

OPERATING PROTOCOL AND REGULATORY FRAMEWORK AGREEMENT

THE GRAND BAHAMA UTILITY COMPANY LIMITED

This **OPERATING AND REGULATORY FRAMEWORK AGREEMENT**
made effective as of the 2nd day of April, A.D., 2023

BETWEEN:

THE GRAND BAHAMA PORT AUTHORITY, LIMITED, a company incorporated and existing under the laws of the Commonwealth of The Bahamas having its registered office at the Port Authority Headquarters Building, East Mall Drive & Pioneers Way in the city of Freeport in the island of Grand Bahama one of the islands of the said Commonwealth of The Bahamas (hereinafter referred to as the “Authority”);

- and -

THE GRAND BAHAMA UTILITY COMPANY LIMITED, a company incorporated and existing under the laws of the Commonwealth of The Bahamas having its headquarters at the Lucayan Building, East Mall Drive & Pioneers Way in the city of Freeport in the island of Grand Bahama one of the islands of the said Commonwealth of The Bahamas (hereinafter referred to as “GBUC” or the “Company”)

(Individually a “Party” and together “the Parties”)

RECITALS:

- A. **WHEREAS** GBUC is responsible for the collection and distribution of quality potable water throughout Grand Bahama Island (with the exception of an area developed by Tamarind Development Limited in Lucaya).
- B. **AND WHEREAS** by a License Agreement dated 19th September, 1961 made between the Authority and GBUC and an amendment thereto dated the 4th October, 1968 (collectively “the License”), GBUC has an exclusive arrangement to establish, construct, maintain, operate, and carry on systems for pumping, storing, and distributing water systems in the Port Area (as defined below).
- C. **AND WHEREAS** the Parties desire to set out certain protocols for regulating the operations and establishing the rates of GBUC in order to secure a modern and efficient distribution of water systems to Grand Bahama Island in such a manner that protects the interests of consumers and provides GBUC a reasonable opportunity to earn the allowed rate of return on Rate Base.

- D. **AND WHEREAS** The Authority has incorporated into this regulatory framework various performance targets that will further the objective of continuous improvements in the operational efficiency of GBUC and to secure for consumers an economical and reliable service. Additionally, to the extent reasonably practicable, the Authority will ensure that at all times the application of this regulatory framework coincides with best practices .

NOW THEREFORE the Parties agree as follows with the intent to negotiate in good faith to conclude a formal agreement relating to the following matters:

SECTION 1: INTERPRETATION

1.1 Definitions

“AFUDC” means “Allowance for Funds Used During Construction” and is the cost of financing a utility plant during its construction phase which is calculated on a monthly basis as the product of the amount of CWIP as of the end of the month and one twelfth of the WACC. AFUDC is added to the overall cost of the utility plant and collected in rates as depreciation once the plant goes into service.

“Assets” means the material assets and facilities owned, operated or leased by GBUC, including any real estate owned or leased by GBUC in the conduct and performance of its business under the terms of the License.

“AMA” means the Annual Maintenance Assessment.

“Base Rate” means the rate charged to customers that reflects all elements of the cost of GBUC providing utility service.

“Basis Point(s)” means one one-hundredth of one percent. Thus, 1.25 percent is 125 Basis Points.

“BDS” means the Building and Development Services Department of The Grand Bahama Port Authority, Limited.

“Catastrophic Failure” means a sudden and unexpected failure of one or more systems that form part of the Collection and Distribution Facilities which renders such system economically or technically unfit to provide water.

“CWIP” means “Construction Work in Progress” which represents the expenditures for construction projects that have not yet become operational. While CWIP is not included as a Rate Base component in the calculation of a utility's Revenue Requirement, CWIP does accrue AFUDC.

“Designated Protected Well Field Areas” means the surface and subsurface area surrounding a protected well field area, supplying a public water system, through which contaminants could be prevented from reaching such a well field supply area.

“Earnings Sharing Mechanism” means the regulatory mechanism intended to create efficiency benefits that are advantageous to both ratepayers and investors while at the same time protecting ratepayers and investors from situations in which a utility's actual costs differ substantially from the level of costs assumed when a utility's Revenue Requirement and rates were initially established.

“Financial Year” means the twelve (12) month period at the end of which GBUC's annual accounts are completed and independently audited.

“Force Majeure” means any event or circumstance or combination of such events or circumstances that (i) occurs inside or outside Grand Bahama Island except as provided in clause (g) below, (ii) is outside the reasonable control of GBUC, (iii) cannot be prevented or overcome by the exercise of reasonable diligence, and (iv) materially and adversely affects the performance by GBUC of its obligations, to the extent that such event(s) or circumstance(s) meet the foregoing requirements (i) through (iv), including: (a) acts of God, fire, explosion, chemical contamination, earthquakes, flood, lightning, drought, tsunami, flood, torrential rain, storm, cyclone, typhoon, or tornado, pestilence or other natural catastrophes, epidemics, pandemics or plague; (b) Natural Disaster; (c) any strikes, work to rule, go-slows or other labor disturbances that extend beyond the Assets of GBUC, are widespread or nation-wide or are of a political nature, including labor actions associated with or directed against a ruling political party, or those that are directed against GBUC (or its contractors or suppliers) as part of a broader pattern of labor actions against companies or facilities with foreign ownership or management; (d) expropriation, requisition, confiscation, nationalization or compulsory acquisition by a governmental authority (including the Authority) of GBUC or any substantial portion of the Assets; (e) acts of war (whether or not declared), invasion, blockade or embargo; (f) acts or threats of terrorism or threat from terrorists, widespread riot, widespread violent demonstrations, widespread armed insurrection, widespread rebellion or revolution; (g) the closing or drastic reduction in capacity of public harbors, ports, docks, canals, roads, airports or other infrastructure, the rationing thereof or any import or export restrictions; or (h) to the extent that they result in disruption of GBUC's ability to receive shipments of fuel, major equipment or critical spare parts, any strikes, work to rule, go-slows or other labor disturbances that occur outside of the Commonwealth of The Bahamas.

“GBUC” means The Grand Bahama Utility Company Limited.

“Government Imposed Obligations” means any requirements, commitments, or imposed, directly or indirectly on GBUC by the Government of The Bahamas, any agent of the Government or the Port Authority or any change in any applicable law, regulation or policy which increases operating costs or otherwise creates a financial obligation or expense for GBUC.

For greater certainty, any levies, imposts, charges or fees imposed by the Authority shall constitute a Government Imposed Obligation.

“Ground water” means water held underground in the void spaces or crevices of rocks below the water table.

“HCA” means the agreement between the Government and the Authority dated August 4, 1955, as amended by amending agreements dated June 9, 1960, September 11, 1965, September 30, 1965, and the agreement made between the said parties dated August 3, 1993, commonly referred to as the Hawksbill Creek Agreement and defined in the License and therein referred to as "the Government Agreement".

“Historic Test Year” means the historic twelve (12) month period used as the base from which to forecast results for the three future Rate Years in a Rate Plan. Actual results for the Historic Test Year are normalized to reflect average conditions that would usually be expected to persist during the twelve-month period.

“HCRSA” shall have the meaning set out in Section 4.17 herein.

“Licensee” means any person operating under a license, whether individual or class granted or issued, by the Grand Bahama Port Authority under any regulatory or other measure.

“Mitigated Rate Changes” refer to situations where the pattern of rate changes associated with cost based Revenue Requirement determinations for a Rate Plan are determined by the Regulator not to be in the public interest. In such circumstances the Regulator and GBUC will work collaboratively to develop a more suitable pattern of rate changes that are known as Mitigated Rate Changes.

“Monitoring wells” means a well designed and installed to provide controlled access to obtain representative groundwater quality samples and hydrogeologic information.

“Natural Disaster” means a major adverse event resulting from the earth’s natural hazards such as floods, tsunami, tornado, hurricanes, cyclones, earthquakes, heat waves, or landslides.

