

SCHEDULE 10

INDEX FACTOR

1. DEFINITIONS

In this Schedule 10, in addition to the definitions set out in Section 1.1 of this Agreement, the following expressions have the following meanings (and, where applicable, their plurals have corresponding meanings):

“**Existing Facilities O&M Index**” has the meaning indicated in Section 3;

“**Existing Facilities O&M Index Factor**” means the index factor for the Existing Facilities O&M Payments, as calculated in accordance with Section 7;

“**Index**” means one or more of the Existing Facilities O&M Index, the Infrastructure O&M Index or the Renewal Index;

“**Index Factor**” means one or more of the Existing Facilities O&M Index Factor, the Infrastructure O&M Index Factor and the Renewal Index Factor;

“**Index Year**” means the twelve-month period beginning on April 1 of a year and ending on March 31 of the following year;

“**Infrastructure O&M Index**” has the meaning indicated in Section 4;

“**Infrastructure O&M Index Factor**” means the index factor for the Infrastructure O&M Payments, as calculated in accordance with Section 7;

“**Renewal Index**” has the meaning indicated in Section 5; and

“**Renewal Index Factor**” means the index factor for the Renewal Payments, as calculated in accordance with Section 7.

2. SPECIFIC PAYMENTS AND ADJUSTMENTS SUBJECT TO INFLATION

In order to account for the impact of inflation or deflation during the Construction Period and the Operating Period, a number of payments and payment adjustments will be subject to an inflation adjustment. The payments and payment adjustments that will be increased or decreased by this inflation adjustment are:

- (a) the Existing Facilities O&M Payments, to be adjusted by the Existing Facilities O&M Index;
- (b) the Infrastructure O&M Payments, to be adjusted by the Infrastructure O&M Index;
- (c) the Renewal Payments, to be adjusted by the Renewal Index; and
- (d) all applicable Payment Adjustments, to be adjusted by the Infrastructure O&M Index.

3. THE EXISTING FACILITIES O&M INDEX

The inflation adjustment for the Existing Facilities O&M Payments will be determined based on the Existing Facilities O&M Index Factor, which is calculated using the existing facilities operations and maintenance price index (the “**Existing Facilities O&M Index**”) set out in Appendix A to this Schedule 10. The Existing Facilities O&M Index will be prepared annually during the Construction Period on an Index Year basis by the City.

4. THE INFRASTRUCTURE O&M INDEX

The inflation adjustment for the Infrastructure O&M Payments will be determined based on the Infrastructure O&M Index Factor, which is calculated using the operations and maintenance price index (the “**Infrastructure O&M Index**”) set out in Appendix A to this Schedule 10. The Infrastructure O&M Index will be prepared annually during the Construction Period and the Operating Period on an Index Year basis by the City.

5. THE RENEWAL INDEX

The inflation adjustment for Renewal Payments will be determined based on the Renewal Index Factor, which is calculated using the renewal price index (the “**Renewal Index**”) set out in Appendix A to this Schedule 10. The Renewal Index will be prepared annually during the Construction Period and the Operating Period on an Index Year basis by the City.

6. INDEX CALCULATION

6.1 Inflation Indices

Each Index will be calculated by the City based on a weighted combination of a number of inflation indices. The inflation indices and the method for calculation of each Index are described in Appendix A to this Schedule 10.

6.2 Replacing Inflation Indices

During the Construction Period or the Operating Period, if any of the inflation indices or data used in the calculation of each Index: (a) cease to exist; (b) are determined on a basis that is different than they were determined as of the date hereof; or (c) no longer reflect, measure or represent what they were intended to reflect, measure or represent, the City and Project Co shall endeavour to agree upon replacements for the indices or data, failing which the matter shall be referred to the Dispute Resolution Procedure.

6.3 Weighting of Inflation Indices within each Index

The weighting of inflation indices used to calculate each Index shall be those weightings specified in Appendix C to this Schedule 10.

6.4 Timing of Index Calculation

The City shall calculate each Index, and subsequently each Index Factor, each year after the published data required for the calculations are available for the upcoming Index Year. Once the City calculates an Index, it will be used in the calculation of each Index Factor as specified in Section 7, to be applied to the corresponding Existing Facilities O&M Payments, Infrastructure O&M Payments and Renewal Payments to be made to Project Co in the upcoming Index Year, and to the Payment Adjustments that may be applied to Project Co in the upcoming Index Year.

