In selecting a service provider to provide services to BELCO, as the licensee, on an ongoing basis as part of its day-to-day business or in connection with its carrying on of its transmission, distribution and retail business, BELCO may enter into services agreements with affiliated companies (as defined under the Companies Act 1981 (the "Companies Act") (each an "Affiliate" and, together, the "Affiliates")), provided that any such services agreements shall be entered into—
 - a. on a sufficiently independent basis, which is to say that BELCO and the counterparty shall settle such service agreements without coordination and without taking common direction from their respective boards of directors and/or officers;
 - b. at rates that do not exceed the then prevailing market rates reasonably available for the provision of the same or similar services in the same or similar circumstances;
 - c. in the reasonable belief that it will improve BELCO's operational efficiency;
 - d. on the basis that the Affiliate abides by the same service standards as BELCO in the performance of any duties under the service agreement entered into, with the said agreement setting out the nature and scope of same.
4. BELCO shall demonstrate the extent to which the cost savings anticipated by the business plan provided as Revised Annex U of the Application and submitted with the letter sent to the RA dated 17 April 2020 have been achieved and shall provide any related evidence that the RA may request to substantiate its submission.
5. The Conditions contained within the TD&R Licence shall be modified as follows:
 - a. In paragraph 1, delete the definition for "Net Benefit Test";
 - b. Delete paragraph 23.3 and substitute the following—

"The Licensee shall abide by the procurement process set by administrative determination."; and
 - c. Delete paragraph 23.4.
6. BELCO shall maintain its membership in the Caribbean Electric Utility Services Corporation ("CARILEC").

7. The BELCO Legacy Liabilities shall not, in whole or part, be recovered from end users under any mechanism, and as a material commercial matter must be fully settled between Algonquin and Ascendant as part of the Change in Control transaction. BELCO Legacy Liabilities means those pension and post-retirement benefit costs totalling \$100,738,739 that were not previously recorded in operating expenses as further detailed in Exhibit 3 WP-4 of BELCO's 2019 retail tariff application filed with the RA on 10 October 2019.
8. Algonquin, Ascendant and BELCO must commit to filling all positions within BELCO with qualified Bermudians, including those organization-wide positions that may be created pursuant to paragraph 14 of the Commitments. Where no qualified Bermudian is available, they must similarly commit to training Bermudians to fill these positions where a non-Bermudian might be employed.
9. BELCO shall provide to the RA within 6 months of the date on which this order is made, a human resources plan demonstrating how it proposes to meet commitments towards empowering Bermudians within its workforce.
10. Algonquin must, either directly or through its Affiliates, invest in areas relating to renewable energy regarding enabling infrastructure in Bermuda to ensure the reliability, public health, safety and security of supply, subject to a regulatory approval process (including, but not limited to, a competitive bid process and retail tariff review).
11. BELCO shall comply with all environmental laws, meaning those laws, in force from time to time, whose purpose is the protection of the environment, including the protection of human health, flora, fauna and the eco-systems on which they depend and, for the avoidance of doubt, shall include, all relevant Law relating to the assessment of environmental impact and the protection of air, land and water and shall include the Public Health Act 1949² and Clean Air Act 1991.
12. Algonquin, Ascendant and BELCO shall make all reasonable efforts to abide by, and fulfil, the Commitments, and the Commitments shall remain in force until such time as the relevant parties are relieved of the Commitments by the RA. Algonquin and Ascendant shall be deemed to be abiding by and fulfilling the Commitments whether they act directly or through their Affiliates.
13. The RA may make any request of Algonquin, Ascendant and BELCO at any time to substantiate compliance with any of the Commitments for so long as they remain in force.
14. BELCO shall provide to the RA within 6 months of the date on which this order is made an initial report on the extent of its compliance with these conditions and with the Commitments. Thereafter, BELCO shall provide to the RA within six months of the end of each financial year an

² For example, section 51(1) of the Act, as read with the First Schedule, defines 'statutory nuisances' as including "3 Any accumulation or deposit which is prejudicial to the health of, or is offensive to, any person in the neighbourhood, and "4 Any dust, smoke or effluvia caused by any trade, business, manufacture or process and which is prejudicial to the health of, or is offensive to, the inhabitants of the neighbourhood."

updated report on such compliance. The RA may waive this requirement or change the interval at which BELCO provides this report.

