
COLE VALUATION PARTNERS LIMITED
M E M O R A N D U M

PRIVATE & CONFIDENTIAL

DATE: November 21, 2008
TO: John Black and Daren Yaremko, Ontario Lottery and Gaming Corporation
FROM: A. Scott Davidson and Paul C. Moroney
RE: Windsor Clean Energy Centre -- Preliminary Financial Analysis

INTRODUCTION AND PURPOSE

Ontario Lottery and Gaming Corporation ("OLG") has requested our assistance in connection with certain financial analysis concerning the Windsor Clean Energy Centre and its business (collectively, the "Energy Centre") as at or about a current date.

The Energy Centre is located on the property of the Caesars Windsor Hotel & Casino ("Caesars Windsor"). OLG requires financial analysis of the Energy Centre for internal planning purposes, as you consider various financial and alternative strategies with respect to the Energy Centre in the context of its anticipated cost to completion.

This memorandum does not express a valuation conclusion and is not a valuation report as defined by the Canadian Institute of Chartered Business Valuators ("CICBV"). See "Restrictions and Limitations" section below for further details.

This memorandum and the associated analyses must be read in conjunction with (a) the Windsor Energy Centre Operating and Financial Evaluation report prepared by Energy Advantage Inc. ("Energy Advantage") dated November 2008 (the "Energy Advantage Report"); and (b) the appendices to the Energy Advantage Report that were subsequently revised by Energy Advantage on November 19, 2008. It is assumed that the users of this memorandum are familiar with the financial and other information set out in the Energy Advantage Report and that information has not been reproduced herein, although the revised appendices to that report are attached hereto. Furthermore, in view of your familiarity with OLG and the Energy Centre, for brevity, only limited background information has been included herein.

BACKGROUND

Briefly, based on the information and assumptions provided to us and set out herein, and in reliance on the assistance of Mr. Alan Levy of Direct Energy Consulting ("DEC") who, at your direction, provided us with industry/project expertise and due diligence-related assistance in respect of the projections provided by Energy Advantage, we observe the following:

- The Energy Centre now has the necessary equipment on site, however, further costs are required to complete the facility. It is expected to be fully operational ("complete") by January 2009. The costs required to complete the facility are estimated to be in the \$7 million range.
- On completion, the Energy Centre will have the opportunity to provide thermal and/or electrical energy as follows:
 - To the West Block of Caesars Windsor (the "West Block") for the duration of the useful life of the Energy Centre;
 - To the North Block of Caesars Windsor (the "North Block") from October 1, 2017 onwards;¹ and/or
 - To the Ontario electrical grid.
- The Energy Centre may be operated in one of the following modes (or scenarios) as more fully described in the Energy Advantage Report:
 - Engines leading without North Block – briefly, this scenario contemplates operating the Jenbacher cogeneration engines to satisfy the thermal energy (i.e. heating and cooling) requirements of the West Block;
 - Engines leading with North Block – same as above plus this scenario contemplates supplying energy to the North Block from 2017 onwards; or
 - Engines lagging without North Block – briefly, this scenario primarily satisfies the thermal energy requirements of the West Block by conventional gas fired boilers and centrifugal chillers drawing electrical energy from the grid. The Jenbachers are only operated during peak periods when additional cooling is required (as the Jenbacher engines provide the heat energy required to fuel the absorption chillers).

¹ The North Block entered a 20 year energy contract with Northwinds in 2007 but OLG may terminate this agreement effective September 30, 2017, without penalty.

- The Clean Energy Standard Offer Program ("CESOP") was designed to compensate small generators connected to the energy distribution system by way of a net revenue guarantee. At the outset of the Energy Centre project, it was anticipated that CESOP would be available to augment the future cash flows of the Energy Centre but we are advised that this is now not the case. If, in the future, the Energy Centre is eligible for CESOP, then the anticipated future cash flows of the Energy Centre will increase from those set out herein;

SUMMARY OF PRELIMINARY ANALYSIS COMPLETED TO DATE AND OBSERVATIONS ARISING THEREFROM

With reference to the foregoing, subject to our scope of review to date and to various issues which remain outstanding (see "Outstanding Matters" section below), on a preliminary basis we calculated net present values ("NPV") of the anticipated future cash flows of the Energy Centre that may be summarized as follows:

