

SERVICE AGREEMENT

THIS MEMORANDUM OF AGREEMENT made as of January 1, 2009.

BETWEEN:

Toronto Hydro-Electric System Limited ("THESL")

and

Toronto Hydro Energy Services Inc. ("Affiliate")

WHEREAS Affiliate desires THESL to provide the Shared Services to it and THESL wishes to provide the Shared Services, all upon the terms and conditions set forth herein.

NOW THEREFORE in consideration of the mutual covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, THESL and Affiliate (together, the "Parties") agree as follows:

1. PURPOSE

- 1.1 The purpose of this Agreement is to describe the Shared Services to be provided by THESL to Affiliate, the charges to be made to Affiliate for such Shared Services, and the working relationship between THESL and Affiliate relating to such Shared Services.

2. DEFINITIONS AND INTERPRETATION

- 2.1 As used in this Agreement, the following terms shall have the following meanings:

- (a) "Affiliate Relationships Code" means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board on April 1, 1999, including any and all amendments or revisions thereto;
- (b) "Agreement" means this Service Level Agreement for Shared Services and all instruments supplemental to it or in amendment or confirmation of it;
- (c) "Term" shall have the meaning prescribed to it in Section 3.1 of this Agreement;
- (d) "Parties" means THESL and Affiliate collectively, and "Party" means any one of them;
- (e) "Representatives" means any employee, agent, or subcontractor, of the Party in question, including without limitation any third party retained to perform any or all of the Shared Services pursuant to Section 4 of this Agreement;
- (f) "Transfer Price(s)" shall have the meaning prescribed to it in Section 5 of this Agreement;

(g) "Shared Services" shall have the meaning prescribed to it in Section 4.1 of this Agreement.

2.2 Unless the context of this Agreement requires otherwise, the singular number shall include the plural and vice versa and any gender includes any other gender.

2.3 The following Schedules are attached to and form an integral part of this Agreement:

Schedule 1	Environment, Health & Safety
Schedule 2	Treasury, Rates & Regulatory Affairs
Schedule 3	Finance
Schedule 4	Information Technology & Services
Schedule 5	Procurement
Schedule 6	Legal
Schedule 7	Organization Effectiveness
Schedule 8	Facilities and Asset Management
Schedule 8A	Facilities and Asset Management – Facilities & Fleet
Schedule 9	Streetlight Work for Planned or Demand Capital Projects

3. TERM AND TERMINATION

3.1 The parties agree that, notwithstanding any provision contained therein, the Service Agreement made between them as of January 1, 2007 is terminated effective December 31, 2008.

3.2 This Agreement shall commence as of January 1, 2009 and will remain in effect until terminated by either Party, in whole or in part, upon no less than sixty (60) days' written notice to the other Party ("Term"); provided that in the event of default in performance of any material covenant in this Agreement, including Section 13.2, the non-defaulting Party shall be entitled to terminate the Agreement on no less than fourteen (14) days written notice to the defaulting Party. Any partial termination of the Agreement shall be evidenced by a written agreement as between the Parties specifying the specific Shared Services to be terminated, and the adjustment in Transfer Price pursuant to such partial termination; provided that the Parties shall make any adjustments required to insure that the Transfer Prices remain consistent with the Affiliate Relationships Code.

4. SHARED SERVICES

4.1 Subject to Section 4.5 of this Agreement, THESL shall provide Affiliate with the services listed in Schedules "1" through "9" hereto and any additional services required by Affiliate from time to time (collectively, the "Shared Services"). Any additional Shared Services required by Affiliate shall be provided by THESL at mutually agreed upon terms, conditions and Transfer Prices, provided however that such terms, conditions and Transfer Prices shall be consistent with the requirements of the Affiliate Relationships Code.

4.2 THESL shall provide the Shared Services at quality levels which are mutually acceptable to the parties. These levels shall be reviewed from time to time.