7. INDEX FACTOR AND INFLATION ADJUSTMENT

Payment amounts that are subject to an inflation adjustment in accordance with this Schedule 10 will be multiplied by the corresponding Index Factor to arrive at the inflation adjusted values.

For amounts payable in each month of the Index Year “T/T+1” starting April 1 of “Year T”, the applicable Index Factor will be determined as follows:

$$\text{Index Factor (Index Year “T/T+1”)} = \frac{\text{Index (T - 1)}}{\text{Index (2013)}} \text{ (rounded to 3 decimal places)}$$

For example, for amounts payable in the 12 months from April 2020 to March 2021 (Index Year 2020/2021), the applicable Index Factor will be calculated by dividing the O&M Index for Index Year 2019/2020 by the O&M Index for 2013. The Index Factor for the first Index Year (2014/2015) shall be 1.000.

Appendix B to this Schedule 10 illustrates how each Index Factor will be calculated and applied. The base year for the Existing Facilities O&M Index, Infrastructure O&M Index and Renewal Index is 2010 and the value is set at 1.000.

APPENDIX A

INFLATION INDICES

The Existing Facilities O&M Index and Infrastructure O&M Index will be calculated by the City based on a weighted combination of the following inflation areas:

Inflation Area	Inflation Indices Used in Each Inflation Area (O&M)
Labour	<p>Statistics Canada CANSIM Table 281-0039 “Fixed weighted index of average hourly earnings for all employees (SEPH), excluding overtime, unadjusted for seasonal variation, for selected industries classified using the North American Industry Classification System (NAICS)”:</p> <p>Geography: Saskatchewan</p> <p>North American Industry Classification System (NAICS): Industrial aggregate excluding unclassified businesses.</p> <p>Frequency: Annual (average)</p>
Consumer Goods	<p>Statistics Canada CANSIM Table 326-0020 “Consumer Price Index (CPI), 2011 basket”:</p> <p>Geography: Saskatchewan</p> <p>Products and product groups: All-items CPI excluding food and energy</p> <p>Frequency: Annual (average)</p>
Chemicals	<p>Statistics Canada CANSIM Table 329-0075 “Industry price indexes for chemical products and miscellaneous manufactured products”:</p> <p>Geography: Canada</p> <p>Commodities: Other basic inorganic chemicals [27112]</p> <p>Frequency: Annual (average)</p>
Machinery and Equipment	<p>Statistics Canada CANSIM Table 327-0042 “Machinery and equipment price indexes (MEPI), by industry of purchase based on the North American Industry Classification System (NAICS)”:</p> <p>Geography: Canada</p> <p>Industry of Purchase: Utilities</p> <p>Machinery and equipment, domestic and imported: Total domestic and imported</p> <p>Frequency: Annual (average)</p>

The Renewal Index will be calculated by the City based on a weighted combination of the following inflation areas:

Inflation Area	Indices Used in Each Inflation Area (Renewal)
Labour	Statistics Canada CANSIM Table 327-0045 “Construction union wage rate indexes”: Geography: Prairie Region Construction Trades: Composite Type of wage indexes: Basic construction union wage rate indexes Frequency: Annual (average)
Consumer Goods	Statistics Canada CANSIM Table 326-0020 “Consumer Price Index (CPI), 2011 basket”: Geography: Saskatchewan Products and product groups: All-items CPI excluding food and energy Frequency: Annual (average)
Construction	Statistics Canada CANSIM Table 327-0043 “Price indexes of non-residential building construction, by class of structure”: Geography: Seven census metropolitan area composite Class of Structure: Industrial Frequency: Annual (average)
Machinery and Equipment	Statistics Canada CANSIM Table 327-0042 “Machinery and equipment price indexes (MEPI), by industry of purchase based on the North American Industry Classification System (NAICS)”: Geography: Canada Industry of Purchase: Utilities Machinery and equipment, domestic and imported: Total domestic and imported Frequency: Annual (average)

APPENDIX B

ILLUSTRATION OF CALCULATION AND APPLICATION OF INDEX FACTOR

The weights used below are examples only.