Estimated NPV Of Energy Centre Based On Range Of Discount Rates (\$millions)			
	O.L.G. As Owner		
	8% to 16%	4%	8% to 16%
NPV before cost to complete project:			
Engines leading without North Block	3 to 7	15	4 to 9
Engines leading with North Block	6 to 28	69	8 to 36
Engines lagging without North Block	Nil	Nil	Nil
Estimated costs to complete project	7	7	7
NPV net of cost to complete project:			
Engines leading without North Block	Nil to less than 1	8	Nil to 2
Engines leading with North Block	Nil to 21	62	1 to 29
Engines lagging without North Block	Nil	Nil	Nil

Detailed calculations for these scenarios are set out in Schedules 1, 2 and 3. For each scenario, the discounted cash flow calculations reflect Energy Advantage's projections of anticipated future annual cash flows for 20 years (on which we have relied), a terminal value at the end of the projection period and conversion of these cash flows to a capital sum at present value as at or about a current date using a range of discount rates that we considered reasonable and appropriate to the analyses, with consideration given to the time value of money, the risks inherent in the projections and rates of return on alternative investments in selecting those discount rates.

From these calculations we observe the following:

- a) Under all scenarios, the NPV is well below the anticipated total cost of the Energy Centre of more than \$80 million (inclusive of the \$7 million required to complete the project);
- b) The Energy Centre only has a meaningful, positive NPV under the Engines Leading with North Block scenario, as, in addition to assumed revenues from the sale of excess electricity to the grid, the incremental revenue from the North Block (starting in 2017 when OLG can exit from its existing energy supply arrangement for the North Block) is significantly higher than the incremental operating and capital costs associated therewith.
- c) Generally, the Engines Leading without North Block, at best, generates break-even net present values, after deducting the costs to complete the Energy Centre;
- d) The Engines Lagging scenario projection indicates negative cash flow and, therefore, no NPV. Under this scenario, the Energy Centre's operating costs (Schedule 3) are very similar to Engines Leading without North Block (Schedule 1) but the surplus energy available to sell to the grid is significantly less since the engines are operating at a lower capacity and this results in an operating loss;
- e) By virtue of its non-taxable status and it likely having a lower required rate of return on capital, OLG has a higher range of NPV's as owner of the Energy Centre than those anticipated for other potential (taxable) purchasers/owners;
- f) At a risk free rate of return of approximately 4%, the NPV to OLG is in the range of \$62 million net of cost to complete the project. We reference this rate as a measure of the potential required rate of return for OLG in view of OLG being an Ontario Crown corporation;
- g) At rates of return from 8% to 16%, which might otherwise be considered applicable to the cash flow projection in view of the nature of the project, the NPV with OLG as owner is much lower, in a range from \$1 million to \$29 million net of cost to complete the project;

In making the above observations and calculations, it is important to highlight the following key assumptions/sensitivities, among others, that can have a material positive or negative impact on the cash flow projections prepared by Energy Advantage and our net present value analysis based thereon:

- i. Revenue from energy consumed by OLG – this component of the projected revenue for the Energy Centre assumes that the market price to Caesars Windsor for the energy supplied by the Energy Centre is properly determined on cost-plus basis using a conventional plant as a proxy. More specifically, revenues are based on the estimated operating expenses of a conventional plant (i.e. as the logical alternative if the Energy Centre did not exist) marked up by 12.5%. The quantum of this component of revenue is a key driver of value. However, in the event that the Energy Centre were to be sold to an arm's length party, this revenue to the new owner (which would be a corresponding expense to OLG) would be subject to negotiation at the time of the transaction;

