

Goodmans^{LLP}

EB-2008-0230
Greater Sudbury Hydro Inc.
Response to Undertaking J1.15
Delivered August 24, 2009
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April 24, 2006

Our File No.: 061319

By Facsimile

Brian Hewson
Chief Compliance Officer
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Hewson:

Re: Greater Sudbury Hydro Inc. Compliance with the Affiliate Relationships Code

We are the solicitors for Greater Sudbury Hydro Inc. ("GSHI") and are writing further to our letter of April 7, 2006. We are pleased to provide you with the action plan you requested with respect to GSHI's compliance with the Affiliate Relationships Code.

GSHI is in full compliance with its distribution license and the Affiliate Relationships Code. However, in the interest of minimizing regulatory action and in recognition that some of the comments made in your March 6, 2006 letter suggest improvements to GSHI's business practices, GSHI is willing to implement certain of your recommendations, particularly with respect to GSHI's interaction with the public.

However, GSHI does not accept your interpretation of its distribution license and the Affiliate Relationships Code. Our client's submissions concerning the correct interpretation of GSHI's distribution license and the Affiliate Relationships Code are provided in the attached brief of general submissions (which are tendered on behalf of GSHI and Essex Powerlines).

In summary, GSHI believes that it is in the best interest of electricity consumers, and compliant with the Code, for it to outsource to its affiliates all of the operations of GSHI, including line maintenance, billing, and customer services. This will allow the personnel involved in providing those services to be used in the most efficient manner without prejudicing electricity customers.

However, GSHI recognizes the CCO's concerns with respect to employee sharing. GSHI and its affiliates intend to restructure their operations so that electricity commodity related services are provided by individuals employed by a separate entity (an energy service provider) from the entity that provides the core distribution services. We note that GSHI and its affiliates are considering ceasing their provision of water heater, conservation and sentinel lighting services in light of your

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March 6 letter. We expect that within 60 days we will be able to advise you of the new arrangement. In the meantime, GSHI would appreciate any comments you have that would be of assistance to it in establishing this new arrangement.

GSHI does not propose to change the manner in which it engages in transfer pricing, i.e. cost-based transfer pricing because, among other reasons, GSHI may not outsource to a non-affiliate the services covered under its long time collective agreement.

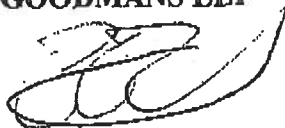
Finally, GSHI is in the process of implementing your recommendations with respect to its marketing activities, particularly with respect to its website and bills. Once the new corporate structure of GSHI's affiliates is finalized (a pre-condition to finalizing changes to the websites and bill formats), GSHI intends to move quickly to make the changes you have recommended. In the meantime, GSHI is reviewing what changes it can make to its website and bills, without great cost, to address at least some of your recommendations in this regard pending the finalization of the corporate structure.

We are advised that you are currently working with the Electricity Distributors Association with respect to the general issues raised in your March 6 letter. GSHI strongly endorses your taking a holistic and industry-wide approach to these issues after consulting with distributors as a group. GSHI looks forward to participating in any stakeholder consultations in this regard.

We trust that you find this action plan satisfactory. If you have any questions or comments, please let us know.

Yours truly,

GOODMANS LLP



Peter Ruby
PDR/tg

Encl.

Copy: Doug Reeves, GSHI ✓

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