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COURT SUPREME COURT OF BRITISH COLUMBIA

JUDICIAL CENTRE VANCOUVER REGISTRY

PLAINTIFF INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

DEFENDANTS WEDGEMOUNT POWER LIMITED PARTNERSHIP, WEDGEMOUNT POWER (GP) INC., AND WEDGEMOUNT POWER INC.

DOCUMENT **FIRST REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF WEDGEMOUNT POWER LIMITED PARTNERSHIP, WEDGEMOUNT POWER (GP) INC., AND WEDGEMOUNT POWER INC.**

DATED APRIL 2, 2018

PREPARED BY DELOITTE RESTRUCTURING INC.

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INTRODUCTION

- 1) Pursuant to an Order (the "**Receivership Order**") of the Supreme Court of British Columbia (the "**Court**") dated May 12, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver and manager (the "**Receiver**"), without security, of all assets, undertakings and properties of Wedgemount Power Limited Partnership ("**Wedgemount LP**"), Wedgemount Power (GP) Inc. ("**Wedgemount GP**") and Wedgemount Power Inc. ("**Wedgemount Power**") (collectively, the "**Wedgemount Entities**" or the "**Group**"). The Court proceedings in which the Receiver was appointed are referred to herein as the "**Receivership Proceedings**".
- 2) The Receivership Order was granted pursuant to an application by Industrial Alliance Insurance And Financial Services Inc. ("**IA**") in which IA stated it was owed approximately \$21.9 million by Wedgemount LP at the Date of Receivership. IA holds various registered security over all of Wedgemount LP's and Wedgemount GP's present and after-acquired real and personal property, along with various other corporate and personal guarantees (collectively, the "**IA Security**").
- 3) The Receiver's independent legal counsel, McMillan LLP ("**McMillan**"), has performed an independent review of the validity and enforceability of the IA Security and has advised that it is valid and enforceable and ranks in priority to the unsecured creditors of the Wedgemount Entities and to any subsequently appointed trustee in bankruptcy (the "**Security Opinion**").
- 4) Following the issuance of the Receivership Order, the Receiver issued a statutory Notice and Statement of the Receiver for each of Wedgemount LP, Wedgemount GP and Wedgemount Power (the "**Notices to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act (Canada)* (the "**BIA**").
- 5) On November 24, 2017, the Receiver issued its First Interim Report pursuant to subsection 246(2) of the BIA for the Wedgemount Entities attaching an interim statement of receipts and disbursements for the period from the Date of Receivership to November 23, 2017.
- 6) The Receivership Order, together with the Notices to Creditors and the First Interim Report have been posted on the Receiver's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/wedgemount.aspx>. This first report of the Receiver to Court ("**First Report**") will also be posted to the Receiver's website after it has been filed with the Court.
- 7) In addition to this First Report, the Receiver has prepared a confidential supplement to the First Report dated April 2, 2018 (the "**First Confidential Report**") which the Receiver is seeking to be sealed in the Court file.
- 8) Unless otherwise provided, all other capitalized terms not defined in this First Report are as defined in the Receivership Order.

Purpose of the First Report

- 9) This First Report provides the Court with an overview of the Receiver's activities and the Receiver's receipts and disbursements since the Date of Receivership.
- 10) This First Report has been filed in response to the application of British Columbia Hydro and Power Authority ("**BCH**") filed on January 19, 2018 (the "**BCH Application**") seeking leave of the Court to exercise its termination rights under the EPA (as that term is hereinafter defined).
- 11) This First Report has also been filed in support of the Receiver's application (to be filed) for a declaration that BCH is not entitled to terminate the EPA on the basis of any ground or fact existing at the time of the declaration, and the Receiver's application (to be filed) for an order that the First Confidential Report be filed under seal pending further order of this Court.

Terms of Reference

- 12) In preparing this First Report, the Receiver has relied upon unaudited financial and other information prepared by the Group's former directors, the Group's books and records, and discussions with the Group's former directors and consultants.
- 13) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of this information.
- 14) All dollar amounts in this First Report are in Canadian dollars, unless otherwise indicated.

BACKGROUND

- 15) Wedgemount LP is a privately owned limited partnership that is incorporated in the Province of British Columbia ("**BC**") and is the owner and developer of a partly-constructed five megawatt run-of-river hydro power facility located on Wedgemount Creek, near Whistler, BC (the "**Project**").
- 16) Wedgemount GP is also incorporated in the Province of BC and is the general partner of Wedgemount LP. Wedgemount GP was set-up to manage the day-to-day operations of the Project once it had been completed and commissioned pursuant to an Operating Management Agreement among the Wedgemount Entities dated March 25, 2015 (the "**Management Agreement**").
- 17) Pursuant to the Management Agreement, Wedgemount Power was retained as the manager to assist Wedgemount GP with respect to the day-to-day operations of the Project.
- 18) Mr. David Ehrhardt and Mr. Brent Hardy acted as directors of both Wedgemount GP and Wedgemount Power. The Wedgemount Entities were operated from and maintained their books and records at Mr. Hardy's personal residence in Burnaby, BC.

- 19) The Project was developed with the intention that it would generate electricity that would then be sold to BCH. Wedgemount LP, by its general partner Wedgemount GP, and BCH entered into an Electricity Purchase Agreement dated March 6, 2015 (the "**EPA**"). A redacted copy of the EPA is attached as Exhibit "A" to the Affidavit of Mr. Bruce Chow made January 19, 2018 and filed with the BCH Application.
- 20) Pursuant to the terms and conditions of the EPA, BCH agreed to purchase electricity generated by the Project upon its completion and once it was connected to the BCH electrical grid, a process known as "interconnection".
- 21) Lil'wat Nation and Squamish Nation (together, the "**Nations**") entered into an Impact and Benefits Agreement with Wedgemount Power dated August 1, 2014 (the "**Initial IBA**"). Wedgemount Power assigned all of its rights and obligations in and to the Initial IBA to Wedgemount LP and the Nations consented to that assignment in an Assumption and Acknowledgement Agreement dated November 25, 2014 (collectively with the Initial IBA, the "**IBA**").
- 22) Prior to the Date of Receivership, Wedgemount LP had experienced permitting difficulties and cost issues associated with determining an economic and technically feasible interconnection route for the Project's distribution line and point of interconnection to the BCH electrical grid. These problems led to significant Project development delays, and additional costs.
- 23) Construction activity at the Project site had been temporarily halted over the winter of 2016/17 due to the snowpack in and around the Project site. However, the onset of the snowmelt in the spring of 2017 presented environmental risks if not properly managed and monitored. In particular, there were concerns related to the integrity of the temporary diversion channel and drainage control and runoff along the upper access road and buried penstock.
- 24) Despite efforts to refinance the Project, negotiations between Wedgemount LP and IA broke down in April of 2017. On May 9, 2017, IA commenced an action to appoint a receiver over the Wedgemount Entities to ensure environmental risks at the Project site were properly managed and to protect the value of the assets for all the creditors of the Wedgemount Entities.
- 25) Subsequently, on May 12, 2017, the Honourable Mr. Justice Steeves granted the Receivership Order.