- 4.3 Subject to Sections 4.4 and 4.5 hereof, THESL shall have the right, in its sole discretion, to contract with a third party to deliver all or part of the Shared Services, provided however that such third party shall be capable of providing such Shared Services to the same or better quality levels than those set forth in Section 4.2. The parties agree that THESL shall be acting as the agent of Affiliate in procuring the delivery of such Shared Services of the Affiliates.
- 4.4 Where THESL has contracted with a third party to provide part or all of the Shared Services pursuant to Section 4.3 above, Affiliate shall pay the amount charged by such third party for the portion of the Shared Services delivered.
- 4.5 This Agreement shall be deemed to be an exclusive service agreement as between THESL and Affiliate, and Affiliate shall not have the right to provide itself, or retain a third party to provide, any of the Shared Services unless agreed to by THESL.
- 4.6 No employee shall be shared between THESL and the Affiliate; provided that an employee may be transferred or seconded from THESL to the Affiliate or from the Affiliate to THESL with the prior written approval of the Manager or Vice President of the relevant departments of THESL and the Affiliate. Such approval shall set forth the terms and conditions of such transfer including all appropriate measures required to preserve the confidentiality of customer information. When on a secondment or transfer, the employee will not provide any services whatsoever to the original company during the period of secondment or transfer.
- 4.7 THESL shall bear all costs incurred, and all risk involved, in delivering the Shared Services to the Affiliate.

5. TRANSFER PRICING

- 5.1 All Shared Services provided by THESL or its Representatives will be charged to Affiliate at the transfer prices determined in accordance with the Affiliate Relationships Code and set out in the attached Schedules (the "Transfer Price" or "Transfer Prices", collectively). The Transfer Prices do not include GST or any other taxes payable in respect of the Transfer Price, which the Affiliate shall also pay to THESL.
- 5.2 The Parties hereby agree and acknowledge that they shall renegotiate the Shared Services and Transfer Prices described in Schedules hereto at such times as necessary in order to ensure that the Transfer Prices remain consistent with the requirements of the Affiliate Relationships Code.
- 5.3 THESL shall render to Affiliate on or before the 15th day of each month (or such other time as may be agreed), an invoice setting forth the total amount due to THESL in respect of each of the Shared Services provided during the previous calendar month and the amount of any taxes which Affiliate has an obligation to pay.
- 5.4 Affiliate shall, no later than forty-five days after receipt of a THESL invoice, or if such day is not a business day, the immediately preceding business day, render to THESL, by any acceptable method agreed to by the Parties, the amount due THESL as set forth in the invoice. This Section 5.4 shall survive any termination of this Agreement or the expiry of

the Term for a period of twelve (12) months from the date on which the last invoice is rendered to Affiliate pursuant to this Agreement.

6. NOTICES AND CONTACTS

- 6.1 Any notice or communication required as between the Parties pursuant to this Agreement shall be delivered to the following individuals, or to such other individual as either Party may stipulate by notice to the other:

For THESL: Anthony Haines
Telephone: 416.542.3339
Fax: 416.542.2602

For Affiliate: Chris Tyrrell
Telephone: 416.640.9708
Fax: 416.542.2511

7. AMENDMENTS

- 7.1 If at any time during the term of this Agreement the Parties deem it necessary or expedient to make any alteration or addition to this Agreement, they may do so by means of a written agreement between them which shall be supplemental and form part of this Agreement.

8. FURTHER ASSURANCES

- 8.1 The Parties agree that each of them shall, upon reasonable request of the other, do or cause to be done all further lawful acts, deeds and assurances whatever for the better performance of the terms and conditions of this Agreement.

9. SUCCESSORS AND ASSIGNS

- 9.1 This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties, provided however that neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.

10. SEVERABILITY

- 10.1 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and everything else in this Agreement shall continue in full force and effect.

11. COUNTERPARTS

- 11.1 This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

12. DISPUTE RESOLUTION

- 12.1 The Parties will use their best efforts to resolve, at an operational level, any disputes which may arise concerning this Agreement. Any issues which remain unresolved for more than fifteen (15) days will be referred to the respective Presidents of each of the Parties. The parties agree to use their best efforts to resolve all disputes in a timely and professional manner utilizing a process appropriate to the issues involved.

