ORANGEVILLE HYDRO

November 6, 2009

SHIBLEY RIGHTON LLP
Barristers and Solicitors
250 University Avenue, Suite 700
Toronto, Ontario, M5H 3E5

Re: Orangeville Hydro Limited
EB-2009-0272

Dear Mr. Shepherd:

Please find attached Orangeville Hydro Limited's responses to the School Energy Coalition interrogatories. Orangeville Hydro will file 2 paper copies of these responses with the Board Secretary at the Ontario Energy Board.

We hope that you find everything in order but if you do require further assistance or have any questions, please contact Jan Howard at jhoward@orangevillehydro.on.ca or by phoning 519-942-8000.

Yours truly,

ORANGEVILLE HYDRO LIMITED

Jan Howard
Manger of Finance & Rates

EB-2009-0272

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c.O.15, Sch. B;

AND IN THE MATTER OF an Application by Orangeville Hydro Limited for an Order or Order setting just and reasonable rates commencing May 1, 2010.

INTERROGATORIES

OF THE

SCHOOL ENERGY COALITION

1. Please confirm that the Applicant has 18 schools operated by publicly funded school boards in its franchise area. Please advise how many are in each of the two franchise areas of the Applicant. Please advise how many schools are in each of the GS<50 and GS>50 classes, in each of the areas.

   Response

   There are 16 schools operated by publicly funded school boards in our franchise area. In Orangeville there are 15 schools and in Grand Valley there is 1 school. All schools are in the GS>50 class and there is one set of portables in the GS<50 class.

2. [Ex.1/2/1, p. 1] Please confirm that the Applicant has experienced growth in its total number of customers from December 31, 2005 to December 31, 2008 of 2.75%, equivalent to 0.8% per annum compounded annually.

   Response

   OHL growth in our total number of customers from 2005 to 2008 is 2.5%.

3. [Ex.1/2/1, p.9] Please reconcile the numbers on this page with the data contained in Appendix E of the same exhibit.

   Response

The statement made on Page 9 should have read: "In 2007, the average OM&A cost per customer for the cohort was $198.00 while OHL's cost was $192.00. Over the 3-year average from 2005 to 2007, OHL's cost was $192.00 while the average for the cohort was $198.00".

4. [Ex.1/2/2] With respect to the Applicant's 2010 capital and operating budgets:

    a. Please file the 2010 capital and operating budgets that were presented to the Applicant's Board of Directors for approval, together with all materials (such as supporting schedules, powerpoints, memos, explanatory notes, etc.) used in describing or supporting the budgets or obtaining approval for them. If the formal process includes presentation to, or approval by, any committee of the Board of Directors, please file the materials provided to that committee, if different from what was provided to the Board of Directors.

    b. In the event that the 2010 capital and operating budgets do not yet have Board of Directors approval, please advise the planned date prior to the end of the current fiscal year that such approval will be sought.

    c. Please provide the "in-depth review of operating priorities and requirements" referred to.

    d. The Strategic Plan on the Applicant's website is dated November 19, 2001. Please file the updated Strategic Plan referred to at Ex.4/2/3, p.6, or advise of any current plans to update the 2001 Strategic Plan.

<u>Response</u>

a. Please see attached Appendix A – 2010 Capital and Operating Budget.
b. The 2010 capital and operating budgets have been approved.
c. When referring to in-depth priorities this is where the senior management meet to discuss staffing levels, business processes that may cause major setbacks, and succession planning to prevent any risk to the business in order to retain good employees and groom for the future.
d. The 2001 Strategic Plan has been updated and can be found as Appendix B.

5. [Ex.1/2/4] Please provide a table in the form set out in Table 2, setting out the calculation of the deficiency for each of 2007 and 2008, using actual figures, and 2009, using the most recent forecast data, all using the tax rates, equity component, and cost of capital rates applicable to those years.