Example Calculation of Existing Facilities O&M Index (2010 base year)				
Labour				
	2010	2011	2012	2013
Statistics Canada CANSIM Table 281-0039; SK; Industrial; Annual (average).	134.4	138.8	143.6	147.0
Labour Index (2010 base year)	1.00000	1.03274	1.06845	1.09375
Consumer Goods				
	2010	2011	2012	2013
Statistics Canada CANSIM Table 326-0020; SK; All-items ex food and energy: Annual (average).	116.1	117.9	119.9	121.8
Consumer Goods (2010 base year)	1.00000	1.01550	1.03273	1.04910
Chemicals				
	2010	2011	2012	2013
Statistics Canada CANSIM Table 329-0075; Canada; Other basic inorganic chemicals [27112]; Annual (average).	100.0	103.2	105.3	105.7
Chemicals (2010 base year)	1.00000	1.03200	1.05300	1.05700
Machinery and Equipment				
	2010	2011	2012	2013
Statistics Canada CANSIM Table 327-0042; Canada; Utilities; Domestic and Imported Annual (average).	99.4	97.8	99.3	102.6
Machinery and Equipment (2010 base year)	1.00000	0.98390	0.99899	1.03219

Weighting Factors (fictitious)					
	Weights	2010	2011	2012	2013
Labour	30%	0.30000	0.30982	0.32054	0.32813
Consumer Goods	30%	0.30000	0.30465	0.30982	0.31473
Chemicals	30%	0.30000	0.30960	0.31590	0.31710
Machinery and Equipment	10%	0.10000	0.09839	0.09990	0.10322
Existing Facilities O&M Index (2010 base year)	n/a	1.00000	1.02246	1.04615	1.06317

Illustrative Existing Facilities O&M Index and Index Factor based on fictitious data (beyond 2013)			
Existing Facilities O&M Index		Existing Facilities O&M Index Factor	
Year (T-1)	Value	Index Year (T/T+1)	Value
2013	1.063	2014/2015	1.000
2014	1.158	2015/2016	1.089
2015	1.202	2016/2017	1.131
2016	1.208	2017/2018	1.136
2017	1.231	2018/2019	1.158

Illustrative Application of Index Factor to Existing Facilities O&M Payments based on fictitious payment amount			
Existing Facilities O&M Payments for each month in Constant 2014 \$		Index Factor Applicable	Amount Payable after Inflation Adjustment
Oct-14	\$100,000	1.000	\$100,000
Nov-14	\$100,000	1.000	\$100,000
Dec-14	\$100,000	1.000	\$100,000
Jan-15	\$100,000	1.000	\$100,000
Feb-15	\$100,000	1.000	\$100,000
Mar-15	\$100,000	1.000	\$100,000
Apr-15	\$100,000	1.089	\$108,900
May-15	\$100,000	1.089	\$108,900
Jun-15	\$100,000	1.089	\$108,900
Jul-15	\$100,000	1.089	\$108,900
Aug-15	\$100,000	1.089	\$108,900
Sep-15	\$100,000	1.089	\$108,900
Oct-15	\$100,000	1.089	\$108,900
Nov-15	\$100,000	1.089	\$108,900
Dec-15	\$100,000	1.089	\$108,900

Example Calculation of Infrastructure O&M Index (2010 base year)

Labour	2010	2011	2012	2013
Statistics Canada CANSIM Table 281-0039; SK; Industrial; Annual (average).	134.4	138.8	143.6	147.7
Labour Index (2010 base year)	1.00000	1.03274	1.06845	1.09896
Consumer Goods	2010	2011	2012	2013
Statistics Canada CANSIM Table 326-0020; SK; All-items ex food and energy: Annual (average).	116.1	117.9	119.9	121.8
Consumer Goods (2010 base year)	1.00000	1.01550	1.03273	1.04910
Chemicals	2010	2011	2012	2013
Statistics Canada CANSIM Table 329-0075; Canada; Other basic inorganic chemicals [27112]; Annual (average).	100.0	103.2	105.3	105.7
Chemicals (2010 base year)	1.00000	1.03200	1.05300	1.05700
Machinery and Equipment	2010	2011	2012	2013
Statistics Canada CANSIM Table 327-0042; Canada; Utilities; Domestic and Imported Annual (average).	99.4	97.8	99.3	102.6
Machinery and Equipment (2010 base year)	1.00000	0.98390	0.99899	1.03219

Weighting Factors (fictitious)

	Weights	2010	2011	2012	2013
Labour	50%	0.50000	0.51637	0.53423	0.54948
Consumer Goods	20%	0.20000	0.20310	0.20655	0.20982
Chemicals	20%	0.20000	0.20640	0.21060	0.21140
Machinery and Equipment	10%	0.10000	0.09839	0.09990	0.10322
Infrastructure O&M Index (2010 base year)	n/a	1.00000	1.02426	1.05127	1.07392

Illustrative Infrastructure O&M Index and Index Factor based on fictitious data (beyond 2013)