POWERS OF THE RECEIVER

- 26) The Receiver's powers are detailed in paragraph 2 of the Receivership Order and include, among others, the power to take and maintain possession and control of the assets of the Wedgemount Entities; the power to manage, operate and carry on the business of the Wedgemount Entities; and, the power to market and sell the assets of the Wedgemount Entities (subject to Court approval if any one transaction exceeds \$50,000 or if the aggregate of transactions exceeds \$250,000).

POSSESSION AND CONTROL OF THE ASSETS

- 27) In the initial stages of the Receivership Proceedings, the Receiver took the following steps with respect to the assets and operations of the Group:
- a) Attended the Project site to inspect the Project and take an inventory of the Group's assets and equipment;
 - b) Arranged for the assets to be secured and the locks to be changed at the powerhouse and controls container at the intake;
 - c) Advised the Group's insurance broker of the Receivership Proceedings and confirmed and arranged for amendments to the existing insurance policies to reflect the Receivership Proceedings;
 - d) Met with Mr. Ehrhardt to discuss the current construction status of the Project and the status of the design and permitting of the interconnection;
 - e) Corresponded with Mr. Ehrhardt and Mr. Hardy to obtain and take possession of the Group's books and records;
 - f) Had a conference call with BCH on May 18, 2017 to introduce the Receivership process generally and to obtain an understanding of the next steps required for both BCH and the Receiver to complete the Project;
 - g) Retained Midgard Consulting Inc. ("**Midgard**") to undertake an initial assessment and regular inspections of the Project site in order to evaluate the integrity of the diversion channel and any environmental concerns associated with erosion events caused by snowmelt run-off;
 - h) Retained SJA Forestry Consultant to undertake remediation works on the Project site to ensure the stability of the roads accessing the Project site and various run-off channels and drainage ditches;
 - i) Retained Mr. Mike Nelson of Cascade Environmental Resource Group Ltd. to act as the Independent Environmental Monitor ("**IEM**") for the Project and to undertake regular monitoring of the environmental impacts of the construction works, with reporting obligations to the Ministry of Forests, Lands and Natural Resource Operations ("**FLNRO**") and Fisheries and Oceans Canada;
 - j) Retained Mr. George Steeves of True North Energy ("**True North**") to act as the Independent Engineer ("**IE**") pursuant to the requirements of the Water Licence granted to Wedgemount LP under the *Water Act* to review various aspects of the engineering design and construction works, with reporting obligations to FLNRO;
 - k) Arranged for the redirection of the Group's mail to the Receiver's office;
 - l) Liaised and met with various creditors, subcontractors, the Nations and other stakeholders relating to the Group's outstanding liabilities, unfinished construction contracts, and the IBA; and
 - m) Contacted Canada Revenue Agency ("**CRA**") to open a new goods and services tax ("**GST**") account to facilitate GST filings for the period subsequent to the Date of Receivership.

PROJECT DESCRIPTION AND ASSETS OF THE WEDGEMOUNT ENTITIES

Project Overview and Construction Status at the Date of Receivership

- 28) The Project is located just north of Whistler, on Wedgemount Creek in the Pacific Range of the Coast Mountains, BC. The Project site is accessed using BC Highway 99.
- 29) The powerhouse is located in the valley floor and is accessed via a road through the WedgeWoods residential subdivision which is owned and being developed by 28165 Yukon Inc. ("**Yukon**"). Wedgemount Power is party to a right of way agreement with Yukon for the land area on which the powerhouse is located.
- 30) The Project comprises the following key elements:
- a) **Intake.** The intake weir and spillway are located on Wedgemount Mountain, approximately 2.6km upstream of Wedgemount Creek's confluence with the Green River, and 85m downstream of the boundary of Garibaldi Provincial Park. The intake is accessed using first the pre-existing Cheakamus Community Forest Society ("**CCFS**") road (for 2.85km) and then an extension of the same road (for 1.2 km) constructed by the Project in 2015. The Project uses a concrete weir to create a small head pond and divert water into the side channel intake structure. Diverted water is taken into the intake structure and is then channeled through a series of chambers and transitioned into the penstock. The intake structure is substantially completed, but Wedgemount Creek is currently diverted away from the intake weir using a temporary diversion channel. The control equipment at the intake is not yet fully installed.
 - b) **Penstock.** The penstock is a 2.3km long pipe that conveys water from the intake structure down Wedgemount Mountain to the powerhouse. The penstock is constructed with sections of ductile iron and steel pipe. It is generally buried except for certain steep segments of its route, where it is surface-mounted. Sections of the surface-mounted penstock are partially completed and still need to be installed.
 - c) **Powerhouse.** The Project's powerhouse is substantially completed aside from the wiring and commissioning of the turbine and generator located therein. It is a 13x10m concrete structure located on the left bank of Wedgemount Creek, approximately 50m upstream of its confluence with Green River. At the powerhouse, water passes from the penstock through a turbine inlet valve, through the turbine and back into Wedgemount Creek via a 135m pipe tailrace. The powerhouse also contains ancillary equipment such as switchgear, electrical protection equipment, a control room, hydraulic pressure unit, and other miscellaneous electrical and mechanical equipment. The switchyard with the main step-up transformer and associated equipment is located adjacent to the powerhouse.
 - d) **Interconnection.** The Project's design contemplates that a buried 25 kV distribution line will pass through the WedgeWoods subdivision and will connect the Project switchyard to a riser structure approximately 1.1 km from the powerhouse. From the riser structure, approximately 350 m of overhead distribution line will be used to reach BC Hydro's 25 kV distribution feeder line which is the point of interconnection ("**POI**") for the Project. BCH is responsible for all network upgrades beyond the POI. As outlined in paragraphs 53 to 67 of this First Report, the interconnection is still in the process of being designed and permitted, and construction has not yet started.