“Operating and Maintenance Expenses” means operating and maintenance costs incurred by GBUC and includes ongoing expenses associated with the extraction, and distribution of potable water including all applicable taxes.

“Port Area” means all that area comprising approximately 170,000 acres (230,000 square miles) situated on Grand Bahama Island and more particularly defined in the HCA.

“Potable Water” means drinking water, that comes from surface and ground sources and is treated to levels which shall meet the applicable minimum health requirements for consumption as established by the World Health Organization.

“Port Authority” means The Grand Bahama Port Authority, Limited

“Rate Base” means the twelve (12) month average sum of net utility plant, working capital and other deferred costs or credits in each Financial Year.

“Rate Plan” is the multi-year period of time for which a utility's rates are established. With the exception of the Initial Rate Plan, Rate Plans will have a duration of three (3) years.

“Rate Year” means a twelve (12) month period for which the Revenue Requirement and tariffs are forecasted and established.

“Regulator” means the Port Authority.

“Regulatory Accounting” means the accounting principles which enable a utility to defer for future recognition in water rates, expenses or sources of income which would normally be reflected as an item in the current year's income statement.

“Regulatory or other measures” means all Acts issued by the relevant body, by whatever procedure including but not limited to directions, decisions, adjudications, orders and regulations.

“Revenue Requirement” means the total amount of money that GBUC will have the opportunity to collect in a Rate Year based on the agreed forecast of its overall cost of service.

“System” means the extraction and distribution network consisting wholly or mainly of pipelines owned or operated by GBUC and used to transmit potable water and includes any well field owned or operated by GBUC in connection with the extraction and distribution of potable water.

“WACC” means "Weighted Average Cost of Capital" and is the rate of return that is applied to Rate Base as part of the development of a utility's Revenue Requirement. The WACC reflects the overall cost of all investor provided capital. It is composed of the cost of debt, cost of preferred stock, cost of equity, and cost of other investor provided capital weighted by the proportion of each type of capital to the total investor provided capital.

“Water Supplies” means all well fields and water supply systems managed and maintained by the GBUC within the island of Grand Bahama.

“Working Capital” means the cash funds which GBUC must have available to pay for ongoing costs of operation recognizing the difference in timing between when GBUC pays its debts and when the revenues required to pay such debts are actually collected from its customers.

Schedules

The following schedules attached hereto shall form part of and are incorporated in this Agreement:

Schedule A	Revenue Requirement
Schedule B	Projected Capital Spending by Category
Schedule C	Incremental Government Imposed Obligations
Schedule D	Earnings Sharing Mechanism
Schedule E	Filing Requirements

General Interpretation

The insertion of headings in this Agreement is for convenience only and shall not be construed so as to affect the interpretation or construction of this Agreement.

Unless otherwise specified in this Agreement or unless the context otherwise requires words of one gender include the other gender and words imparting the singular include the plural and vice versa.

As both Parties were actively involved in preparing the terms and conditions of this Agreement and as they both had access to and relied upon legal counsel in this process, there shall be no presumption that any one or the other Party prepared this Agreement, and no provision of this Agreement shall be construed against either Party based upon the process of preparation of proposals and drafts of the Agreement.

In the event of any inconsistencies in the Agreement documents, such documents shall be read in the following order of priority, to the extent of any such inconsistency: this agreement without Schedules; and all other Schedules to the Agreement.

SECTION 2: GENERAL CONDITIONS

2.1 Term

This Agreement shall commence upon the Effective Date and shall be concurrent with the License and continue until the termination or expiry of the License, subject to earlier termination in accordance with the terms of this Agreement or extension upon mutual agreement of the Parties. The Parties agree that this Agreement shall only be renewed with the written consent of both Parties.

2.2 Termination

Notwithstanding anything contained herein to the contrary, this Agreement and all obligations of the Parties hereunder, shall terminate immediately upon the happening of any of the following events:

- (a) termination or expiry of the License;
- (b) the Authority ceasing to have exclusive regulatory control over GBUC;
- (c) GBUC ceasing to have the exclusive right and license to establish, construct, maintain, operate, and carry on systems for pumping, storing, and distributing water systems in the Port Area in accordance with the terms of the License and its competition has not entered a similar agreement with the Authority; or
- (d) mutual agreement of the Parties in writing.

2.3 Related Party Transactions

GBUC shall purchase or otherwise acquire goods and services from the most economical sources available to it having regard to the quantity, timing and nature of the goods or services required to enable discharge of its obligations under this Agreement. In the case of related parties, transactions shall be arm's length and GBUC shall apply the same tests for economic choice and financial probity as if the related party were an unrelated third party.

2.4 Audit Rights of and Information Access for the Authority

The Authority and its agents shall be entitled during normal business hours and upon reasonable notice to attend at the offices of GBUC for the purpose of inspecting the books, records and accounts of the GBUC in respect of its pumping, storing, and distributing water system and supply activities within the island of Grand Bahama ("Services") and GBUC shall fully co-operate and assist the Authority for such purposes. The GBUC shall, at the request of the Authority, furnish the Authority, at GBUC's expense, with a copy (in such format as the Authority may specify) of any book, record or accounts in connection with the Services as the Authority may reasonably require.

GBUC shall furnish to the Authority, without undue delay, such periodic and/or ad hoc reports, statistics, information, documents as the Authority may request and reasonably require in order for it to fulfill its functions as the regulator of GBUC under the License.

2.5 Appeals of Decisions of the Authority

In the event that GBUC disagrees with any decision of the Authority on the Rate Plan, GBUC shall give Notice to the Authority of its disagreement with such decision within five (5) days of its receipt of such decision. Within five (5) days of the Authority's receipt of such Notice, senior representatives of each party including the Chief Operating Officer and the President of the Authority, shall meet to discuss and resolve the disagreement.

In the event they are unable to resolve the disagreement within fourteen (14) days, then such disagreement shall be submitted to binding arbitration in accordance with the Arbitration Act (2009) of The Bahamas. GBUC shall notify the Authority in writing describing in reasonable detail the nature of the disagreement and the Parties shall attempt within twenty (20) days of the

notification of disagreement to agree on a single arbitrator. If the Parties fail to agree on a single arbitrator, the arbitration shall be conducted by three arbitrators, one to be nominated by each party and the third to be nominated by the two arbitrators nominated. The site of the arbitration shall be the island of Grand Bahama. The award of the arbitrator(s) shall be final and binding upon the Parties with no right of appeal, whether as to fact, law, or mixed fact and law.

2.6 Dispute Resolution

In the event of a dispute between the Parties concerning the construction and meaning of this Agreement, a senior representative of each Party shall meet to discuss and resolve the dispute. In the event they are unable to resolve the dispute within thirty (30) days, or fourteen (14) days if either Party gives prior notification to the other Party that the matter requires urgent resolution, the dispute shall be referred to structured non-binding negotiations with the assistance of a mediator on a without prejudice basis. The mediator shall be appointed by agreement of the Parties.

If the Parties are unable to agree upon a mediator within five (5) days of a written request by either Party for appointment thereof, or if a dispute cannot be settled within a period of thirty (30) days after a mediator is appointed, or such longer or shorter periods for appointment of a mediator or to seek a mediated resolution as may be agreed to by the Parties, then such dispute shall be submitted to binding arbitration in accordance with the Arbitration Act (2009) of The Bahamas. The disputing Party shall notify the other Party in writing describing in reasonable detail the nature of the dispute and the Parties shall attempt within twenty (20) days of the notification of dispute to agree on a single arbitrator. If the Parties fail to agree on a single arbitrator, the arbitration shall be conducted by three arbitrators, one to be nominated by each party and the third to be nominated by the two arbitrators nominated. The site of the arbitration shall be the island of Grand Bahama. The award of the arbitrator(s) shall be final and binding upon the Parties with no right of appeal, whether as to fact, law, or mixed fact and law.