13. CONFIDENTIALITY

- 13.1 Each party agrees not to disclose any Confidential Information to any person except those of its Representatives who have a need to know such Confidential Information in connection with this Agreement and who are informed of the confidential nature of the Confidential Information and who agree to be bound by the terms of this Section 13.1. The Recipient will not use any Confidential Information relating to the Disclosing Party for any purpose other than in connection with the performance of its obligations, or exercise of its rights, under this Agreement, and will exercise the same security measures normally exercised with respect to its own Confidential Information, and at a minimum a reasonable degree of care, to safeguard the Confidential Information from disclosure to anyone other than as permitted hereby. The provisions of this Section 13.1 shall survive termination of this Agreement. **“Confidential Information”** means all information, whether disclosed orally, in writing, or otherwise, designated as being confidential, which is disclosed by one party (the “Disclosing Party”) to the other party (the “Recipient”) relating to the business of the Disclosing Party or in connection with the subject matter of this Agreement and includes, but is not limited to, business, financial, and marketing information, plans and strategies, contractual, customer and supplier information, technical information related to hardware, software and firmware, and know-how, trade secrets and any other intellectual property rights, and the terms of this Agreement. Notwithstanding the foregoing, Confidential Information shall not include information which (i) now is, or hereafter properly becomes, generally available to the public other than as a result of disclosure in breach of this Agreement; (ii) is required to be disclosed in compliance with any applicable law, under order of a court of competent jurisdiction or other similar requirement of a governmental agency, so long as the Recipient provides the Disclosing Party with prior written notice of any required disclosure pursuant to such law, order or requirement and cooperates, to the extent permitted by law with the Disclosing Party in seeking an order eliminating or restricting the disclosure or a protective order or otherwise ensuring the confidential treatment of the Confidential Information; (iii) is disclosed with the prior written approval of an authorized officer of the Disclosing Party; (iv) is previously known to the Recipient at the time of disclosure; (v) is discovered by the Recipient without reference to the Confidential Information of the Disclosing Party; or (vi) is lawfully obtained from a third party which was not bound by a confidentiality agreement respecting the disclosure.

13.2 THC shall comply at all time with the data management and data access protocols implemented by the Affiliate to protect access to Confidential Information.

IN WITNESS WHEREOF, the Parties have executed this agreement effective as of the date first above written as attested by the hands of their respective officers duly authorized in that behalf:

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Per: _____

Lawrence Wilde

Vice-President, Corporate Secretary

TORONTO HYDRO ENERGY SERVICES INC.

Per: _____

Chris Tyrrell

President

SCHEDULES FOR SERVICE LEVEL AGREEMENT BETWEEN

Toronto Hydro-Electric System Ltd.

and

Toronto Hydro Energy Services Inc.

Schedule	Service Area	Page
Schedule 1	Environment, Health & Safety (EHS)	2
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SCHEDULE 1

**SERVICE
AREA:**

Environment, Health & Safety (EHS)

REF.	SECTION	COST
EHS1.0 EHS2.0, EHS4.0, EHS5.0, EHS6.0	Safety: Environment, Health & Safety Management System; Environment, Health & Safety Training; Accident/Incident Investigations; Health Services; WSIB Claims Management Administration	\$50,001

SCHEDULE 2

**SERVICE
AREA:**

Treasury, Rates & Regulatory Affairs (TRR)

REF.	SECTION	COST
TRR14.0 - TRR17.5 TRR19.0 - TRR20.7	Cash Management; Credit Risk Management; Long-term Debt Management and Investor Relations; Financing Strategy; Monthly Accounting/Reporting	\$50,000

SCHEDULE 3

**SERVICE
AREA:**

Finance (FIN)

REF.	SECTION	COST
FIN2.0	Payroll	\$20,653
FIN4.0	Corporate Controllershship & Policy	\$159,423
FIN5.0	Accounts Payable	\$32,385
FIN8.0	Reporting Policy	\$14,187
FIN12.0	Corporate Tax	\$73,352

SCHEDULE 4

SERVICE**AREA:****Information Technology & Services (ITS)**

REF.	SECTION	COST
ITS1.0	IT Stewardship	\$250,000
ITS2.0	IT Management Services	\$196,813