- 31) Several uninstalled sections of penstock pipe, in addition to couplings, expansion joints and reducers, are currently stored on the Project site in a holding area located close to the trailhead and parking area for Wedgemount Mountain. Vehicle access to this holding area is restricted using large boulders.
- 32) The Receiver is advised by SJA Forestry Consultant that these penstock sections must be moved within the month of April to allow the construction of a water reservoir for the WedgeWoods subdivision and because they are blocking access to a disused forestry road that CCFS would like to reactivate in 2018.

Bank Accounts

- 33) At the Receivership Date, Wedgemount LP held cash in several bank accounts with Bank of Montreal pursuant to a Restricted Accounts Agreement among Wedgemount LP, Bank of Montreal and Travelers Capital Corporation, which acted as an agent for IA.
- 34) The Proceeds Account held a balance of approximately \$1,800 at the Date of Receivership and it acted as Wedgemount LP's operating account. The Funding Account held a balance of approximately \$2.5 million which constituted unused funds from the initial construction loan advanced by IA to Wedgemount LP in 2015.
- 35) Shortly after the Date of Receivership, the Receiver set up its own bank accounts and arranged for the balances in the Proceeds and Funding accounts to be transferred to the Receiver. Having sought the approval of IA, the Receiver has utilized these funds throughout the course of the Receivership Proceedings in order to make disbursements to its consultants and legal counsel, to advance the Project's engineering design and construction, and to implement the Sale Process (as hereinafter defined).
- 36) Wedgemount also maintained four segregated builder's lien accounts (the "**Holdback Accounts**") for holding and administering construction holdback monies pursuant to the Builders Lien Act. The Receiver arranged for these balances to be transferred to segregated accounts and holds these monies in trust.

PROJECT EVALUATION AND INITIAL STAKEHOLDER MEETINGS

Current State Assessment of the Project

- 37) Having secured the Project assets and dealt with any immediate environmental concerns, in late May 2017, the Receiver instructed Midgard to assess the current status of the Project including the stage of completion of the various construction contracts, the status of the design and permitting of the interconnection, and the potential costs and timeline to complete the construction and commissioning of the Project. Midgard was familiar with the Project having previously acted as an engineering consultant for IA.
- 38) Midgard also assisted the Receiver in reviewing and updating the Project's economic model to evaluate the potential value of the Project once completed and factoring in the anticipated costs to complete the construction and permitting.
- 39) In the first few weeks of the Receiver's appointment, the Receiver and IA were contacted by several parties that were potentially interested in acquiring the Project. The Receiver had initial discussions with these parties regarding their interest in the

Project, and maintained a list of interested parties. Refer to paragraphs 97 to 118 for more details regarding the Sale Process.

- 40) Prior to the Date of Receivership, Clean Energy Consulting Inc. ("**Clean Energy**") had been retained by the Group to assist with the engineering design for the Project's interconnection. In addition, CMJ Project Solutions Inc. ("**CMJ**") had been retained to provide assistance with the permitting requirements and stakeholder liaison associated with the interconnection. Given their knowledge and prior involvement in the Project and understanding of the challenges it faced, in addition to the steps required to advance the Project, the Receiver retained both CMJ and Clean Energy in early June 2017 to assist the Receiver in assessing the current status of the interconnection route, design and permitting.
- 41) In early June 2017, the Receiver and CMJ liaised with the Nations to discuss the Receivership process, the implications for the IBA and to listen to and understand any concerns related to the Project. It was established that the Nations had provided letters of support for the Project related to the route of interconnection known as "**SLRD Route A**" which would involve the Project's distribution line passing through certain unresolved Crown lands and through the Squamish-Lillooet Regional District ("**SLRD**") municipal park. Specifically, in early 2017, the Nation's wrote letters confirming their support of this proposed use of Crown lands within their traditional territories.

Initial Meetings and Correspondence with BCH

- 42) On June 6, 2017, after the Receiver had a better understanding of the status of the Project, the Receiver, along with Midgard (the Receiver's engineering consultant), attended at the BCH office in Burnaby to meet with BCH representatives Mr. Ryan Hefflick and Mr. Vic Rempel (the "**June 6 Meeting**").
- 43) Various aspects of the Project were discussed, including the status of the interconnection and the anticipated timeline to move the Project forward including the interconnection route, engineering design and permitting.
- 44) During the June 6 Meeting, BCH advised the Receiver that because the Draft Interconnection Facilities Study and Project Plan for the Project dated August 16, 2016 (the "**Draft Interconnection Study Report**") was only in draft form, there was no Target COD (as defined in the EPA) set and consequently there was no commercial operations date ("**COD**") deadline of September 30, 2017. In addition, BCH advised that the Draft Interconnection Study Report would not be finalized until the final route and design of the interconnection was determined.
- 45) As a result of the representations made by BCH at the June 6 Meeting, the Receiver understood that until the point at which a Final Interconnection Study Report was issued, there was no hard deadline by which the Project had to reach COD in order for the EPA to remain in effect. The statements made by Mr. Hefflick and Mr. Rempel at the June 6 Meeting regarding the Draft Interconnection Study Report and there being no determined Target COD were consistent with the Receiver's understanding of the terms of the EPA. This representation by BCH was significant for the Receiver, given the Receiver's need to determine whether to progress the Project for the benefit of the stakeholders.
- 46) At the request of BCH, in late June 2017, the Receiver advanced \$105,000 (the "**BCH Retainer**") as a prepayment to cover the costs to be incurred by BCH and its consultants in advancing the interconnection design and planning from the Date of

Receivership. The Receiver provided these funds in reliance on the representations made by BCH to the Receiver that the EPA would not expire on or be terminated after September 30, 2017, and the understanding that BCH would work cooperatively with the Receiver to advance the interconnection engineering design and permitting.