2.7 Outsourcing

GBUC may utilize the services of third parties on an ongoing basis in the provision of pumping, storing, and distributing water and supply services. Procurement of such outsourced services shall be subject to approval of the Authority if such outsourced services are anticipated by GBUC to replace forty percent (40%) or more of the internal activities of GBUC within functional areas related to its core and ongoing pumping, storing, and distributing water and supply functions. Such approval may not be unreasonably withheld, delayed or conditioned and shall be granted based solely on: (i) the cost effectiveness of the outsourced services; (ii) benefits of the outsourced services to the economy and consumers of the island of Grand Bahama; and (iii) the fitness and propriety of the relevant third parties.

SECTION 3: OBLIGATIONS OF GBUC

3.1 General Obligations

GBUC shall provide a safe and efficient service based on modern standards developed by GBUC

in consultation with the Port Authority at reasonable rates to meet the demands of the island of Grand Bahama and contribute to its economic development.

In connection with the conduct of its business of establishing, constructing, maintaining, operating, and carrying on systems for pumping, storing, and distributing water systems GBUC shall:

- (a) ensure that the development of the public potable water supply system is implemented based on agreed long term plans and that investments are made consistent with such plans and in conformity with prudent utility practice so as to ensure adequacy and continuity of supply at the least economic cost;
- (b) comply with the Laws of the Commonwealth of The Bahamas that has application to it;
- (c) annually update and submit to the Port Authority its five-year forecast of projected water sales and pumping requirements;
- (d) provide the Port Authority with its capital investment plan each year, containing the information detailed in Schedule B attached hereto;
- (e) in accordance with good industry practice, maintain and keep all appropriate books, records and accounts in respect of its water sales, gallons pumped, and distribution and supply activities;
- (f) cause its accounts to be audited by professional auditors, licensed to practice in The Bahamas, at the end of its Financial Year and submit the results of such audit to the Port Authority within one hundred and twenty (120) days of the end of the Financial Year;
- (g) submit to the Port Authority such reports as are set out in Schedule E in the manner and within the times therein prescribed;
- (h) in connection with the conduct of its business of establishing, constructing, maintaining, operating, and carrying on systems for pumping, storing, and distributing water systems, ensure that all its employees are appropriately trained and qualified; and
- (i) distribute potable water service, subject to procedures, conditions, and codes of practice adopted by GBUC and approved by the Port Authority as well as the Freeport Byelaws, as amended from time to time. GBUC shall make any such procedures or codes of practice adopted by the Company publicly available on its website.

SECTION 4: TARIFFS

4.1 Filing Requirements for Rate Plan Proposal

GBUC shall file the following information with the Authority as part of any Rate Plan proposal:

- (a) **Description of Filing**. As part of any Rate Plan proposal, GBUC shall provide a written

submission to the Authority explaining the changes in Revenue Requirements and tariffs over the three (3) year term of the Rate Plan, the major reasons for such changes, the average effect on the bills for major classes of customers, and an indication of whether it may be necessary for the Authority to consider developing Mitigated Rate Changes. If requested by the Authority, GBUC shall also submit the financial model employed to develop the Revenue Requirement and tariff schedule in an electronic format.

- (b) **Revenue Requirement Schedule.** GBUC will file a Revenue Requirement presentation in the format specified in Schedule A detailing the major components of its Revenue Requirement including major Operations and Maintenance Expense, depreciation, amortization of deferred debits and credits, taxes, return on Rate Base, other costs imposed by the Government or the Authority, and other direct costs incurred to establish, construct, maintain, operate, and carrying on systems for pumping, storing, and distributing water for each of the three (3) years of the Rate Plan.
- (c) **Capital Budget Schedule.** GBUC will provide a capital budget presentation as part of any Rate Plan filing in the format specified in Schedule C in a detail consistent with the capital expenditure categories described below.
- (d) **Five Year Capital Budget Forecast.** GBUC shall provide its latest five-year capital budget forecast as an attachment to the Rate Plan proposal.

4.2 Review Process

After the Initial Rate Plan is established, GBUC shall file future Rate Plan proposals with the Authority on July 1 of the third year of the Rate Plan then in place. GBUC will file ten (10) paper copies of the Rate Plan proposal with the Authority as well as electronic copies in "pdf" and "Word" format.

The Authority shall publish a summary of the Rate Plan on its website. The Authority shall also have copies of the Rate Plan proposal available for public inspection at its main office.

The Authority shall establish consultation guidelines for the expeditious reviewing of GBUC's Rate Plan proposal for the purpose of affording interested parties the ability to review and provide comment on it to the Authority.

The Authority shall reserve the right to hold public hearings on GBUC's Rate Plan proposal in accordance with such procedures and timelines as may be set by the Authority from time to time. The Authority shall issue a decision on any Rate Plan proposal filed by GBUC by no later than November 1 of the calendar year in which the proposal was submitted by GBUC.

4.3 Development of Water Revenue Requirement

The Authority shall establish cost of service-based tariffs for GBUC for a three-year period pursuant to the processes, procedures and requirements specified herein. The overall cost of service for GBUC will consist of a Base Rate component. The Base Rates component will reflect all elements of GBUC's cost of service. The Base Rate Revenue Requirement will be determined

according to the following formula:

$$\text{BRR} = (\text{RB} \times \text{WACC}) + \text{D} + \text{OM} + \text{A} + \text{ND} + \text{GIO}$$

Where: BRR = Base Rate Revenue Requirement

RB = Rate Base

WACC = Weighted Average Cost of Capital

D = Depreciation

OM = Operation and Maintenance Expense

A = Amortization of Deferred Debits or Credits

ND = Amortization of Costs Associated with Natural Disasters

GIO = New Government Imposed Obligations

4.4 Annual Cost of Service Revenue Requirement

GBUC shall file the annual Revenue Requirements for each of the Rate Plan's three (3) years with its Rate Plan proposal based upon the projected cost of service for that year. The Authority will review the proposal to determine the appropriate annual Revenue Requirement for each year of the Rate Plan for the purposes of developing tariffs and assessing the reasonableness of the pattern of changes in the Base Rate for the three (3) years of the Rate Plan. In the event the Authority determines that the pattern of changes in the Base Rate are not in the public interest, it shall, in consultation with GBUC, develop an alternative pattern of Mitigated Rate Changes which better meet the needs of GBUC's customers. For the purpose of determining whether the cost-of-service Revenue Requirements reflect a pattern of rate changes that is in the public interest, the Authority will consider the trend in rate changes over the term of the Rate Plan, the differences in rate changes from year to year, and the effect on GBUC and its customers of adopting the Mitigated Rate Changes. The Authority will employ GBUC's WACC when developing the alternate water price paths associated with Mitigated Rate Changes and the present value of GBUC's Revenue Requirement, as determined by the Authority, over the three years of the Rate Plan will not be affected by such a determination.

GBUC may employ Regulatory Accounting principles to enable it to establish a deferred debit or credit to reflect the effect of any deferred revenues which are created by Mitigated Rate Changes and this amount will be reflected in the determination of GBUC's earned return on Rate Base pursuant to the requirements of the Earnings Sharing Mechanism. All deferred items will be recorded as a regulatory asset or liability on the balance sheet and current income will be adjusted accordingly to reflect the elimination of the expense or income.

4.5 Development of Rate Plan Base Rate Revenue Requirements: Historic Test Year

The Historic Test Year will reflect audited results for the calendar year immediately prior to the year in which GBUC files a rate application. GBUC will present actual financial results for the Historic Test Period and then adjust those results to reflect conditions that would occur during a normal year as well as any adjustments warranted from new investments or other changes anticipated over the next three years that would be considered normal and ongoing. Specifically, unexpected events that are not anticipated to continue in the future would be normalized out of the financial results and events that are typically expected to occur, but did not, would be normalized

into the financial results. The normalized Historic Test Year results for the cost of service form the basis from which GBUC's Rate Plan Revenue Requirements are developed through the processes set out below.