15. All publicity and media for any investment or programs implemented pursuant to the Commitments shall have a statement printed “In compliance with an order from the Regulatory Authority of Bermuda” or similar text as approved by the RA at a later date.

Annex B Commitments

1. There will be no company-initiated job cuts in connection with the Change in Control, but the voluntary early retirement program will continue to be offered where prudent.
2. BELCO will not guarantee any debt of Algonquin, BSAL, BSHL, and/or Midco.
3. BELCO will continue to abide by the standards set out in the Regulatory Authority (Service Standards Indicators for Electricity Licensees) General Determination 2019; and Algonquin and Ascendant will support BELCO in reporting on measures provided in those standards and ensure that BELCO has the resources available in order to improve performance and exceed minimum standards when set.
4. BELCO will, together with the RA, work on maintaining the RA's goal of ensuring fair and stable pricing.
5. Algonquin and Ascendant will ensure BELCO's participation in their network of subsidiary utilities allowing for the exchange of best practices and for participants to learn from each other.
6. BELCO and Liberty Utilities (Canada) Corp. ("Liberty Utilities"), a subsidiary of Algonquin, may enter into: (1) a services support agreement whereby Liberty Utilities will provide strategic support and advisory services to BELCO in areas including, but not limited to, finance, operations, IT, human resources, and engineering; and (2) a mutual aid agreement whereby Liberty Utilities will provide assistance to BELCO with restoration services in the event of storms and major outages.
7. Algonquin and BELCO will leverage their commitment to sustainability and their leadership in renewable energy and energy storage development to assist Bermuda in achieving a greener and less carbon-intensive future, as contemplated by the Bermuda Integrated Resource Plan dated 30 June 2019 (the "IRP"), including the goal to reach 85% renewable energy generation by 2035.
8. Algonquin and Ascendant will assist BELCO in developing a residential storage program in Bermuda, similar to such programs on offer by members of the Algonquin group of companies in other jurisdictions.
9. Ascendant and its Affiliates will not be required to guarantee or assume any liability for obligations of Algonquin or any of BSHL, Midco, and BSAL including, without limitation, any of the debt incurred by BSHL to fund the Change in Control.
10. Algonquin will provide its in-house expertise in fulfilling the IRP as well as meeting other obligations set out in this order.

11. Algonquin will work with BELCO to develop a foundation in Bermuda to be called the “Sustainable Bermuda Foundation” that will serve as an educational and informational initiative which shall be initially capitalised in an amount of \$5m.
12. Algonquin will provide BELCO employees with access to advanced training opportunities, both locally and overseas and with the opportunity to work in other Algonquin-owned utilities to broaden and enhance skillsets.
13. Algonquin will support continued funding for safety and technical training programs and Algonquin will leverage its own similar programs where it can do so to the benefit of BELCO employees.
14. Algonquin will explore the creation of additional new jobs for Bermudians in Bermuda within Ascendant and its Affiliates through opportunities for certain organization-wide functions to be performed by individuals located in Bermuda in areas related to finance, risk management, renewable development, regulatory support and e-mobility.
15. At no time will Algonquin or Ascendant seek the recovery of transaction costs or any premium paid over the book value of the assets of BELCO (including, but not limited to, any extra remuneration or bonuses paid to directors, officers or other executives directly tied to the transaction), and BELCO’s cost of service will not increase due to any of the transactions in connection with or in furtherance of the Change in Control.
16. Algonquin will provide support and guidance to BELCO to enable BELCO to refinance its existing credit facilities (estimated at approximately \$144 million), and Algonquin will in conjunction with BELCO create an appropriate structure to support this debt.
17. Funding to achieve the structure referred to in the previous subparagraph and for day-to-day activities and investment projects required under BELCO’s two licences will be provided through the reinvestment of BELCO earnings as well as intercompany debt and equity provided by Algonquin and Ascendant.
18. Algonquin will provide the backstop funding required to meet BELCO’s future capital needs.