Decision to Advance the Project and Importance of BCH's Representations

- 47) In early June 2017, Midgard completed its Project evaluation and provided it to the Receiver. At this point, the Receiver was able to make a more informed decision regarding the strategic alternatives in respect of the Project, including a sale of the Project in its current state, or to advance to Project towards COD. Based on the information available to the Receiver at the time, including the recommendations made by Midgard, it was determined that the best route forward to maximize realizations for the benefit of the Group's creditors and other stakeholders would be to continue to advance the construction and permitting of the Project, while in parallel assessing interest in a sale of the Project to qualified interested parties.
- 48) This decision was made in collaboration with IA as the secured creditor with the primary economic interest in the Project, and was taken, in part, due to the likely significant discount associated with a sale of the Project in its then existing state of completion, and given the challenges related to permitting for the interconnection.
- 49) Having reviewed the EPA and the Project economics, it was clear to the Receiver that for the Project to be successful, and to preserve Project value, it was critical that the EPA remain in place. While the Receiver was aiming to progress the Project to COD by the end of summer 2017, BCH had itself expressed concerns regarding its ability to fulfil its obligations in this timeframe, particularly due to the potential timelines required to construct the distribution line once the interconnection route and engineering design had been fully determined, as well as prospective permitting timelines. Accordingly, the decision made by the Receiver in early June 2017 to advance the Project was taken in reliance on BCH's assurances made in the June 6 Meeting that the EPA would remain in place.
- 50) Furthermore, as more fully described in the 1st Affidavit of Melinda McKie sworn March 12, 2018 (the "**McKie Affidavit**") and the 1st Affidavit of Paul Chambers sworn March 13, 2018 (the "**Chambers Affidavit**"), following the June 6 Meeting and until the email was received from Ms. McKenna on September 19, 2017, the Receiver had received no indication whatsoever that BCH would seek to terminate the EPA. In fact, during this period, BCH continued to correspond and meet with the Receiver and the Receiver's consultants in order to advance the design and permitting of the Project's distribution line and POI.
- 51) Based on the work performed and costs incurred by BCH during this period, in addition to the representations made by BCH in the June 6 Meeting, the Receiver had no reason to believe that BCH would not continue to work with the Receiver to advance the Project to COD. Furthermore, BCH continued to work with the Receiver to advance the interconnection design and permitting beyond the purported Target COD of September 30, 2017.
- 52) In addition, following multiple meetings and correspondence with BCH over the course of September to December 2017 (as more fully described in the McKie and Chambers Affidavits), the Receiver was led to believe that BCH would allow the EPA to continue with some amendments. Accordingly, given all the progress made in advancing the Project and based on all the correspondence and meetings with BCH

since the Date of Receivership, it came as a surprise to the Receiver when it received notice of the BCH Application seeking leave of the Court to terminate the EPA altogether.

PROJECT PERMITTING AND CONSTRUCTION

Interconnection Permitting and Design

- 53) As previously indicated, prior to the Date of Receivership, Wedgemount LP had experienced permitting difficulties and cost issues associated with determining an economic and technically feasible interconnection route for the Project's distribution line and POI.
- 54) In particular, Wedgemount LP had been advancing the permitting and design of SLRD Route A that would run through certain unresolved Crown lands and through the SLRD municipal park, with the POI also located within the SLRD municipal park. However, owing to certain requirements of BCH and legal difficulties associated with the SLRD Community Charter, Wedgemount LP and BCH had been unable to negotiate a suitable licence or right of way to allow for the interconnection to pass through the SLRD municipal park.
- 55) As a result of these difficulties, immediately prior to the Date of Receivership, Wedgemount LP had begun to investigate an alternative routing option along Wedge Forest Service Road which passes through certain unresolved Crown lands and avoids the SLRD municipal park, referred to as the "**FSR Route**".
- 56) In early June 2017, the Receiver instructed Clean Energy to review the technical viability of the FSR Route and to develop initial overhead line layout and profile drawings for discussion with BCH. The Receiver also instructed CMJ to review the permitting requirements related to the FSR Route.
- 57) On June 15, 2017, the Receiver, CMJ and Clean Energy, met with BCH to present a preliminary plan and profile drawings for the FSR Route. Subsequently, BCH's regional distribution engineer, Mr. Om Acharya, was provided with the drawings to review and provide feedback on the feasibility of the FSR Route from BCH's perspective.
- 58) On June 21, 2017, Clean Energy met with Mr. Acharya of BCH on the Project site to review the proposed FSR Route. Clean Energy advised the Receiver that the site visit went well, and BCH did not raise any major issues or concerns with the route. The only change requested to the layout related to a slight movement in the location of the POI.
- 59) Based on its own investigations and the positive outcome of BCH's initial review of the FSR layout and profile drawings, Clean Energy advised the Receiver that the FSR Route was feasible from a technical perspective, subject to obtaining permits from the Ministry of Transportation and Infrastructure ("**MOTI**") and Canadian National Rail ("**CN**") for the portions of the overhead line that would cross Highway 99 and the CN rail tracks, respectively. Accordingly, the Receiver instructed Clean Energy to develop engineering design concept drawings, and permitting drawings for the Highway 99, CN rail tracks, Green River and BCH transmission line crossings ("**Crossings**").

- 60) On June 22, 2017, the Receiver met with Lil'wat Nation to share and discuss information and maps regarding the proposed FSR Route. A similar meeting was held with legal counsel for Squamish Nation on June 23, 2017. At that meeting, Squamish Nation raised concerns related to the interconnection route passing through certain unresolved Crown lands that are designated as a Squamish cultural heritage area (the "**Reserve**").
- 61) CMJ advised the Receiver that the Province is able to grant tenure in the Reserve, but has a duty to consult with the affected Nations regarding the proposed changes in land use.
- 62) Given the concerns raised by Squamish Nation, the Receiver and CMJ entered into dialogue and correspondence with Squamish Nation and the Province (FrontCounter BC), regarding permitting requirements for the FSR Route. Refer to paragraphs 71 to 75 of this First Report for more details.
- 63) On June 30, 2017 and July 4, 2017 updated Crown land tenure applications (the "**Utility Applications**") were submitted by Wedgemount LP and BCH, respectively, seeking tenure for certain Crown lands required for both interconnection route options (SLRD Route A and the FSR Route). On July 14, 2017, FrontCounter BC confirmed to CMJ that both Wedgemount LP's and BCH's Utility Applications had been accepted and moved onto a Land Officer for review.
- 64) The Receiver and its engineering consultants, Midgard and Clean Energy, continued to work with BCH to advance the interconnection design for the FSR Route through the summer and fall of 2017, progressing the design from 35% engineering drawings to 95% drawings (close to "Issued For Construction" status).
- 65) On October 13, 2017, the Receiver provided BCH with updated (95%) overhead line design and Crossing drawings for the FSR Route and POI. Feedback on these drawings was provided by BCH on October 27, 2017 (the "**BCH Comments**"). Clean Energy subsequently met with BCH on November 7, 2017 to review and discuss the BCH Comments.
- 66) Responses to the BCH Comments and updated Crossing drawings for CN, MOTI and BCH were provided to BCH by Clean Energy on November 9, 2017. The drawings have now been referred out to these parties and the permitting process is underway.
- 67) In summary, the engineering design for the interconnection is now significantly advanced, and could likely be completed in a matter of a few weeks, pending feedback from the permitting process for the Crossings, in addition to the assessment of foundations for structures located adjacent to Highway 99 and near to the bank of the Green River.