4.6 Projected Rate Year

Each Rate Plan will have projected Rate Years with specific cost of service projections for each Rate Year. Except for GBUC's Initial Rate Plan, all subsequent Rate Plans will commence on December 1 and have a term of three (3) years.

4.7 Projected Rate Base

The projected Rate Base employed to develop GBUC's Revenue Requirement will reflect the balances of net plant, AFUDC, Working Capital, and deferred costs or deferred credits expected for each projected rate year.

- (a) **Net Plant.** The net plant balance in the projected Rate Base for the first year of the Rate Plan will be determined by adjusting the Rate Base for the Historic Test Year by the levels of depreciation, capital additions, AFUDC, plant retirements, and salvage expected to occur between the end of the Historical Test Period and the end of the Rate Plan's first year. The projected net plant balances in the Rate Base for second and third year of the Rate Plan will be determined by adjusting the Rate Base for the period projected Rate Year to reflect levels of depreciation, capital additions, AFUDC, and retirements expected to occur between the end of the previous projected Rate Year and the end of the current projected Rate Year. GBUC's capital expenditures forecast at the time of the rate application will form the basis for all projections of new projects and investments employed to establish Rate Base, the Revenue Requirement and water tariffs during the term of the Rate Plan.
- (b) **Construction Expenditure Categories.** For the purpose of developing net plant balances for each of the projected Rate Years GBUC shall provide supporting construction budgets. Projects that are budgeted at a cost more than \$1.0 million in a Rate Year (hereinafter "Category 1 Projects"), will be presented in detail with all items projected to cost \$500,000 or greater specifically identified. Projects that are budgeted at a cost between \$500,000 and \$1 million in the next Rate Year (hereinafter "Category 2 Projects"), will be presented in detail with all items projected to cost \$300,000 or greater specifically noted. Projects that are budgeted at a cost less than \$300,000 in the Rate Year (hereinafter "Category 3 Projects") may be grouped by general subject area.
- (c) **Construction Expenditure Review.** The construction budget estimates employed to develop the Rate Base will reflect GBUC's best estimate of its capital needs at the time each Rate Plan is developed and be based on GBUC's most recent five (5) year forecast of capital expenditures.

Because GBUC's actual capital expenditures may change over time, GBUC shall submit annual construction budgets prior to the start of the second and third Rate Years in all Rate Plans pursuant to the provisions of this Section and meet with the Authority, at its request,

to discuss elements of the construction budget. This requirement is intended to provide the Authority a timely understanding of changes in GBUC's construction budget and will have no impact on the level of GBUC's tariffs during the Rate Plan. To facilitate the Authority's review of GBUC's construction activities, GBUC shall maintain detailed records of all construction budget estimates and actual expenditures for all projects for each Rate Year.

- (d) **Working Capital.** Working capital is required to provide GBUC sufficient cash on hand to meet ongoing expenses. The level of Working Capital included in the projected Rate Base for each year of the Rate Plan will reflect GBUC's best assessment of the average amount of funds needed to meet day-to-day operational needs in a given Rate Year. The starting point for the estimated level of working capital will be the current assets net of the current liabilities, excluding debt and customer deposits, which will be included in the capital structure in determining the WACC.
- (e) **Deferred Credits and Debits.** The balance of deferred costs or deferred credits in the projected Rate Base for the first year of the Rate Plan will be determined by GBUC by adjusting the deferral balance during the Historic Test Year for known events affecting that balance, including the amortization and tariff recognition of deferred costs or credits as well as projected events expected to occur between the end of the Historic Test Year and the end first Rate Year. These projected events include but are not limited to GBUC's best estimate of its earnings results for the third-Rate Year pursuant to the terms of the Earnings Sharing Mechanism. In the event that the Earnings Sharing Mechanism produces an actual debit or credit for the third-Rate Year that differs from the amount assumed when rates are developed for a subsequent Rate Plan, GBUC will defer the difference for future rate recognition. The balance of deferred costs or deferred credits for the second and third year of the Rate Plan will be determined based on a forecast of changes in the deferral balance as the result of the amortization rates established in the Rate Plan for the deferral balance.
- (f) **Projected Rate Base: Average Balance and AFUDC.** The Rate Base employed to establish the cost of service in each projected Rate Year will be the average of the beginning and ending balances for each of the three years. GBUC will employ the WACC to determine the level of AFUDC in all Rate Years by applying one twelfth of the WACC to the CWIP balance at the end of each month.

4.8 Operations and Maintenance Expense

Operations and Maintenance Expense for the first year of the Rate Plan will be determined by adjusting the normalized level of Operations and Maintenance Expense in the Historic Test Year by expected escalation rates in Operations and Maintenance Expense and any new or modified programmatic initiatives that are expected to occur between the end of the Historic Test Year and the end of the Rate Plan's first year. The projected level of Operations and Maintenance Expense for the second and third years of the Rate Plan will be determined by adjusting Operations and Maintenance Expense by escalation rates and new or modified programmatic changes expected to occur between the end of the previous projected Rate Year and the end of the current projected Rate Year.

4.9 WACC

The WACC for the Initial Rate Plan will be established at 9.20%. The WACC in future Rate Plans will be determined by the actual borrowing costs associated with debt held by GBUC, actual interest payments made on customer deposits and a market-based return on equity using accepted regulatory methods from regulatory proceedings in the United States, adjusted for Bahamian country risk and company size.

4.10 Costs Associated with a Natural Disaster

Until such time as the Authority and GBUC have established the HCRSA, any incremental costs incurred by GBUC in connection with a Natural Disaster which are not covered by insurance will be quantified by GBUC and submitted to the Authority. The Authority shall review and (i) approve or (ii) propose amendments to such costs. Upon final determination and approval of the amount of such costs, GBUC shall commence amortization of the costs over a five (5) year period beginning at the start of the next calendar year or at such later time as GBUC and Authority may agree. GBUC's Revenue Requirement and tariffs will be adjusted at that time to reflect the deferred costs and amortization arising from the Natural Disaster.

4.11 Government Imposed Costs

The Revenue Requirement established for each year of the Rate Plan shall reflect any Government Imposed Obligations known by GBUC at the time of the filing of the Rate Plan; provided, however, the Revenue Requirement for each Rate Year of the Rate Plan will not include any costs incurred by GBUC as a result of the violation of any laws or regulations by GBUC. Any costs or expenses incurred directly or indirectly by GBUC as a result of any Government Imposed Obligations arising after the filing of the Rate Plan that are not reflected in the Rate Plan's Revenue Requirements shall be included in the rates and charges of GBUC provided that the annualized value of the Government Imposed Obligations imposed exceed \$100,000. GBUC shall submit to the Authority information in the form presented in Schedule D in respect of any such costs. The Authority shall review and (i) approve or (ii) propose amendments to such costs. Tariffs reflecting incremental Government Imposed Obligations shall become effective thirty (30) days after such information is filed with the Authority ("Review Period"), or thirty (30) days after the implementation of the Government imposed obligation whichever is the later, unless the Authority advises GBUC in writing within the Review Period that it requires additional time to review the information. In the event that the Authority advises GBUC that additional time is required beyond the Review Period to review the information, any new tariff that is established to reflect incremental Government Imposed Obligations shall provide GBUC a carrying charge at the WACC on the accumulated value of the unrecovered obligation commencing upon the expiry of the Review Period. The Company and the Authority may establish an alternative effective date for tariff changes associated with this provision upon mutual agreement.

4.12 Cost of Service and Rate Design

The changes in rates over the term of the Initial Rate Plan approved under this Agreement will be governed by GBUC's existing rate design at that time. GBUC will perform a cost-of-service study

prior to and in support of its second Rate Plan filing. Future cost of service studies will be performed not less than once every six (6) years and the most recent study will be provided as part of all subsequent Rate Plan filings.