Infrastructure O&M Index		Infrastructure O&M Index Factor	
Year (T-1)	Value	Index Year (T/T+1)	Value
2013	1.074	2014/2015	1.000
2014	1.158	2015/2016	1.078
2015	1.202	2016/2017	1.119
2016	1.211	2017/2018	1.128
2017	1.263	2018/2019	1.176

Illustrative Application of Index Factor to Infrastructure O&M Payment based on fictitious payment amount

O&M Payment for each month in Constant 2014 \$	Index Factor Applicable	Amount Payable after Inflation Adjustment
Jan-17	1.119	\$111,900
Feb-17	1.119	\$111,900
Mar-17	1.119	\$111,900
Apr-17	1.128	\$112,800
May-17	1.128	\$112,800
Jun-17	1.128	\$112,800
Jul-17	1.128	\$112,800
Aug-17	1.128	\$112,800
Sep-17	1.128	\$112,800
Oct-17	1.128	\$112,800
Nov-17	1.128	\$112,800
Dec-17	1.128	\$112,800

Example Calculation of Renewal Index (2010 base year)

Labour	2010	2011	2012	2013
Statistics Canada CANSIM Table 327-0045; Prairies; Composite; Basic; Annual (average).	122.1	125.0	126.8	129.4
Labour Index (2010 base year)	1.00000	1.02375	1.03849	1.05979
Consumer Goods	2010	2011	2012	2013
Statistics Canada CANSIM Table 326-0020; SK; All-items ex food and energy: Annual (average).	116.1	117.9	119.9	121.8
Consumer Goods (2010 base year)	1.00000	1.01550	1.03273	1.04910
Construction	2010	2011	2012	2013
Statistics Canada CANSIM Table 327-0043; Seven census metropolitan area composite; Industrial; Annual (average).	146.2	152.2	156.6	158.5
Construction (2010 base year)	1.00000	1.04104	1.07114	1.08413
Machinery and Equipment	2010	2011	2012	2013
Statistics Canada CANSIM Table 327-0042; Canada; Utilities; Domestic and Imported Annual (average).	99.4	97.8	99.3	102.6
Machinery and Equipment (2010 base year)	1.00000	0.98390	0.99899	1.03219

Weighting Factors (fictitious)	Weights	2010	2011	2012	2013
Labour	30%	0.30000	0.30713	0.31155	0.31794
Consumer Goods	20%	0.20000	0.20310	0.20655	0.20982
Construction	25%	0.25000	0.26026	0.26778	0.27103
Machinery and Equipment	25%	0.25000	0.24598	0.24975	0.25805
Renewal Index (2010 base year)	n/a	1.00000	1.01646	1.03563	1.05684

Illustrative Renewal Index and Index Factor based on fictitious data (beyond 2013)

Renewal Index		Renewal Index Factor	
Year (T-1)	Value	Index Year (T/T+1)	Value
2013	1.057	2014/2015	1.000
2014	1.156	2015/2016	1.094
2015	1.201	2016/2017	1.136
2016	1.208	2017/2018	1.143
2017	1.231	2018/2019	1.165

Illustrative Application of Index Factor to Renewal Payment based on fictitious payment amount

Renewal Payment for each month in Constant 2014 \$	Index Factor Applicable	Amount Payable after Inflation Adjustment
Jan-17	\$0	\$0
Feb-17	\$100,000	\$113,600
Mar-17	\$0	\$0
Apr-17	\$100,000	\$114,300
May-17	\$0	\$0
Jun-17	\$0	\$0
Jul-17	\$0	\$0
Aug-17	\$0	\$0
Sep-17	\$0	\$0
Oct-17	\$0	\$0
Nov-17	\$100,000	\$114,300
Dec-17	\$0	\$0

APPENDIX C

INFLATION INDICES WEIGHTINGS

Weightings for Existing Facilities O&M Index

Inflation Area	Maximum Weighting	Weighting (%)
Labour	50%	█
Consumer Goods	50%	█
Chemicals	20%	█
Machinery & Equipment	20%	█
Total:		100%

Weightings for Infrastructure O&M Index

Inflation Area	Maximum Weighting	Weighting (%)
Labour	50%	█
Consumer Goods	50%	█
Chemicals	20%	█
Machinery & Equipment	20%	█
Total:		100%

Weightings for Renewal Index

Inflation Area	Maximum Weighting	Weighting (%)
Labour	50%	█
Consumer Goods	20%	█
Construction	50%	█
Machinery & Equipment	50%	█
Total:		100%