Negotiations related to the IBA

- 68) Through the summer of 2017, the Receiver and CMJ entered into various discussions and correspondence with the Nations related to the FSR Route, particularly pertaining to the Squamish Nation's concerns related to the Reserve. The Receiver also worked with FrontCounter BC to facilitate a meeting in early September 2017 between Squamish Nation and the Province to discuss Squamish Nation's concerns and the proposed land use change for the interconnection.
- 69) In light of these concerns, the Receiver and Clean Energy explored a third interconnection route option ("**SLRD Route B**") which was essentially the same as SLRD Route A, but which moved the POI onto Crown land and out of the SLRD

municipal park, so that the section of the distribution line owned by BCH up to the POI would be entirely on Crown land and would thereby avoid BCH having to obtain a suitable licence agreement with SLRD.

- 70) Clean Energy has explored, at a high level, the technical feasibility of SLRD Route B and has advised the Receiver that it would likely work from a technical perspective. However, this route option remains suboptimal owing to the permitting constraints and associated tenure risk related to Wedgemount LP acquiring a short-term occupancy licence agreement with SLRD for the section of the distribution line owned by the Project.
- 71) On September 12, 2017 a proposal was made by the Nations to the Receiver in respect of the terms on which the Nations would consider supporting the FSR Route for the interconnection, including an increase to the royalty stream contemplated by the IBA.
- 72) Following further negotiations among the Receiver, the Nations and the Nations' respective legal counsel, in late September 2017, the terms of a draft Amending Agreement to the IBA ("**Amending Agreement**") were agreed to in principle with the Nations, subject to Chief and Council ratification.
- 73) The Amending Agreement contemplates that the Nations will support the Utility Applications for the FSR Route as the preferred route of interconnection. It also contemplates that the Nations would support the Utility Applications for SLRD Route A or B in the (unlikely) event that the FSR Route is not technically feasible or there is some other (as yet unknown) issue with the Crown granting a Statutory Right of Way for the FSR Route.
- 74) On October 20, 2017, Lil'Wat Nation advised the Receiver that its Chief and Council had approved the form of the Amending Agreement and was prepared to execute it once Squamish Nation had obtained the necessary approvals.
- 75) Based on correspondence with Squamish Nation's legal counsel and Chief Bill Williams, the Receiver understands that the Chief and Council for Squamish Nation have not yet approved the form of the Amending Agreement, owing in part to difficulties in finding time on the Council agenda in late 2017, and also due to the recent Council election process. Furthermore, Chief Bill Williams expressed concerns regarding the position of BCH in relation to the status of the EPA since he did not want to use valuable time of the Council absent confirmation by BCH that the EPA would not be terminated.
- 76) The Receiver understands that the next stage of the permitting process related to the Utility Applications is for FrontCounter BC to complete its review of the applications, and then to send out referrals to impacted parties, including the Nations. This process is effectively on hold until Chief and Council of Squamish Nation approve the Amending Agreement, which itself is on hold due to the uncertainty related to the status of the EPA.

Engineering Peer Review

- 77) Prior to the Date of Receivership, Creus Engineering Ltd. ("**Creus**") was engaged as the Engineer of Record ("**EOR**") for the Project. In addition, several sub-engineers were engaged, including GeoPacific Consultants Ltd. as the geotechnical engineers, United Building Systems International Corp. as the structural engineers, and Bruce Campbell Ltd. as the electrical engineers (collectively, the "**Sub Engineers**").

- 78) At the outset of the Receivership Proceedings, the Receiver entered into discussions with Creus to seek its assistance in evaluating the current status of the Project, and to provide the Receiver with copies of all engineering drawings and documents pertaining to the Project in Creus' possession. Initially, Creus was not prepared to provide any documents to the Receiver or to assist the Receiver in its review of the current status of the Project absent payment of \$300,000, representing a portion of the \$752,000 in fees purportedly owing to Creus at the Date of Receivership.
- 79) Creus, through its legal counsel, disputed the Receiver's request for the provision of Project related documents pursuant to paragraphs 4 and 5 of the Receivership Order. However, after several weeks of discussions and correspondence between Creus, its legal counsel, the Receiver, and the Receiver's legal counsel, Creus did provide electronic copies of the Project documentation in its possession to the Receiver on July 7, 2017.
- 80) The Receiver and Creus were unable to reach agreement pertaining to the terms on which Creus would be prepared to continue to work on the Project. Therefore, on July 17, 2017, the Receiver retained Sigma Engineering Ltd. ("**Sigma**") to undertake an independent peer review (the "**Peer Review**") of the current status of the engineering design and construction undertaken to date, and the necessary steps to advance the design to completion. In addition, the Receiver, IA and Midgard all felt there would be significant value to obtaining an independent assessment of the Project for the benefit of sharing with Interested Parties as part of their due diligence in the Sale Process (both terms as hereinafter defined).
- 81) The Receiver retained Creus and each of the Sub Engineers to assist Sigma with the provision of information, attendance at Project site inspections, and to answer queries related to the engineering design.
- 82) The Peer Review was an extensive process which evolved as interested parties requested more information regarding the design integrity of various aspects of the Project. The Peer Review is now completed and has been uploaded to the data room used in the Sale Process. Sigma has also confirmed its ability to act as the EOR for the completion of the construction.

Intake Construction

- 83) In September 2017, the Receiver, with the assistance of Midgard, ran a competitive tender process to award a contract to undertake headpond and headtank fill tests and, subsequently, to complete the intake works and divert Wedgemount Creek back to its original channel and through the intake (the "**Intake Contract**"). This work is necessary to advance the construction of the Project and to evaluate the integrity of the intake weir and spillway.
- 84) This was a high priority item on the critical path towards moving the Project to COD. In addition, the temporary diversion channel had been constructed with the view to it being used for six to eight months and owing to the delays experienced on the Project its life had been extended to more than two years. Accordingly, the IEM and IE both expressed the importance of completing the intake weir and diverting the channel to its original course and through the intake in order to mitigate the risks associated with large volumes of snowmelt running through the temporary diversion channel in the spring of 2018.
- 85) The Receiver invited three contractors to bid for the Intake Contract and a bid deadline of September 18, 2017 was set for submission of proposals.