    <u>Response</u>

Description	2008	2007
Revenue		
Revenue Deficiency		
Distribution Revenue	4,382,065	4,339,957
Other Operating Revenue (Net)	360,464	469,110
Total Revenue	**$4,742,529**	**$4,809,067**
Costs and Expenses		
Administrative & General, Billing & Collecting	1,611,211	1,588,510
Operation & Maintenance	796,919	716,625
Depreciation & Amortization	970,425	972,758
Property Taxes		
Capital Taxes	4,125	11,243
Deemed Interest	498,759	467,666
Total Costs and Expenses	**$3,881,439**	**$3,756,802**
Less OCT Included Above	4,125	11,243
Total Costs and Expenses Net of OCT	**$3,885,564**	**$3,768,045**
Utility Income Before Income Taxes	**$856,966**	**$1,041,022**
Income Taxes:		
Corporate Income Taxes	$323,607	$435,966
Total Income Taxes	**$323,607**	**$435,966**
Utility Net Income	**$533,359**	**$605,056**
Capital Tax Expense Calculation:		
Total Rate Base	16,470,811	16,400,930
Exemption	15,000,000	12,500,000
Deemed Taxable Capital	**$1,470,811**	**$3,900,930**
Ontario Capital Tax	4,125	11,243
Income Tax Expense Calculation:		
Accounting Income	856,966	1,041,022
Tax Adjustments to Accounting Income	169,145	196,819
Taxable Income	**$1,026,111**	**$1,237,841**
Income Tax Expense	323,607	435,966
Federal Tax	19.50%	22.12%
Provincial Tax		
Tax rate when Taxable Income is above $1.5 million	14.00%	14.00%
When Taxable Income is below $1.5 million		
First $500,000	5.50%	5.50%
Remaining	18.25%	18.25%
Combined		
Tax rate when Taxable Income is above $1.5 million	33.50%	36.12%
When Taxable Income is below $1.5 million		
First $500,000	25.00%	27.62%
Remaining	37.75%	40.37%
Effective Tax Rate	31.54%	35.22%
Actual Return on Rate Base:		
Rate Base	16,470,811	16,400,930
Interest Expense	498,759	467,666
Net Income	533,359	605,056
Total Actual Return on Rate Base	**1,032,117**	**1,072,722**
Actual Return on Rate Base	6.27%	6.54%
Return Rates:		
Return on Debt (Weighted)	5.68%	5.70%
Return on Equity	9.00%	9.00%
Deemed Interest Expense	498,759	467,666
Return On Equity	692,268	738,042
Total Return	**1,191,027**	**1,205,708**
Expected Return on Rate Base	7.23%	7.35%
Revenue Deficiency After Tax	**$ 158,909**	**$ 132,986**
Revenue Deficiency Before Tax	**$ 255,278**	**$ 223,019**

6. [Ex. 1/3/1, App. F] With respect to the Orangeville 2008 financial statements:

   a. Page 3. Please provide copies of any directives or other instructions from the shareholders or the Board of Directors establishing a target rate of return on equity or establishing limits on debt/equity ratio.

   b. Page 11. Please provide details of the accounts payable to the Town of Orangeville.

   c. Page 11. Please file the loan agreement or other documentation related to the $65,000 loan to the affiliate.

   d. Page 13. Please file the loan agreement, commitment letter, and similar documentation related to all TD Bank credit facilities currently in place or expected to be in place during the Test Year.

Response

a. OHL does not have any copies as to any directives or other instructions from the shareholders or the Board of Directors in establishing a target rate of return on equity or establishing limits on debt/equity ratio. At the Shareholders Budget Presentation Meeting, the budgets for 2009 and 2010 that have been approved by the Board are presented to the Shareholders along with the forecasted Return on Equity and Debt/Equity ratios.
b. Please find the details of the accounts payable to the Town of Orangeville below:

Town of Orangeville Accounts Payable	
December Amount Due from Town for Water Billling Service	(28,392.70)
December Revenue Due to Town	707,413.57
Correction to Water Billing re County-Overbilled	(99,643.25)
Total	579,377.62

c. Please find copies of the loan agreement in Appendix C.
d. Please find copies of the TD loan agreement in Appendix D.

7. [Ex.1/3/4] Please provide further information on Power Up Renewable Energy Co-operative.

   Response

   Green Pathways is a partnership with the non-profit group PURE (Power Up Renewable

Energy). Orangeville Hydro – the President, George Dick in particular worked on this mostly on his own time to get this partnership going and then Green Pathways is to be self-sustaining. It is taking longer than we anticipated due to waiting for rules & regulations being issued. In the meantime, Green Pathways has been delivering the ERIP & Power Savings Blitz programs on behalf of Orangeville Hydro. We do have a contract for them to do this.