4.13 Rate Plan Components and Procedures

Each Rate Plan shall provide GBUC an economic incentive to operate in an efficient manner, provide reliable water service, and maintain the quality of customer service while also providing it with a reasonable opportunity to earn its allowed WACC. To facilitate these objectives, each Rate Plan shall provide for Government Imposed Obligations, and costs associated with natural disasters. Each Rate Plan shall also contain earnings sharing provisions and performance metrics related to plant efficiency, water leaks, service reliability and customer service.

4.14 Earnings Sharing Provisions: General Mechanics

The Revenue Requirements and tariffs established for each year of the Rate Plan will provide GBUC a reasonable opportunity to earn the approved WACC. Each Rate Plan will contain an Earnings Sharing Mechanism. The Earnings Sharing Mechanism will not guarantee that GBUC earns the allowed WACC but will provide GBUC cost control and efficiency incentives that inure to the benefit of GBUC ratepayers and investors. The Earnings Sharing Mechanism will also protect the interests of ratepayers and investors should GBUC's actual costs substantially deviate from the level of costs approved in GBUC's Revenue Requirement and underlying tariffs. To facilitate these objectives GBUC will, within forty-five (45) days of the close of each projected Rate Year, provide to the Authority a calculation of the earned return on Rate Base for the prior projected Rate Year, in the manner set out in Schedule E attached hereto. An earnings sharing threshold of 100 Basis Points will be applied to the WACC employed when developing GBUC's Revenue Requirement for that Rate Year, in order to evaluate GBUC's actual financial performance. To the extent that the actual earned return on Rate Base exceeds the WACC employed to develop GBUC's forecast Revenue Requirement by the 100 Basis Points earnings sharing threshold, GBUC will reserve for future rate recognition 50 percent of this difference above the threshold. To the extent the actual earned WACC is below the WACC employed to develop GBUC's Revenue Requirement by the 100 Basis Points earnings sharing threshold, GBUC will reserve for future rate recognition 50 percent of this difference below the threshold. As provided for herein, Mitigated Rate Changes will result in deferred debits or credits related to the revised pattern of revenue collections. Such debits and credits and their associated amortization will be reflected in the determination of GBUC's level of Rate Base and earning thereon.

- (a) **Rate Year Three Results.** GBUC will develop cost projections for subsequent Rate Plans based upon its best estimate of its Earnings Sharing Mechanism results for the third-Rate Year of its current Rate Plan. In the event that the Earnings Sharing Mechanism produces an actual debit or credit for the third-Rate Year that differs from the amount assumed when rates are developed for a subsequent Rate Plan, GBUC will defer the difference for future recovery from or refunds to customers.
- (b) **Treatment of Debits and Credits during the Rate Plan.** Credits and debits deferred under the Earnings Sharing Mechanism, or any other procedures established hereunder will

be netted against each other and the difference will accumulate interest at the WACC. Credit and debit amounts established pursuant to this section will be included in the level of Rate Base for the purpose of determining the earned return on Rate Base in future Earnings Sharing Mechanism calculations during the remaining years of a Rate Plan. Credits established under the Earnings Sharing Mechanism may also be applied to offset current or expected future liabilities including costs associated with Force Majeure events.

- (c) **Construction Program Review.** GBUC will, as part of its annual Earnings Sharing Mechanism filing, provide a comparison of its actual capital spending to the level of capital spending assumed in the five-year capital forecast employed to develop the Rate Base. The comparison will contain cost and project information that is consistent with the requirements set out in Schedule C attached hereto. All prudent capital expenditures will be included in future Rate Plans.
- (d) **Future Treatment of Amounts Established Pursuant to Earnings Sharing Mechanism.** The accumulated deferred cost or credit that is established as a result of the mechanics of the Earnings Sharing Mechanism will be reflected as an amortization in GBUC's Revenue Requirement over the term of its next immediate Rate Plan. To the extent that the Authority determines pursuant to the provisions of this Section that the pattern of rate changes produced by cost of service-based Revenue Requirements is not in the public interest, the amortization of such deferred costs or credits may be modified provided, however, that the accumulated balance assumed at the beginning of the Rate Plan is eliminated by the conclusion of the Rate Plan. If the Authority in its discretion determines that the impact on Revenue Requirements and tariffs of extinguishing the deferred cost or credit over the term of the next Rate Plan would produce a temporary and significant rate change, it may, in consultation with GBUC lengthen the amortization period for the deferred cost or credit for the purpose of mitigating the overall level of rates during the term of the next Rate Plan.

4.17 Hurricane Cost Rate Stabilization Account

GBUC and the Authority shall use reasonable efforts to establish a hurricane cost rate stabilization account ("HCRSA") and policy designed to permit GBUC to recover in its water rates all costs incurred by GBUC to repair damage to the distributing Facilities, the System or any other assets of GBUC caused by or arising from a Natural Disaster which costs are not otherwise recoverable through insurance. The HCRSA shall be funded by an annual charge ("HCRSA Charge") in GBUC's Revenue Requirement. This HCRSA Charge will be immediately suspended by GBUC once the HCRSA reaches an agreed upon financial threshold and in the event the balance of the funds HCRSA falls below such threshold.

SECTION 5: STANDARDS FOR WATER QUALITY TESTING

5.1 Water Quality Standards

In accordance with the Freeport Byelaws, GBUC is required to comply with the drinking water

quality standards provided by the World Health Organization (“WHO”).

For ease of reference, the following items are some of primary parameters and guidelines of concern during sampling exercises.

Water Quality Parameter	World Health Organization Guidelines
pH	6.5 - 8.5 pH units
Colour (True)	0 TCU
Odour	Not offensive
Turbidity	5 NTU
Iron	0.3 mg/L
Sum of Ions	1000 mg/L
Total Dissolved Solids	<1000 mg/L
Total Coliforms	0 CFU/100 ml
Fecal Coliforms	0 CFU/100 ml

GBUC as the sole provider of water from ground water resources to the island of Grand Bahama, is expected to monitor and conform to testing protocols of:

- Influent of water;
- Effluent of water;
- Source of water (fresh or brackish water supply); and
- Testing standards and results of parameters within the following frequency: daily, monthly, and quarterly, GBUC shall perform daily testing of the water supply, for the following parameters: Conductivity, Salinity, Total Dissolved Solids (TDS), and Temperature.
- Daily testing shall be done from the following sources: (i) water supply output from all well field stations; (ii) water supply output from randomly selected residential/commercial locations. Testing shall be performed using rapid analysis for short hold methods. Evidence of equipment calibration shall be submitted to the Environmental Department bi-annually.

Additionally, GBUC will perform independent water quality sampling and analysis on a monthly and quarterly basis using a certified independent laboratory. Testing will be done on the below listed parameters from the well field stations:

Monthly –Conductivity, Total Dissolved Solids (TDS), Salinity.

Quarterly – such as Turbidity, Alkalinity, Chloride, Color, pH, Sulphide, TDS and other standard water parameters related to Wet Chemistry, Metals, Total Recoverable Metals and Microbiology.

SECTION 6: REGULATORY OVERSIGHT

6.1 Reporting Requirements

GBUC shall be expected to provide the Regulator reports from its scheduled monthly and quarterly sampling and water quality analysis. The regulator shall also be provided with annual confirmation

of the independent certified testing facility utilized and methods used for the analysis of water samples.

The abovementioned reports should be provided to the Regulator within the first ten (10) days of the following month, for the monthly testing and the first ten (10) days of the last month of each quarter, for the quarterly testing, in an agreed electronic format. Formal reports will not be required of the daily internal tests by GBUC. However, random inspections of the daily records may be executed, without notice to GBUC.