- 86) After review of the proposals received, and based on discussions with IA and advice received from Midgard, the Receiver awarded the Intake Contract on a cost-plus basis to North Construction, a reputable construction contracting company based in North Vancouver, BC. The Intake Contract had an estimated value of \$541,000, exclusive of applicable taxes.
- 87) Construction works at the intake commenced in the last week of September, and the headpond and headtank fill tests were both successfully completed in mid-October. However, in late October, the weather on Wedgemount Mountain closed in earlier than anticipated, with significant quantities of snow and rain received. This saturated the soil close to the intake that was to be used for “plugging” the temporary diversion channel in order to decommission it and divert the channel through the intake, thereby making the soil difficult to use. The weather also made operating conditions on the Project site problematic and potentially unsafe.
- 88) Accordingly, based on discussions between the IEM, Midgard, IA and the Receiver, the decision was taken to winterize the Project site at the intake and demobilize in the last week of October. As part of this process, additional armouring of the temporary diversion channel was undertaken as a precaution for the spring snowmelt in 2018, and other cross-ditching and road stabilization activities were completed to minimize run-off issues and preserve the Project.
- 89) While it was not possible to complete the works under the Intake Contract, significant value was obtained through proving the integrity of the headpond and headtank, which assisted the Interested Parties in valuing the Project by reducing contingencies.
- 90) In early November 2017, the Receiver retained Bruce Campbell Ltd. and Corporate Electric Limited to undertake the necessary electrical wiring to winterize the powerhouse. The Receiver has also leased a generator to heat the powerhouse and arranged for snow clearance through the winter months in the area of the powerhouse.

OTHER PROJECT STAKEHOLDERS

Yukon

- 91) As indicated at paragraph 30(d) of this First Report, it is contemplated that a section of the Project’s interconnection will run to the powerhouse through the WedgeWoods subdivision owned by Yukon.
- 92) Wedgemount LP entered into a Reparations Agreement with Yukon, among other parties, dated February 13, 2015 (the “**Reparations Agreement**”). The Reparations Agreement provides for a royalty payment to Yukon based on a percentage of the Project’s net revenue.
- 93) It is contemplated that portions of the distribution line will run through the WedgeWoods subdivision through a buried duct bank within the Provincial Public Highway right of way known as Riverside Drive. Prior to the Date of Receivership, Yukon had undertaken construction works in the WedgeWoods subdivision related to the installation of the ducting to carry the distribution for the Project, with a purported cost of approximately \$419,000, excluding taxes. Yukon has advised the Receiver that certain portions of this duct bank have been installed within Lot A Plan

BCP39068 on Yukon owned lands, for which Wedgemount LP would require a new right of way (the "**New RoW**") to be granted by Yukon. Counsel for Yukon has also advised the Receiver that there is time sensitivity associated with granting of the New RoW due to the ongoing development of the WedgeWoods subdivision.

- 94) Over the course of the Receivership Proceedings, the Receiver has entered into various discussions and correspondence with Yukon and its legal counsel in an effort to negotiate a mutually acceptable agreement that would enable the completion of the ducting through the WedgeWoods subdivision in order to facilitate an interconnection for the FSR Route.
- 95) Counsel for Yukon has advised the Receiver that Yukon would be willing to enter into further discussions with the Receiver pending a resolution to the EPA, and/or upon the sale of the Project to a third party.

CCFS

- 96) CCFS entered into a Road Use and Logging Cost Agreement with Yukon dated September 12, 2012 which was subsequently assigned to Wedgemount LP. Discussions have been held with CCFS regarding the conversion of the CCFS managed access road from a cutting permit road to a forest permit road, and in relation to a new road use agreement.

SALE PROCESS

Initial Interest and Phase I

- 97) In the first few weeks of the Receiver's appointment, the Receiver and IA were contacted by several parties that were potentially interested in acquiring the Project.
- 98) Owing to the partly constructed status of the Project at the Date of Receivership, the Receiver did not compile any form of bid package for the marketing of the Project, nor did it run a formal sale process at the outset of the Receivership Proceedings. However, in response to enquiries and indications of interest from numerous parties ("**Interested Parties**"), and given the Receiver's desire to assess the level of interest in and potential value of the Project in its current state, the Receiver undertook an informal sale process in respect of the Project and related assets (the "**Sale Process**"). On or about June 20, 2017, the Receiver:
 - (a) established a data room for Interested Parties to review information pertaining to the Project, including the EPA, various other agreements and contracts, engineering reports and financial information. All Interested Parties were required by the Receiver to enter into a binding non-disclosure agreement ("**NDA**") with the Receiver before being granted access to the data room. The NDA set out various customary terms and controls to ensure that information in the data room is kept strictly confidential by the Interested Parties; and
 - (b) invited Interested Parties to submit non-binding letters of intent ("**LOIs**") for the purchase of the Project and related assets, including Wedgemount LP's right, title and interest in and under the EPA, by July 14, 2017.
- 99) On July 11, 2017, the Receiver posted to the data room responses to various queries posed by Interested Parties in relation to the Project. As set out in paragraphs 25

and 26 of the McKie Affidavit, one of these requests concerned the status of the EPA. Relying on the representations made by BCH in the June 6 Meeting, the Receiver informed Interested Parties of the verbal confirmation given by BCH that the EPA would not be terminated as a result of the purported COD deadline of September 30, 2017 owing to the Draft Interconnection Study Report being in draft form.

- 100) Over the course of the Receivership Proceedings, the Receiver has entered into NDAs with 24 different Interested Parties. From June 20, 2017 to July 14, 2017, Project site visits were undertaken with 11 Interested Parties.
- 101) Initial non-binding LOIs were received from nine Interested Parties. However, the LOIs were submitted using various different assumptions related to timing of COD, assignment of debt, and acquisition structure. Based on an assessment of the LOIs received, the Receiver requested four of the Interested Parties to submit revised LOIs by July 31, 2017, after providing clarifications on potential timing of COD and various other matters.
- 102) On July 31, 2017, revised non-binding LOIs were received from each of the four selected Interested Parties. In early August 2017 following discussions with IA, and based on an assessment of the LOIs received, the Receiver determined to impose more structure on the Sale Process. Three preferred bidders were selected to move to the second phase of the Sale Process ("**Phase II**") and undertake detailed due diligence in respect of the Project.