- ii. Surplus energy sold to the grid – the projections for the engines leading scenarios include total revenues over the 20 year period from this source in the range of \$25 million to \$30 million. If the Energy Centre were unable to sell the surplus electricity, it would virtually eliminate any value to a taxable purchaser. Neither OLG, Energy Advantage nor DEC have yet confirmed that there is any certainty concerning the ability to sell the identified surplus to the grid;
- iii. The capital expenditure assumptions set out in the projections are the best estimates as at the date hereof. The Energy Centre is capital intensive and any deviation from the anticipated serviceability of the equipment could increase or decrease the anticipated capital expenditures, which would negatively correlate to changes in the net cash flows of the Energy Centre;
- iv. As noted above, CESOP is currently not available to the Energy Centre and, therefore, the projections do not reflect any CESOP revenue. If this program becomes available to the Energy Centre at a later date, it will increase the future cash flows, perhaps significantly; and
- v. External factors such as foreign exchange and market prices for natural gas and electricity, while out of the control of OLG, have significant influence on the financial results of the Energy Centre. Energy Advantage believes that the values used for these inputs are reasonable in view of current market conditions. However, changes in market conditions that deviate from the projections for these variables may have a material affect on the cash flows.

OUTSTANDING MATTERS

During the course of our preliminary financial analysis of the Energy Centre, certain issues were identified that are unresolved at the date hereof, summarized as follows:

- The Energy Advantage Report needs to be updated. The associated appendices were revised following the release of the report and, consequently, the corresponding sections of the report need to be updated.²
- Mr. Levy identified issues that need to be addressed to his satisfaction (some of which are identified above) including but not limited to the following:
 - Energy Centre's ability to sell surplus electricity to the grid;
 - Cooling capacity needs to be addressed in the Energy Centre Report;
 - Detailed assumptions regarding how engines are run;
 - Opportunity to inject cool water into the Northwind cool water loop; and
 - Reliability of consumption data – actual and/or projected.

² Our financial analysis is based on the revised appendices.

- Determine if there are capital expenditures required for the North Block that need to be reflected in the terminal value of the Engines leading with North Block scenario (See Note 4 to Schedule 2).

In order for our financial analysis to be finalized, the foregoing issues must be resolved.

SCOPE OF REVIEW

In preparing our memorandum and calculations, we have relied on various sources of information including the following:

- a) The Energy Advantage Report;
- b) The Energy Advantage revised appendices;
- c) Financial and other information (via documents and discussions) provided by Energy Advantage, DEC, and OLG;
- d) Various assumptions provided by Energy Advantage, DEC and/or OLG; and
- e) Research regarding actual rates of return in the energy market, with emphasis on cogeneration facilities.

We have neither audited nor sought external verification of the information provided to us.

In addition, we toured the Energy Centre facility.

KEY ASSUMPTIONS

Key assumptions adopted in the operating scenarios (many of which were provided to us) include the following:

- a) The cogeneration equipment of the Energy Centre will be fully commissioned and operating by January 2009;
- b) The costs required to complete the facility are estimated to be in the \$7 million range;
- c) The projected cash flows prepared by Energy Advantage represent the best current estimates of future cash flows of the Energy Centre;
- d) The assumptions set out in the Energy Advantage Report are reasonable, including but not limited to:
 - i) CESOP is not currently and will not be available to the Energy Centre;
 - ii) Estimated revenue based on the operating expenses for a conventional plant plus a 12.5% margin;

- iii) Exchange rates embedded in the natural gas projections set out on Appendix 4 to the Energy Advantage Report between US\$0.80 and US\$0.95 to \$1.00 CDN;
 - iv) Capital expenditures of approximately \$10.7 million are required between 2016 and 2017 to reconfigure the North Block to allow energy to be supplied from the Energy Centre;
 - v) Capital expenditures of approximately \$6 million are required in year 21 to replace the boilers and chillers;
 - vi) The Energy Centre will be able to sell all of its surplus electricity to the grid;
 - vii) The ultimate operator of the Energy Centre will incur labour and maintenance costs of approximately \$1.65 million (in 2009 dollars), which is a significant improvement over the current interim arrangement with the contractor at \$2.64 million;
- e) Terminal value based on the year 20 results, net of certain additional capital expenditures, is reasonable;
 - f) Salvage value of any equipment at the end of its useful life will be negligible; and
 - g) The revenues and expenses of the Energy Centre are incurred evenly throughout the year for the purpose of calculating the time value of money.