In the event of a natural disaster, emergencies, or unforeseen circumstances, the Regulator reserves the right to require increased frequency of sampling and testing. Should such an occurrence happen, the Regulator shall submit to GBUC a written notice outlining the increased frequency of reporting and the time frame for the same.

If quality of water is compromised or impacted as a result of an emergency or unforeseen circumstance, GBUC must file a report to the Regulator within twenty-four (24) hours, stating the issue, findings of the investigations and strategies to rectify the issue. It is required that GBUC will maintain appropriate memorandums of understanding with local contractors and laboratory services to conduct required works to rectify an issue and perform emergency testing of water, as set forth by the WHO drinking water quality standards.

If services or quality of water is interrupted or impacted as a result of a natural disaster, within forty-eight (48) hours GBUC shall be required to provide a rapid assessment following the passage of the disaster, of the impact firstly to infrastructure/ground water resources, and then within seven (7) days of the rapid assessment, a more detailed written assessment of the damages sustained to its infrastructure that may impact the quality and quantity of water supply. GBUC shall also submit a proposed incident response plan on proposed strategies to address the impacts. Such impacts, depending on the extent of damage may result in certain wellfields losing its potability status. Resumption of certification of potability may only be regained after a minimum of a month of consistent results in compliance with the WHO water quality standards. Declaration of potability may be achieved after the Regulator officially receives the application for potability and a month's cross section of analysis for review. Where there is a Reverse Osmosis system in place and the water is tested by a recognized independent body of all the necessary parameters to ensure public health, the declaration may be made sooner at the discretion of the Regulator. Once the review is satisfactory the declaration will be made within a minimum period of seven (7) days.

6.2 Regulatory Monitoring/Audits

The Regulator will perform bi-annual monitoring audits of GBUC facilities, which will include its wellfields and distribution tank stations. A notice of the audit will be provided a minimum of two weeks before the proposed audit. It will be expected that a GBUC representative accompanies the BDS Environmental representative during the audits. The audits will facilitate a comprehensive inspection of GBUC's infrastructure, operational protocols, physical environment and housekeeping practices. A report of the audit will be generated for GBUC, and a response will be required, of acknowledgement and of any corrective actions to be taken, if necessary, within four (4) weeks following the audit.

The Regulator will also perform random monitoring of GBUC daily water sampling and testing, which is expected to be executed with no more than 12 – 24 hours’ notice.

SECTION 7: INFRASTRUCTURAL UPGRADES AND INTEGRATION OF TECHNOLOGY

7.1 Technology

GBUC shall provide the Regulator on an annual basis with written documentation of proposed short and long-term capital project plans, which may entail the:

- Installation of new Best Available Technologies for the improvement of water quality provision and safety;
- Implementation of measures/technologies to address matters of production rate in accordance with the overall anticipated growth of the population or capacity demand on the island of Grand Bahama; and
- Implementation of resiliency measures for increased sustainability, as it relates to any and all cases of natural disasters.

GBUC shall provide the Regulator with the details of any proposed new water supply system, where existing supplies will need to be augmented naturally or mechanically with the use of more climate-resilient technologies and processes. GBUC shall provide details which include characterization of the source, identification of potential pollution sources, measures for resource and source protection, treatment processes, storage and mechanisms for distribution (including piped and non-piped systems).

The following details of natural and mechanical systems shall be provided with:

Location with GPS tags	Pumping rate of water in wells
Quantity of Wells	Mechanical specifications
Depth of wells	Volume of Production
Diameter of wells	Effluent Characteristics
Bore of hole	Other appropriate data as specified.
The intended use of the well	

Prior to commissioning a new drinking-water supply or system, a wider range of analyses should be carried out, including parameters identified as potentially being present from a review of data from similar supplies or from a risk assessment of the source. Depending on the extent of the new system an Environmental Statement may be requested from the Regulator and the specific Terms of Reference outlined for the development of the document.

During the commissioning of water source supplies, GBUC is required to provide a notice to the Building and Development Services Department of the Grand Bahama Port Authority.

GBUC Infrastructure Maintenance

Frequent facility and equipment maintenance must be adhered to, and the information must be provided to the Regulator as an Annual Maintenance Report which will be examined during the bi-annual audits conducted by the Environmental Department of the GBPA.

It is recommended that equipment be maintained:

Annual Preventative Maintenance Plan

When maintenance is required as the result of damages or malfunction of equipment; or
As recommended by the equipment manufacturer.

The GBUC shall provide the Regulator an equipment maintenance/improvement plan on an annual basis which would incorporate a review of existing and potential methods, means, equipment, and technologies (including review of availability, and efficacy of such methods, means, equipment, and technologies) that:

- i. ensure the physical integrity of water systems;
- ii. are intelligent systems, including hardware, software, or other technology, used to assist in protection, detection and prevention of loss of water sources and supplies;
- iii. are used for corrosion protection, metering, leak detection, or protection against water loss;
- iv. allow for use of alternate drinking water supplies from nontraditional sources, including physical separation and chemical and biological transformation technologies;
- v. facilitate source water assessment and protection; and
- vi. are physical or electronic systems that monitor, or assist in monitoring, contaminants in drinking water in real-time.

When new systems are incorporated into the system, it is expected and required that an Environmental Statement be provided to the Environmental Department of the Building and Development Services Department of the GBPA by GBUC, for review and approval to ensure compliance with the relevant regulations and building codes (i.e., The Bahamas Building and Sanitary Codes).

SECTION 8: PROTECTION OF GROUND WATER RESOURCES

8.1 Ground Water

GBUC shall advise the Regulator of any areas recommended for preservation in an effort to protect the natural ground water resource or of any developmental concerns in and around potable water supply wells and/or protected well field areas:

Concerns may be based on, and not limited to:

- i. Saltwater intrusion
- ii. Over pumping by extraction of freshwater resources;

- iii. Agricultural use and applications of pesticides and other chemicals;
- iv. Disposal of waste as a result of Industrialization and Urbanization;
- v. Habitat degradation and indiscriminate dumping; and
- vi. Extractive operations such as mining.

The aforementioned activities will be prohibited by the Regulator from occurring within a 300 feet buffer zone of a Designated Protected Well Field Area.

Additionally, once GBUC identifies potable water supply wells and advises the Regulator of the same, the Regulator will evaluate the acceptability of the following activities within 50 feet:

- i. disposal wells;
- ii. unpermitted extraction of groundwater;
- iii. activities which interfere with groundwater flow such as quarrying and gravel extraction;
- iv. stockpiling of animal wastes;
- v. wastewater lagoons and pits;
- vi. disposal of toxic chemicals, industrial sludge, and radioactive materials;
- vii. bulk fertilizer storage for agriculture and commercial uses which are prohibited unless they are within a completely enclosed structure which will prevent any seepage and runoff;
- viii. underground storage tanks and pipelines for hazardous substances;
- ix. grade and fill sites;
- x. hazardous waste facility and/or hazardous waste processing facility;
- xi. cleaning of metals with solvents;
- xii. repair or maintenance of internal combustion engines; and
- xiii. landfills comprised of demolition debris, salvage yards and junkyards
- xiv. Potable water supply wells that fall within the footprint of a large-scale development may require relocation, abandonment and/or repurposing.

Permitting Private Wells

In accordance with the Freeport (Water Preservation) Bye-laws, applications for a private well for the purpose of abstracting underground water may be made with the Building and Development Services Department (BDS).

Applications for private wells may be considered if: 1) public water supply does not exist; 2) available public water supply is insufficient or 3) if public water supply does not meet the needs of the applicant. Applications for private well supplies will be reviewed by a technical panel of representatives of BDS and GBUC. The Regulator reserves the right to reject the applications, if public health and environmental concerns exist. If permission is granted the applicant will be advised in writing, by the issuance of a well permit, which will state the specified period of time for use (not exceeding five years), the requirements for construction, the requirements for operation and the requirements for monitoring and testing. All approved wells must be metered.