Phase II

- 103) On August 14, 2017, the Receiver requested that the preferred bidders deliver binding offers for the acquisition of the Project and related assets on a cash-free, debt-free basis by September 15, 2017. Offers were to be submitted on an "as-is, where-is" basis, with no representations or warranties to be provided by the Receiver.
- 104) During Phase II of the Sale Process, the data room remained open to all Interested Parties who had executed NDAs. Given the Project had not been formally marketed by the Receiver, if new parties expressed an interest in the Project, they were also provided access to the data room upon execution of an NDA and were informed as to the status of the Sale Process.
- 105) Throughout Phase II, the Receiver continued to advance various aspects of the Project, including the Peer Review, interconnection design and permitting, discussions with Yukon, and the intake construction. In addition, the Receiver received and responded to multiple information requests and queries from Interested Parties related to various aspects of the Project via updates to the data room.
- 106) On September 14, 2017 the deadline for submission of binding offers was extended to October 2, 2017 since the Receiver and Midgard were working on providing various information to the Interested Parties related to the engineering design and intake.
- 107) On October 2, 2017 binding offers were received from two Interested Parties, and non-binding offers were received from a further four Interested Parties. The nature of these offers is discussed in more detail in the First Confidential Report.
- 108) Prior to September 2017, due to the representations made by BCH in the June 6 Meeting, the Receiver did not have any reason to request written confirmation from BCH that the termination provision of the EPA was not applicable. However, by

September 2017 the second anniversary of the Target COD as initially stipulated in the EPA was approaching and it was a condition precedent to a number of the LOIs received by the Receiver in the course of the Sales Process that the Receiver provide some written evidence that BCH would not exercise, or would waive, BCH's right to terminate the EPA on the grounds that the Target COD had not occurred before the deadline set forth in the EPA, or that BCH had not set the Target COD.

- 109) Therefore, out of an abundance of caution, the Receiver emailed BCH on September 11, 2017 to confirm that, based on BCH's previous representations to the Receiver, the termination provision set out in paragraph 8.1(a) of the EPA was not applicable because the Draft Interconnection Study Report remained in draft form.
- 110) At this stage, the Receiver had no reason to believe that the requested confirmation from BCH would not be forthcoming. IA was also of the view that confirmation would be forthcoming given the representations which had been made to it in June 2017.
- 111) Following discussions with IA in relation to the LOIs received, the Receiver had planned to enter into discussions with a preferred bidder in the first two weeks of October 2017, with the view to negotiating and executing a definitive asset purchase agreement by the end of October, subject to discussions with key stakeholders in relation to the proposed transaction and obtaining the support required to facilitate the transaction. This plan was outlined to BCH in the Receiver's letter dated October 11, 2017.
- 112) As set out in the October 11, 2017 letter, given the progress made with respect to the Nations' support of the FSR Route and in light of the offers received on October 2, 2017, the Receiver was confident that a transaction of the Project would be feasible prior to the end November 2017, assuming BCH continued to support the Project.
- 113) Unfortunately, BCH took several weeks to consider its position in relation to the EPA which delayed the Sale Process. The McKie Affidavit and Chambers Affidavit explain in detail the nature of the discussions and correspondence held between the Receiver and BCH in relation to the EPA. The Sale Process has effectively been on hold since early October 2017 as a result of the ongoing discussions with BCH regarding the EPA.

Assessment of the Offers

- 114) The Sale Process in this matter has been robust and has engaged several Interested Parties, including strategic buyers, financial buyers and high net worth investors.
- 115) Given the current unfinished and unpermitted status of the Project, the Receiver is of the view that the likely acquirer would be a strategic buyer with similar run-of-river assets in its portfolio located in the vicinity of the Project, and with the ability to mobilize a local team to complete the construction with knowledge of the BC permitting process. This narrows down the pool of potential buyers somewhat, and the Receiver is confident that the opportunity to acquire this Project is well known within these industry circles.
- 116) As outlined more fully in the First Confidential Report, all indications are that, absent termination of the EPA, it is likely that a sale of the Project to a credible purchaser can be completed with a substantial realization for several of the stakeholders.

Impact of BCH's Application to Terminate the EPA

- 117) As outlined in this First Report, there are many stakeholders in the Project including all the creditors, the Nations (who stand to benefit under the IBA), Yukon (which stands to benefit from the Reparations Agreement), the Wedgemount Entities, the guarantors on the Project, and the many professionals and contractors working on the Project.
- 118) If BCH is allowed to terminate the EPA, it is uncertain whether any bidders will be interested in acquiring the Project (and/or what the impact on the value of the Project would be). Further, the Receiver has been advised by Midgard that, if the Project is not sold and completed by a purchaser, there will be significant environmental remediation issues that will need to be attended to in an area that is frequently used by recreational hikers (the Wedgemount Mountain trail). Both these factors are discussed in more detail in the First Confidential Report.

CREDITORS AND SECURED CHARGES

- 119) The IA Security is subject to certain prior ranking Court-ordered charges and statutory interests, which include:
- a) the Receiver's Charge (as that term is defined in the Receivership Order);
 - b) the Receiver's Borrowing Charge (as that term is defined in the Receivership Order); and
 - c) certain deemed trust and priority claims (if any).
- 120) Pursuant to paragraph 16 of the Receivership Order, the Receiver and McMillan as its legal counsel are the beneficiaries of the Receiver's Charge, which is a first-ranking charge over the property of the Group to secure payment of their fees and disbursements incurred in the Receivership Proceedings.
- 121) Pursuant to paragraph 19 of the Receivership Order, the Receiver is authorized to borrow up to \$2.0 million without further approval of the Court for the purpose of carrying out its duties and powers. As at the date of this First Report, the Receiver has utilized funds on hand at the Date of Receivership and has not required any borrowing facility.
- 122) At the Date of Receivership, Wedgemount LP was in a net refund position in relation to GST outstanding for the periods January to April 2017 in the total amount of \$9,500. These amounts have since been received from CRA.
- 123) The Receiver completed a GST return for the pre-filing period May 1 to 12, 2017 which resulted in a refund in the amount of \$600. The Receiver has also set up a new post-filing GST account for the period May 12, 2017 onwards and to date has recovered a further \$26,000 in GST refunds.
- 124) The Receiver understands that the Wedgemount Entities did not employ any people and the Receiver is not aware of any CRA related deemed trust claims in respect of payroll source deductions, or any other similar priority claims.
- 125) As noted previously, IA is the principal secured creditor of the Wedgemount Entities, and was owed \$16 million in principal at the Date of Receivership pursuant to a credit

agreement (the "**Credit Agreement**") dated June 30, 2015 among Wedgemount LP, IA and Travels Capital Corporation (as agent), and pursuant to a construction loan note dated June 30, 2015. IA has valid and enforceable security (as reported in the Security Opinion). Interest continues to accrue on this principal amount.