SCHEDULE 5

**SERVICE
AREA:**

Procurement (PRC)

REF.	SECTION	COST
PRC1.0	Procurement Charge	\$150,000

SCHEDULE 6

SERVICE
AREA: **Legal (LGL)**

REF.	SECTION	COST
LGL1.0	Legal Services	\$49,576
LGL3.0	Claims Administration	\$41,768
LGL4.0	Legal Stewardship	\$8,657

SCHEDULE 7

**SERVICE
AREA:**

Organizational Effectiveness (OE)

REF.	SECTION	COST
OE1-OE9, OE17, 19	Disability Case Management; Attendance Management Program; Administer and Manage All Leaves; Development and Maintenance of HRIS System; Administer Benefits Program - Employees & Retirees; Manage Total Compensation Program (Job Evaluation/Salary Administration/Variable Pay); Manage Retirement Program; Training & Education on Compensation & Benefits Topics; Manage Benefit Programs – Employees & Retirees	\$16,501
OE10-16, 18, 20	Labour Relations; Employee Relations; Deliver Training on Labour/Employee Relations Topics; Legal Compliance; HR Practices and Procedures; Conduct Recruitment, Selection & Orientation – Full-time, Temporary, Internal & External; Administer Student & Intern Employment Programs; Process Voluntary Termination; Engage Contingent Personnel	\$33,499

SCHEDULE 8

**SERVICE
AREA:**

Facilities and Asset Management (FAM)

REF.	SECTION	COST
FAM8.0 - FAM17.0	Fleet Management & Repair; Wash Vehicles & Equipment; Fleet Vehicle & Equipment Asset Management; Inventory Management; Legislative Compliance; Licences, Permits; Fleet Parking; Driver Training and Licence Management; Centralized Tool Crib Services (See Schedule 8A)	\$441,475

SCHEDULE 8A

**SERVICE
AREA:**

Facilities and Asset Management (FAM)

FLEET

# OF VEHICLES	VEHICLE CLASS	COST
1	OA - Car Sub Compact	\$13,614
1	1B - Pickup F-Size-Reg Cab 2501 +Kg	\$14,113
3	1C - Pickup F-Size Crew Cab 2501 +KG	\$47,454
11	5A - Single Bucket Squirt Boom	\$338,428
1	5D - Single Bucket Van Mounted	\$27,866

SCHEDULE 9

**SERVICE
AREA:**

Street Light Work for Planned or Demand Capital Projects

ITEM	SERVICE DESCRIPTION TYPE	COST	U.O.M.
1	Transfer/Remove existing luminaries and bracket	\$109.11	Pole
2	Install new luminaries and bracket/make connection	\$155.82	Pole
3	Install overhead street light cable	\$124.70	Span
4	Remove overhead street light cable	\$62.35	Span
5	Install street lighting relay/disconnect control	\$155.82	Relay
6	Remove street lighting relay/disconnect control	\$77.94	Relay
7	Install/Remove underground street light cable	\$3.08	Metre
8	Install/Transfer/Remove street light dip on pole	\$155.88	Dip
CIVIL WORK			
9	Exclusive work for street lighting	100% UPCMS Pricing (+ Admin. Fee)	
10	Joint trench cost sharing (road allowance)	5.1 <u>Cost Sharing as per SDP#006 (+ Admin. Fee)</u>	
11	Joint trench cost sharing (road crossing)	Cost Sharing as per SDP#006 (+ Admin. Fee)	
12	Joint tunneling costs sharing (road allowance)	Cost Sharing as per SDP#006 (+ Admin. Fee)	
13	Install DB street light duct (road allowance)	100% UPCMS Pricing (+ Admin. Fee)	
14	Install CE street light duct (road crossing)	100% UPCMS Pricing (+ Admin. Fee)	

Notes:

1. Charges do not include time and equipment for Crew Leaders
2. In the event of a 3-man crew, the 2-man crew rates will remain in effect
3. A 20% Administrative cost will be applicable to all unit prices
4. UPCMS – Unit Price Contract Management Systems
5. SDP – Standard Design Practice

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