PURE itself is a non-profit group with about 200 members from across the region who have interest in renewable energy, conservation, and the environment.

8. [Ex.2/2/2] Please file any plan currently in place relating to the modernization and upgrading of the Applicant's information technology infrastructure, including software tools and hardware.

   Response

   Please see plan currently in place in Appendix E.

9. [Ex.2/3/3, p.1] Please provide a summary of the "recent decision regarding the merger between Orangeville Hydro and Westario".

   Response

   Orangeville Hydro received interest from Westario to merge with us. The Orangeville Hydro board thought that it should be looked at. It was presented to the shareholder (Council) and Council decided not to proceed. They did not make their reasons public.

10. [Ex.4/2/1, p. 1] Page 1. Please identify each category of assets that is operated on a "run to failure" basis, including but not limited to pole-mounted transformers, secondary system, etc. For each category operated on that basis, please provide any formal analysis on which that decision was based.

    Response

    OHL operates in-line switches and fused cutouts on a run to failure basis since they do not represent safety concerns and live-line techniques can be used to replace these items.

11. [Ex.4/2/3] With respect to the OM&A budget and explanations:

    a. Page 6. Please file the "evaluation of the utility" referred to.

    b. Page 7. Please reconcile the increase in CHEC fees with the figures in Ex.4/2/5, p.2.

    c. Page 24. Please reconcile the figures on line 6 of Table 7 with the figures in Ex.4/2/5, p.2.

Response

a. The evaluation that OHL was referring to was the Utility Valuation that is confidential to the Town of Orangeville and the Township of East Luther Grand Valley.

b. The CHEC Fees amount for 2009 and 2010 that were list under the Purchase of Services was incorrectly stated. The amount should be $32,500 and 35,750 respectively.
c. The Purchase of services list does not include most of the $140,000 for regulatory costs as noted in the table.

3. OEB Section 30 Costs (OEB initiated)	Not Listed		50,000
4. Expert Witness Cost for Regulatory Matters	Not lIsted	-	5,000
5. Legal Costs for Regulatory Matters	Not Listed	5,000	10,000
6. Consultants Costs for Regulatory Matters	Borden,Ladner, Gervais	20,000	50,000

12. [Ex.8/1/1, p. 8] Please calculate the distribution volumetric rate for the GS >50 class in each of the following two scenarios:

a. the fixed charge is limited to the current Orangeville fixed charge of $183.39, and

b. the fixed charge is limited to the top of the Board's range, i.e. $102.90.

Response

	Service Charge	Volumetric	Total Fixed Revenue	Total Variable Revenue
GS >50 kW	183.39	2.2685	$286,088	$574,937
GS >50 kW	102.91	2.6967	$160,540	$700,486

Appendix A – 2010 CAPITAL AND OPERATING BUDGET

Orangeville Hydro Limited
CAPITAL ASSETS
2009 AND 2010 BUDGET

DESCRIPTION	2009 BUDGET	2009 BUDGET REVISED	2010 BUDGET
DISTRIBUTION PLANT			
Land	0	0	0
Land Rights	0	0	0
Building - MS 1	0	0	0
Sub-Stations	6,000	7,382	11,213
Meter Points	0	0	100,000
Overhead Poles, Towers	80,122	78,106	82,078
Overhead Conductors,Devices	85,803	83,585	108,282
Underground Conduit	314,860	304,093	249,558
Underground Conductors, Devices	345,926	346,106	244,450
Distribution Transformers	852,872	718,092	648,097
Services	104,485	107,977	116,205
Meter Distribution	17,771	16,256	8,824
Total Gross Distribution Plant	**1,807,839**	**1,661,597**	**1,568,707**
Contributions & Grants-Credit	(417,118)	**(403,024)**	**(363,335)**
Total Net Distribution Plant	**1,390,721**	**1,258,573**	**1,205,372**
GENERAL PLANT			
Land	$0	0	0
Land Rights	0	0	0
Building 400 C Line	2,000	17,000	10,000
Office Equipment	0	0	0
Computer Equipment	19,100	19,100	37,800
Computer Software	209,019	226,824	47,500
Rolling Stock	130,000	130,000	65,000
Work & Service Equipment	0	0	0
Stores Equipment	5,000	5,000	0
Tools	5,000	5,000	5,000
Measurement & Testing	1,000	1,000	1,000
Communication	0	0	0
Misc Equipment	4,000	4,000	0
Total General Plant	**375,119**	**407,924**	**166,300**
TOTAL FIXED ASSETS	**1,765,840**	**1,666,497**	**1,371,672**