Our analysis also includes other assumptions that are reflected in our calculations as well as those inherent in the Energy Advantage Report. Our calculations are dependent on the Energy Advantage Report.

RESTRICTIONS AND LIMITATIONS

This memorandum does not express a conclusion and is not a report as defined by the CICBV. Consequently, the CICBV Practice Standards do not apply and have not been adopted. The provision of a valuation conclusion would entail additional information gathering, research, analysis, review and cost from that provided in preparing this memorandum.

This memorandum is not intended for general circulation or publication nor is it to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance.

This memorandum and the illustrative scenario calculations upon which it is based were prepared at your request based on information provided by Energy Advantage, DEC and OLG, including estimates of prospective financial results from the Energy Centre which may vary materially from the actual results achieved.

We make no representations with respect to the projected cash flow statements set out in the Energy Advantage Report. We have not attempted to verify or confirm the reasonability of the assumptions underlying the Energy Advantage Report and our observations and comments herein should not be interpreted as such. We have assumed that the projections have been reasonably prepared based on the best currently available estimates and judgments of Energy Advantage, DEC and OLG personnel as to the matters covered thereby. These matters often involve unanticipated future events and, as such, are not susceptible to precise determination. Accordingly, to the extent that the calculations and related assumptions and our observations and comments thereon rely on pro forma or prospective information, they should not be relied upon as predicting a certain result but only as a means of assessing a range of value and anticipated cash inflow/outflow, as the case may be, for the purposes described.

We do not assume any responsibility or liability for losses occasioned to OLG, its shareholders or any other party as a result of the use of this memorandum and the underlying illustrative scenario calculations for any purpose.

This memorandum must be considered in conjunction with the Energy Advantage Report and as a whole. To focus on specific portions and certain factors considered, without considering all of the factors, may create an incomplete and misleading view of the observations set out herein. Similarly, we believe that this memorandum is not readily susceptible to summary descriptions. Any attempt to do so could lead to undue emphasis on any one particular factor or observation.

We reserve the right (but will be under no obligation) to review and/or revise any and all assumptions and/or calculations included or referred to in this memorandum and, if we consider it necessary, to make revisions of same in light of any information existing at this time which becomes known to us subsequent to the date hereof.

ONTARIO LOTTERY AND GAMING CORPORATION
WINDSOR CLEAN ENERGY CENTRE VALUATION ANALYSIS

SCHEDULES

Discounted Cash Flow Analysis – Engines Leading Without North Block.....	1
Discounted Cash Flow Analysis – Engines Leading With North Block.....	2
Discounted Cash Flow Analysis – Engines Lagging Without North Block	3

APPENDICES³

Projected Cash Flow Statement – Engines Leading Without North Block.....	1-A
Projected Cash Flow Statement – Engines Leading With North Block.....	1-B
Projected Cash Flow Statement – Engines Lagging Without North Block.....	2

³ A version of the appendices was contained in the Energy Advantage Report and then subsequently revised. We have attached the revised appendices for ease of reference.

Windsor Chem Energy Centre

Discounted Cash Flow Analysis
 Economic Engine Involving with North Block
 As At November 24, 2008
 (2009\$)