Any well that is not permitted is considered an illegal well.

During a decommissioning or well abandonment exercise of water source supplies, GBUC shall advise BDS of such an activity for the necessary guidance to ensure code compliance.

SECTION 9: PERFORMANCE TARGETS AND BENCHMARKS

In an effort to secure continued improvements in the GBUC's efficiency and overall performance, the following performance targets have been established by the Port Authority.

9.1 Operational

- (a) **Unaccounted for Water (UFW)**
GBUC shall ensure that within a Two (2) year period UFW is no greater than 45%.
- (b) **Inactive Accounts**
All disconnected (inactive) accounts that have not been legitimately reconnected should be revisited within thirty (30) days of being disconnected and actions taken to ensure that these customers are not illegally reconnected.
- (c) **Functioning Meters**
GBUC must have at least 90% of accounts with functioning meters by December 2023. These would include customers that are on record with active and temporarily inactive accounts.

9.2 Customer Service

- (a) **Billing Related Complaints**
Billing complaints where the utility is at fault, should be no more than 5% of total bills.
- (b) **Meter Reading**
Meters should be read at least every month and 97% of meters should be read in each billing cycle.

SECTION 10: GENERAL

10.1 Communications

All notices, requests, and other communications required or permitted hereunder shall be in writing and delivered by hand (against receipt), sent by courier, or transmitted electronically by email with delivery receipt confirmation activated only and addressed to the other party as follows:

To the Authority:

The Grand Bahama Port Authority, Limited
Grand Bahama Port Authority Headquarters Building,
East Mall Drive & Pioneers Way
Freeport, Grand Bahama

Attention: Ian B. A. Rolle
Email: iroлле@gbpa.com

With copy to: Karla S. McIntosh
Email: kmcintosh@gbpa.com

To GBUC:

The Grand Bahama Utility Company Limited
The Lucayan Building
East Mall Drive & Pioneers Way
Freeport, Grand Bahama

Attention: Philcher Grant-Adderley
Email: pgrant@gbpa.com

With copy to: Hadassah A. Swain
Email: hswain@gbpa.com

Or to such other address or addresses as the Parties may designate in writing from time to time, provided that notice of change of address shall never be effective until actually received.

10.2 Amendment

This Agreement may only be amended in writing signed by duly authorized signatories of each of the Parties hereto.

10.3 Assignment

This Agreement shall not be assigned, in whole or in part, by either Party without the prior written consent of the other Party.

10.4 Independent Legal Advice

Each Party to this Agreement acknowledges that it has obtained independent legal advice and is not relying on legal advice provided by the other Party's internal or external legal counsel in entering into this Agreement or any Agreements ancillary hereto.

10.5 Third Party Beneficiaries

This Agreement is intended to be solely for the benefit of the Parties and their respective successors and permitted assigns and is not intended to and shall not confer any rights or benefits on any Person not a signatory hereto.

10.6 Severability

If any of the provisions of this Agreement is found by an arbitrator or other competent authority to be void or unenforceable, such provision shall be deemed to be deleted from this Agreement and the remaining provisions of this Agreement shall continue to be of full force and effect, Notwithstanding the foregoing the Parties shall thereupon negotiate in good faith in order to agree terms of mutually satisfactory provisions to be substituted for the provisions so found to be void or unenforceable.

10.7 Governing Law and Jurisdiction

The rights and obligations of the Parties under or pursuant to this Agreement shall be governed and construed in accordance with the laws of The Commonwealth of The Bahamas and the Parties hereto agree to submit to the exclusive jurisdiction of the courts of The Commonwealth of The Bahamas.

10.8 Due Authorization

Each of the Parties hereby represents and warrants that it has the power and authority to enter into this Agreement and to perform all of its obligations hereunder.

10.9 Execution

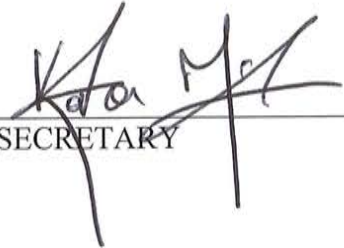
This Agreement may be executed and delivered by the Parties in one or more counterparts, each of which when so executed and delivered shall be an original, and those counterparts shall together constitute one and the same instrument. Delivery of the Agreement by facsimile, email or functionally equivalent electronic transmission constitutes valid and effective delivery.

IN WITNESS WHEREOF the Authority has caused its Common Seal to be affixed hereto the date first above written.



PRESIDENT

The Common Seal of **THE GRAND BAHAMA PORT AUTHORITY, LIMITED** was affixed hereto by **IAN B. A. ROLLE** the President of the said Company and the said **IAN B. A. ROLLE** subscribed his signature hereto in the presence of:



SECRETARY

IN WITNESS WHEREOF GBUC has caused its Common Seal to be affixed hereto the date first above written.



PHILCHER GRANT-ADDERLEY

The Common Seal of **THE GRAND BAHAMA UTILITY COMPANY LIMITED** was affixed hereto by **PHILCHER GRANT-ADDERLEY**, the Chief Operating Officer of the said Company pursuant to a Resolution of the Board of Directors of the said company dated the 30th day of March, A.D., 2023 and the said **PHILCHER GRANT-ADDERLEY** subscribed her signature hereto in the presence of:-



ASSISTANT SECRETARY

**Schedule A
Revenue Requirement**

Line	COMPONENT	Note / Calculation
1	OM Expenses	a
2	Depreciation Expenses	b
3	Amortization of Deferred Debits & Credits	c
4	Amortization of Natural Disasters	d
5	Return on Rate Base	Line 23 x 25
6	Total Base Revenue Requirement	Lines 1 + 2 + 3 + 4 + 5
7	Proposed HCRSA Funding	e
8	Total Required Revenues	Line 6 + 7
9		
10	FORECAST OPERATING REVENUES	
11	Base Revenues	f
12	HCRSA Charges	Line 7
13	Total Forecast Revenues	Line 11 + 12
14		
15	BASE REVENUE SHORTFALL/(SURPLUS)	Line 6 - 11
16		
17	BASE RATE INCREASE/(DECREASE) NEEDED	Line 15 / 11
18		
19	RATE BASE	
20	Average Net Plant Balance	g
21	Working Capital Allowance	h
22	Deferred Debits/(Credits)	i
23	Total Rate Base	Line 19 + 20 + 21
24		
25	WACC	j

Notes	
a	Forecast OM expenses based on the adjusted test year
b	Forecast depreciation expense based on the adjusted test year plant balance and forecast capital additions
c	Forecast amortization expense based on the adjusted test year deferred debits and credits and proposed amortization thereof
d	Forecast amortization of unrecovered natural disaster recovery expense balance and proposed amortization thereof

e	Proposed funding of HCRSA Fund
f	Forecasted Base Revenues with the Tariff in place
g	Forecast Average Net Plant Balance based on the adjusted test year and proposed capital additions and depreciation expense
h	Proposed working capital allowance based on adjusted test year and forecast business requirements
i	Forecast Average Net Deferred Debit Balance based on the adjusted test year and proposed level of amortizations
j	Proposed weighted average cost of capital (initially set at 9.2%) but in the future based on forecasted mix of equity, debt and customer deposits and forecast market return values

Schedule B
Projected Capital Spending by Category

CATEGORY 1 CAPITAL PROJECTS	YEAR	DESCRIPTION
List each project with an annual cost over \$1 million. Provide a description of the project including the anticipated in-service date. Under each project list all items with annual cost of over \$500 thousand. Provide a description of those items.		
CATEGORY 2 CAPITAL PROJECTS	YEAR	DESCRIPTION
List each project with an annual cost between \$500 thousand and \$1 million. Provide a description of the project including the anticipated in-service date. Under each project list all items with an annual cost of over \$300 thousand. Provide a description of those items.		
CATEGORY 3 CAPITAL PROJECTS	YEAR	DESCRIPTION
Provide a listing by category of all capital projects with an annual cost of less than \$300 thousand. Provide a description of the project category and the expected duration of most projects in this category.		