- 126) IA has advised the Receiver that as at September 30, 2017, it was owed a further \$5.6 million in relation to a make whole (prepayment) fee pursuant to the Credit Agreement, to bring the total amount claimed by IA to approximately \$21.6 million at September 30, 2017. The validity and enforceability of this prepayment fee has not yet been fully considered by the Receiver.
- 127) The Receiver has been contacted by a number of contractors requesting the release of the monies held in the Holdback Accounts. The Receiver has not to date released these monies, pending further review of the contractors' claims pursuant to the *Builders Lien Act*.
- 128) As at the Date of Receivership, the available books and records of Wedgemount LP reported unsecured creditors with claims of approximately \$6.2 million. The directors of Wedgemount GP and Wedgemount Power advised the Receiver that there are no known unsecured creditors of these entities. Several creditors have contacted the Receiver to advise that their claims were understated in the Group's books and records, and did not include invoices submitted close to the Date of Receivership.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 129) Attached as Appendix "A" to this First Report is a Statement of Receipts and Disbursements reflecting the administration of the Receivership Proceedings for the period from the Date of Receivership to March 26, 2018.
- 130) As at March 26, 2018, the Receiver's gross receipts amounted to approximately \$3.2 million, primarily relating to the cash on hand at the Date of Receivership in the amount of \$2.5 million, in addition to the Holdback Accounts.
- 131) During the same period, the Receiver has made disbursements totalling \$1.5 million including, among other items, engineering and environmental consulting fees, the BCH Retainer, the cost of the intake construction works, road remediation, powerhouse winterization, legal fees and the Receiver's fees.
- 132) The Receiver has invoiced and been paid approximately \$351,000 in fees and costs (before taxes) covering the period to January 11, 2018. The Receiver has also disbursed \$84,000 to McMillan and \$69,000 to Gowling WLG LLP in respect of legal fees and costs (before taxes). The legal services provided by Gowling WLG LLP to the Receiver relate to the initial stages of the Receivership Proceedings prior to the involvement of McMillan as the Receiver's independent counsel.
- 133) The Receiver notes that included in the disbursements made to date are payments totalling approximately \$59,000 made to two consulting companies that relate to expenses incurred by Wedgemount LP prior to the Date of Receivership. The Receiver linked the payment of these amounts to meeting certain milestones in the consulting services provided to the Receiver after the Date of the Receivership.
- 134) The Receiver believes that the payment of these costs is justified as these expenditures were necessary to secure the ongoing cooperation of the consultants to

assist the Receiver in carrying out its powers and duties, and to ensure the proper transfer of knowledge related to the Project to the Receiver.

- 135) In addition, the Receiver believes that, absent payment of these amounts, the costs of retaining new consultants would likely have exceeded the pre-receivership amounts paid due to the amount of time required for new consultants to familiarize themselves with the current status of the Project and related documentation.

CONCLUSIONS AND RECOMMENDATIONS

- 136) The Receiver has expended significant time and resources in advancing the Project since the Date of Receivership in reliance on the representations made by BCH at the June 6 Meeting that the EPA would not be terminated as a result of the Project COD not being achieved by September 30, 2017.
- 137) IA has continued to support the Project, and the funding of the Receivership, on the basis of representations made to IA by BCH.
- 138) The BCH Application to obtain leave of the Court to terminate the EPA is contradictory to the verbal assurances made by BCH to the Receiver and also represents a marked change in direction as compared to the actions of BCH, which continued to work with the Receiver and incur costs to advance the interconnection well beyond the purported Target COD of September 30, 2017.
- 139) The spring snowmelt in Whistler is expected imminently, and monitoring of the Project site, along with remedial works to manage run-off and tree falls, will be required in the next few weeks. Given the uncertainty associated with the status of the EPA, and consequential potential impact on Project value, the Receiver requires a resolution to this issue be obtained swiftly.
- 140) The Receiver has been in active discussions with BCH regarding the EPA with BCH since September 2017. As time passes, stakeholder value continues to erode due to the carrying cost of interest on IA's debt, and the likelihood that COD will continue to be delayed, thereby postponing Project revenue streams, not only to Wedgemount LP, but also to the Nations and, potentially, Yukon.
- 141) The Sale Process cannot advance absent a resolution to the EPA. However, if the EPA remains in place, the Receiver is of the view that it is likely that a sale of the Project to a credible purchaser can be completed within a relatively short timeframe with a substantial realization for several of the stakeholders.
- 142) The Receiver also notes the time sensitivity related to the requirement to move the penstock sections from their current holding area, and to reaching an agreement with Yukon for obtaining the New RoW which Yukon asserts is required for use of the ducting running through Yukon lands for the purposes of the interconnection, as referenced at paragraph 93 of this First Report.
- 143) Given all the factors outlined above, the Receiver is reluctant for the dispute in relation to the EPA to be dealt with through a potentially protracted arbitration process.
- 144) Based on the foregoing, the Receiver respectfully requests that the Court:

- a) Grant an order that the First Confidential Report be filed under seal pending further order of the Court; and
- b) make a declaration that BCH may not terminate the EPA on the basis of any ground or fact existing as at the date of the declaration.

All of which is respectfully submitted at Vancouver, BC this 2nd day of April, 2018.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Receiver and Manager of Wedgemount Power Limited Partnership, Wedgemount Power (GP) Inc., and Wedgemount Power Inc., and not in its personal capacity



Per: Melinda McKie, CPA, CMA, CIRP, LIT
Senior Vice-President

Appendix "A"

Receiver's Statement of Receipts and Disbursements for the period from May 12, 2017 to March 26, 2018

Description	Wedgemount Power Limited Partnership	Wedgemount Power (GP) Inc.	Wedgemount Power Inc.	Total
Receipts				
Cash in bank				
Trust funds (holdback accounts)	\$ 2,543,670	\$ -	\$ -	\$ 2,543,670
Recoverable expenses	590,038	-	-	590,038
GST refunds	-	70	70	140
Interest	35,815	-	-	35,815
Total receipts	3,192,246	70	70	3,192,386
Disbursements				
Filing fees to Receiver General				
Bank charges	70			
Contractor services:	103	70	70	210
Forestry and crown tenure consulting		-	-	103
Engineering consulting	53,903			
Environmental consulting	522,414			53,903
Construction works and site remediation/winterization	18,721			522,414
BC Hydro retainer	213,643			18,721
GST/PST paid	105,000			
Insurance	59,874			105,000
Receiver's fees	37,869			59,874
GST on Receiver's fees	351,060			37,869
Legal fees	17,553			351,060
Misc. disbursements	153,010			17,553
Total disbursements	3,548			153,010
Excess of receipts over disbursements	1,536,768	70	70	1,323,265
Represented by:				
Cash in bank				
Trust funds (holdback accounts)	1,065,440			1,065,440
Cash in bank	590,038			590,038
	\$ 1,655,478	\$ -	\$ -	\$ 1,655,478