Schedule 1

Undiscounted Total	Years Ending December 31																				Terminated Value
	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11 2019	Year 12 2020	Year 13 2021	Year 14 2022	Year 15 2023	Year 16 2024	Year 17 2025	Year 18 2026	Year 19 2027	Year 20 2028	
Revenue to owner (at unit level)	171,984	4,870	5,025	5,074	5,137	5,213	5,301	5,400	5,511	5,634	5,769	5,916	6,075	6,246	6,429	6,624	6,831	7,050	7,282	7,527	7,785
Revenue from energy consumed by CLO	30,915	1,029	1,067	1,086	1,106	1,127	1,149	1,172	1,196	1,221	1,247	1,274	1,302	1,331	1,361	1,392	1,424	1,457	1,491	1,526	1,562
Revenue from surplus electricity sold to grid	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	1,482	218	212	212	213	215	218	221	225	229	234	239	244	249	254	259	264	269	274	279	284
Debtors response (CPA program)	2,014	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138	138
Export sales of electricity	138,394	6,330	6,467	6,530	6,608	6,699	6,804	6,924	7,059	7,209	7,374	7,544	7,720	7,902	8,090	8,284	8,484	8,690	8,902	9,120	9,344
Operating expense including maintaining capital expenditures	141,137	5,915	6,254	6,533	6,766	6,978	7,177	7,359	7,525	7,676	7,813	7,936	8,046	8,144	8,231	8,307	8,374	8,432	8,482	8,527	8,568
Less: maintaining capital expenditures	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: maintaining capital expenditures	140,137	5,915	6,254	6,533	6,766	6,978	7,177	7,359	7,525	7,676	7,813	7,936	8,046	8,144	8,231	8,307	8,374	8,432	8,482	8,527	8,568
EBITDA	18,457	415	237	265	425	774	638	1,104	1,239	1,163	1,059	1,188	1,292	1,138	1,032	1,077	1,069	1,069	1,069	1,069	1,069
EBITDA margin	11.8%	4.8%	4.7%	5.2%	8.1%	14.8%	11.3%	15.6%	14.2%	12.9%	14.8%	14.8%	15.3%	14.8%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
Less estimated income taxes - 34.0%	(6,265)	(150)	(92)	(90)	(153)	(257)	(219)	(444)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)
Less: maintaining capital expenditures	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus: tax shield on capital expenditures	707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free cash flow (undiscounted)	9,919	264	145	170	277	77	39	709	738	744	296	378	539	827	728	314	680	733	760	743	399
Discount period (in years)	0.59	1.59	2.58	3.59	4.59	5.59	6.58	7.59	8.59	9.59	10.58	11.59	12.59	13.59	14.58	15.59	16.59	17.59	18.58	19.59	

Note 1

Appendix 1A
 Revenue from energy consumed by CLO
 Revenue from surplus electricity sold to grid
 Other income
 Debtors response (CPA program)
 Export sales of electricity

Note 2

Appendix 1A
 Operating expense including maintaining capital expenditures
 Less: maintaining capital expenditures

Note 3

Less estimated income taxes - 34.0%

Note 4

Less: maintaining capital expenditures
 Plus: tax shield on capital expenditures

Note 5

Free cash flow (undiscounted)

Note 6

Present value factor (including capitalization multiple for terminal value)

Note 7

Present value factor (including capitalization multiple for terminal value)

Note 8

Present value of EBITDA (and terminal value)
 Present value of maintaining capital expenditures (and terminal value)
 Present value of free cash flow (and terminal value)
 Plus tax shield available to owner/partner from investment

Note 9

Estimated net present value as if Energy Centre is completed

Note 10

Less: estimated costs to complete the Energy Centre
 Estimated net present value, net of costs to complete the Energy Centre

Rate	10%	12%	14%	16%	18%	20%
0.98	0.94	0.90	0.87	0.84	0.80	0.77
0.84	0.80	0.76	0.73	0.69	0.65	0.62
0.69	0.65	0.61	0.58	0.54	0.50	0.47
0.54	0.50	0.46	0.43	0.39	0.35	0.32
0.39	0.35	0.31	0.28	0.24	0.20	0.17
0.24	0.20	0.16	0.13	0.09	0.05	0.02
0.09	0.05	0.01	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00

Rate	10%	12%	14%	16%	18%	20%
24,884	12,358	7,064	4,287	-	-	-
5,556	4,181	3,135	2,316	-	-	-
1,714	1,293	1,028	817	714	-	-
7,270	4,484	3,092	2,000	1,438	9,284	5,512
(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
270	-	-	-	-	5,346	2,286

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Windsor Clean Energy Centre
 Discounted Cash Flow Analysis
 Summary: Discounting method from Black
 & Veatch, November 30, 2002
 Notes