Schedule C
Incremental Government Imposed Obligations

GBUC shall be entitled to recover all costs associated with existing and new Government Imposed Obligations. Existing Government Imposed Obligations shall be included in the GBUC revenue requirement as part of Operations and Maintenance Expense. If the Government imposes any additional obligations on GBUC, GBUC shall submit information to the Authority which addresses the following subject areas:

1. A description of the Government Imposed Obligation(s).
2. An explanation of why the Government Imposed Obligation(s) was not reflected in the current Revenue Requirement for GBUC.
3. A qualification of the value of the Government Imposed Obligation(s) on an annual basis showing that the Obligation(s) will in total exceed \$100,000.
4. A description of how and when GBUC will adjust its tariffs to collect this incremental cost from its customers.

Schedule D
Earnings Sharing Mechanism

Line	ESM Calculation	Note / Calculation
1	Actual Earnings Supporting Rate Base	Line 15
2	Actual Average Rate Base	Line 19
3	Return on Rate Base (RORB)	Line 1 / Line 2
4	WACC	a
5	Variance in Return	Line 3 - Line 4
6	Three Possibilities	
7	i) If Absolute Value of Line 5 is less than 100 basis points, no ESM Credit or ESM Debit'	NA
8	ii) if line 5 is greater than 100 basis points, then ESM Credit calculated as follows	Line 2 x (Line 3 - 1.00%)
9	ii)if line 5 is less than minus 100 basis points, then ESM Debit calculated as follows	Line 2 x (Line 3 + 1.00%)

Line	Earning Supporting Rate Base	Note / Calculation
10	Actual Base Revenue	b
11	OM Expenses	c
12	Depreciation Expenses	d
13	Amortization of Deferred Debits & Credits	e
14	Amortization of Natural Disasters	f
15	Earning Supporting Rate Base	Line 10 less Sum of Lines 11 through 14

Line	Rate Base	Note / Calculation
16	Average Net Plant Balance	g
17	Working Capital Allowance	h
18	Deferred Debits/(Credits)	i
19	Total Rate Base	Sum of Lines 16 through 18

Notes	
a	Approved Weighted Average Cost of Capital for the year (WACC)
b	Actual base operating revenues for the year
c	Actual operations, maintenance and administrative expense for the year

d	Actual depreciation expense for the year
e	Actual amortization Expense/(Credits) for the year
f	Actual amortization of unrecovered natural disaster recovery expenses for the year
g	13-month Average Net Plant Balance (Dec 31 to Dec 31) for the year
h	Actual 13-month Average Working Capital Balance (Dec 31 to Dec 31) for the year
i	Actual 13-month Average Net Deferred Debit/(Credit) Balance (Dec 31 to Dec 31) for the year

Schedule E
Filing Requirements

Annual Reporting

Item	Description
1. Audited Financial Statements	GBUC Audited financial statements
2. Statement of Operating & Maintenance Expenses by Department	A breakdown of the expenses line items in the audited financials to the various cost components
3. Fixed Asset Summary	A reconciliation of additions and reductions to fixed assets and accumulated depreciation by asset class
4. Regulatory Asset Summary	A reconciliation of the change in the balances for the year
5. Annual Return on Rate Base	A calculation showing GBUC actual return on rate base
6. Accounts Receivable Summary	Breakdown of A/R by aging bucket and a reconciliation of the bad debt expense.
7. Details of Annual Maintenance Schedule on major water and sewerage systems and infrastructure	A breakdown of the maintenance plan and schedule to the infrastructure system

Quarterly Reporting

Item	Description
1. Sales & Revenue summary	A summary by month of sales revenue by customer class for the quarter and year to date.
2. Standards of Service Report	A report detailing GBUC performance against target for its Guaranteed and Overall Standards for the quarter and year to date as set out in Appendix A attached hereto.
3. Reports on water quality testing	Reports on water quality testing at both source and distribution points

Monthly Reporting

Item	Description
1. Monthly production of water	A reconciliation of water indicating actual and estimated readings.
2. Non-Revenue Water	A breakdown of Unaccounted for water as: <ul style="list-style-type: none"> - Leaks - System use - Under estimation of consumption - Under registration of meters - Theft - Illegal wells

Major Outage Report

Item	Description
1. Major Interruption Report	Within 24 hours of a major interruption, a report will be filed with the Authority. A major interruption is defined as one where GBUC loses the ability to produce water from any water plant on the island or a tank drops below critical levels

APPENDIX A
Guaranteed and Overall Standards
Guaranteed Standards

These are minimum standards, which GBUC are committed to achieving. If GBUC fails to meet any of these, affected customers can make a claim for a credit. On acceptance of the claim, the customer's water account will be credited with the amount of the credit stipulated.

Standard	Description	Target	Credit	
GS 01	New services connected with existing infrastructure	Within 3 working days.	Residential	\$15.00
			Commercial	\$30.00
			Large	\$75.00
GS 02	Responding to customer complaints, customer generated work orders, billing and payment queries.	Within 21 working days where required.	Residential	\$15.00
			Commercial	\$30.00
			Large	\$75.00
GS 03	Reconnection of disconnected accounts	Within 1 working day after payment of the bill, incl. payment of the reconnection fee.	Residential	\$15.00
			Commercial	\$30.00
			Large	\$75.00
GS 04	Meters repaired or replaced after being informed of defect	Substantive response and action (including meter change if necessary) – within 30 working days.	Residential	\$15.00
			Commercial	\$30.00
			Large	\$75.00

Overall Standards

These do not have any direct penalties associated with them but will be monitored by the Regulator, along with other reliability indices and industry standards, to ensure that the desired level of service is provided to customers.

OS01	Frequency of meter reading	a) 97% of all customers monthly
OS02	Meter testing to ensure that the company makes every effort to ensure that the accuracy of revenue meters are compliant with standards and, consequently, customers water consumptions are accurately measured/ (Frequency of meter testing)	<p>Meter tests for accuracy and compliance with standards are to be done annually as follows:</p> <p>(a) 5 percent of all large commercial meters</p> <p>(b) 1 percent of all other meters – such that each meter is tested once its economic life.</p> <p>(c) 100 percent of all noncompliant meters are to be replaced.</p>

Exemptions

General Exemptions

Under certain conditions, the Company may be unable to meet the standards due to circumstances outside its control. These conditions may include but not limited to Force Majeure or Catastrophic Failure or extreme weather events, breakdown of machinery or equipment, or any other force or cause of similar nature not within the control of the Company, which by the exercise it is unable to avoid, prevent or mitigate.

Other Exemptions and Conditions and/or Situations which might fall into this category may include, but are not limited to, the following:

- Inability to gain access to premises or the Company's facilities where needed.
- Where the customer's installation does not meet the Company's requirements for installation or is considered unfit for service.
- Where the customer or his/her agent fails to fulfill his/her obligations
- Where there are legal constraints that may prevent the Company from meeting the Standard.
- Where the customer informs the Company that he/she does not want further action to be taken on a matter.
- Where the customer requests the Company to take action at a later date than required by the Standard.
- Where the Company reasonably considers that the customer's request or complaint is frivolous or vexatious.
- Where an offence had been committed through interference with the Company's metering equipment.
- Where the customer's water account remains unpaid after the Company has given the customer notice of its intention to disconnect his/her supply for non-payment.
- The company is requested by a public authority to provide emergency water supply to assist in emergency action and the provision of such services restricts the connection of a customer to a specified service or the rectification of a fault or service difficulty.
- The customer is required to pay a charge to the Company for connection to the service or for the use of the service and the Company has reasonable grounds to believe, based on the customer's prior debt service record, that the customer would be unwilling or unable to pay the charge as it becomes due.