1. Description of the sources of proceeds are set out in the Energy Advantage Report. Details of the sources are set out in Appendix 1-A attached hereto. Note that this appendix was revised by Energy Advantage after an report was issued. Accordingly, there may not agree with the report.
2. The "Scheduled Maintenance" set out in Appendix 1-A represents partial capital expenditures required to maintain the Ashlecker rights. We recovered the capital expenditures from the operating expenses in order to hold these expenses for tax shield purposes as set out in Note 2 below.
3. OLG does not pay because there is a Governmental exemption. However, in the event that the Energy Centre is sold, it is likely that the purchaser will be subject to income tax. For purposes of determining the after-tax cash flow available to a potential purchaser, we have estimated income taxes at 34.0%.
4. The estimated capital expenditures for the terminal value is calculated as follows:

Projected working capital expenditures to overhaul the Ashlecker engines (assumed over 20 years)	\$ 1,000
Estimated capital expenditures for replacement boilers and chimneys (20-year useful life)	<u>6,000</u>
Total	<u>\$ 7,000</u>
Average over 20 years would be:	<u>\$ 350</u>
5. As set out above, OLG does not pay income taxes and therefore does not benefit from tax shield expense available on capital expenditures. However, a potential purchaser will benefit from the tax shield based on purchase price of the Energy Centre and depletion and amortization expenditures, calculated as follows:

Capital Investment	C
Income tax amortization rate (for Canadian tax purposes)	D
Income tax rate	T
Discount rate applicable to income tax shield	K
Terminal period value = $(C \times D \times T) / (K + D) \times (1 + (K \times D) / (1 + K))$	M
6. Terminal value shown provided for the range discount rates between 4% and 16%. The Terminal Value factors represent the present value of the capitalization multiples, assuming terminal growth of 2.0%. See Note 7 below for further details.
7. For purposes herein, the Terminal Value factor for the 4% discount rate represents the present value of an 8% capitalization multiple and assumes terminal growth of 2.0%.
8. Represents the estimated cost to complete the Energy Centre.

Windsor Chem Energy Centre

Discussion Cash Flow Analysis
 Scenario: Engine Building with North Block
 As At November 30, 2008
 Notes

Schedule 2

1. Descriptions of the sources of revenues are set out in the Energy Advantage Report. Details of the amounts are set out in Appendix 1-A attached hereto. Note that this appendix was revised by Energy Advantage after its report was issued. Accordingly, these amounts may not agree with the report.
2. The "Scheduled Maintenance" set out in Appendix 1-B represents periodic capital expenditures required to maintain the generator engine and to reconfigure the flow of energy to the North Block by 2017. We removed the capital expenditures from the operating expenses in order to provide these amounts for the schedule presented as set out in Note 3 below.

3. See Note 3 to Schedule 1.

4. The \$5.7 million and \$5 million capital expenditures relate to reconfiguring the North Block to allow energy to be supplied from the Energy Centre. The reconfiguration needs to be completed by October 1, 2017. Accordingly, we retroacted these amounts from 2017 and 2018 to 2016 and 2017.

The estimated capital expenditures for the combined value is calculated as follows:

Projected existing capital expenditures to overhaul the generator engines (normal over 20 years)	\$ 3,600
Estimated capital expenditures for replacement boilers and oilburn (50 year useful life)	6,000
Estimated capital expenditures required by the North Block (OUTSTANDING)	—
Total	\$ 9,600
Average over 20 years useful life	\$ 480

5. See Note 5 to Schedule 1.
6. See Note 6 to Schedule 1.
7. See Note 7 to Schedule 1.
8. Represents the estimated cost to complete the Energy Centre.

Windsor Clean Energy Centre

Discounted Cash Flow Analysis
 Scenario: Dispatching without North Block
 As At: November 30, 2008
 (Page 7)

Undiscounted Total	Years Ending December 31																				Terminating Value	
	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11 2019	Year 12 2020	Year 13 2021	Year 14 2022	Year 15 2023	Year 16 2024	Year 17 2025	Year 18 2026	Year 19 2027	Year 20 2028		
Revenue to owner (at term length)	123,594	48,790	5,025	5,074	5,137	5,205	5,277	5,349	5,424	5,498	5,576	5,659	5,746	5,837	5,932	6,031	6,134	6,241	6,352	6,467	7,583	7,692
Revenue from energy consumed by OLG	2,644	87	90	92	96	100	105	110	115	120	126	131	139	145	150	157	163	169	174	178	178	178
Other Income	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount response (CFA program)	1,662	213	212	212	213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Report value of electricity	2,614	1,300	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548
130,324	5,485	5,535	5,624	5,745	5,910	6,123	6,397	6,734	7,132	7,591	8,112	8,704	9,369	10,111	10,934	11,849	12,867	13,999	15,256	16,649	18,189	19,987
Operating expenses including maintaining capital expenditures	143,115	5,459	5,805	6,005	6,205	6,408	6,599	6,786	6,971	7,154	7,336	7,518	7,700	7,883	8,066	8,250	8,435	8,621	8,808	8,997	8,667	8,117
Less: maintaining capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses excluding maintaining capital expenditures	143,115	5,459	5,805	6,005	6,205	6,408	6,599	6,786	6,971	7,154	7,336	7,518	7,700	7,883	8,066	8,250	8,435	8,621	8,808	8,997	8,667	8,117
EBITDA	(14,789)	(2,669)	(2,780)	(2,931)	(3,090)	(3,203)	(3,321)	(3,444)	(3,571)	(3,703)	(3,840)	(3,982)	(4,129)	(4,281)	(4,438)	(4,600)	(4,767)	(4,939)	(5,116)	(5,298)	(5,082)	(4,100)
EBITDA energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: estimated income taxes - 36.0%	5,334	90	115	127	137	142	150	156	163	171	179	187	195	203	211	219	227	235	243	251	259	267
Less: maintaining capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus: tax shield on capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free cash flow (unlevered)	(10,442)	(2,644)	(2,765)	(2,878)	(2,993)	(3,061)	(3,171)	(3,287)	(3,408)	(3,534)	(3,665)	(3,801)	(3,942)	(4,088)	(4,240)	(4,397)	(4,559)	(4,726)	(4,898)	(5,075)	(4,847)	(4,247)
Estimated net present value as if Energy Centre is completed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estimated net present value, net of cost to complete the Energy Centre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1
 Appendix 2
 Appendix 2
 Appendix 2
 Appendix 2

Note 2
 Appendix 2

Note 3

Note 4

Note 4

Note 4

Notes

1. Description of the sources of revenue are set out in the Energy Advantage Report. Details of the amounts are set out in Appendix 2 attached hereto. Note that this appendix was reviewed by Energy Advantage after its report was issued. Accordingly, these amounts may not agree with the report.
2. Assumed no capital expenditures in this scenario.
3. OLG does not pay income taxes as it is a Government enterprise. However, in the event that the Energy Centre is sold, it is likely that the purchaser will be subject to income taxes. For purposes of determining the after-tax cash flow available to a potential purchaser, we have estimated income taxes at 36.0%.
4. The projections indicate negative cash flow and, therefore, no net present value.

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 Draft Subject To Changes That May Be Material. For Discussion Purposes Only.

Appendix 3-A

Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses		Wooden Energy Center (Energy Center) Operating Expenses	
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
1. Electric Rate	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2. Gas	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
3. Fuel Oil	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
4. Water	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
5. Sewer	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
6. Property Taxes	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
7. Insurance	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
8. Depreciation	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
9. Maintenance	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
10. Salaries	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
11. Pension	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
12. Utilities	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
13. Other	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
14. Total	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000

Notes:

1. Electric Rate - Cost for electricity to generate power at the plant.
2. Gas - Cost for natural gas to generate power at the plant.
3. Fuel Oil - Cost for fuel oil to generate power at the plant.
4. Water - Cost for water to generate power at the plant.
5. Sewer - Cost for sewer service to generate power at the plant.
6. Property Taxes - Cost for property taxes on the plant.
7. Insurance - Cost for insurance on the plant.
8. Depreciation - Cost for depreciation on the plant.
9. Maintenance - Cost for maintenance on the plant.
10. Salaries - Cost for salaries of plant employees.
11. Pension - Cost for pension for plant employees.
12. Utilities - Cost for other utilities on the plant.
13. Other - Cost for other expenses on the plant.
14. Total - Total cost for operating the plant.
15. Revenue - Revenue from electricity sales.