Orangeville Hydro Limited
Capital Budget Details 2010
Distribution Project List

Project	Job Number	Category	Reason	G.L. accounts	Project Cost
Remove M.S.#1 Substation		Reliability	Decreased load on 4kv. System as a result of conversion to 27.6kv. Old station transformers to be sold at scrap prices.	18200	11,213.43
				Gross Project Cost:	**11,213.43**
				19950	
				Grand Total:	**11,213.43**
Wholesale Metering		Regulatory	Hydro One requested to have our wholesale metering moved outside TS M5 and M26. This job has been put aside due to the impact of the system losses that would increase by 2.8%. We feel it prudent to move the meters outside these TS's considering that the CTs and PTs expired and that would avoid incurring additional costs in the future.	18200	100,000.00
				Gross Project Cost:	**100,000.00**
				19950	
				Grand Total:	**100,000.00**
Misc Pole replacement		Replacement Betterment	Unaccounted for poles that require replacement for safety reasons. Budget for 1 pole per year.	18300	4,922.40
				18350	3,813.20
				18400	
				18450	
				18505	
				18510	
				18615	
				Gross Project Cost:	**8,735.60**
				19950	
				Grand Total:	**8,735.60**
Water St. make ready for Hydro One		Joint Use Demand	Hydro One request to relocate their feeders from rear lot construction to the existing Orangeville Hydro poleline on Water St. in Grand Valley	18300	39,751.76
				18350	37,266.16
				18400	
				18450	
				18505	8,588.63
				18510	
				18615	
				Gross Project Cost:	**85,606.54**
				19950	
				Grand Total:	**85,606.54**
Water St. Removal of Existing 7200kv Overhead Circuit		Reliability Betterment	Existing poleline is outdated and in need of replacement. We will convert to U/G and feed the customers off circuit on Emma St. and remove poleline on Water St.	18300	
				18350	10,846.90
				18400	10,864.85
				18450	11,559.85
				18505	
				18510	9,835.65
				18615	
				Gross Project Cost:	**43,107.26**
				19950	
				Grand Total:	**43,107.26**
Centennial Rd. Replace Poles		Reliability Betterment	We have been replacing poles and upgrading the poleline on Centennial Rd. for the past three budgets. We have three poles left to be replaced to complete the project. This is an upgrade as the old poles are in need of replacement and we want to get proper spacing between the 4kv and 27.6kv circuits.	18300	12,086.05
				18350	28,877.25
				18400	
				18450	
				18505	
				18510	
				18615	
				Gross Project Cost:	**40,963.30**
				19950	
				Grand Total:	**40,963.30**
First St./ Fifth Ave. - Replace Pole		Reliability Betterment	Safety concern as the spacing between the 44kv and the 27.6kv is too close.	18300	4,978.63
				18350	11,448.23
				18400	
				18450	
				18505	
				18510	
				18615	
				Gross Project Cost:	**16,426.85**
				19950	
				Grand Total:	**16,426.85**
King St. Grand Valley- Rebuild		Reliability Betterment	Small St. in Grand Valley. The poles need replaced due to age and improper clearances.	18300	11,978.63
				18350	6,221.03
				18400	
				18450	
				18505	8,588.63
				18510	
				18615	
				Gross Project Cost:	**26,788.28**
				19950	
				Grand Total:	**26,788.28**
Orangeville Mall Conversion		Reliability Betterment	Isolation and future removal of 44kv circuit on Fifth Ave. and on First St. is priority in the near future. Orangeville Mall is fed off a lateral 44kv feed on Fifth Ave and then on First St. If there is damage to this circuit we have no ability to loop feed this service. By converting this service to our 27.6kv system we will provide back up capabilities thus improving reliability to a very large customer.	18300	8,360.51
				18350	6,087.91
				18400	10,540.51
				18450	11,323.63
				18505	
				18510	34,392.91
				18615	
				Gross Project Cost:	**70,705.48**
				19950	
				Grand Total:	**70,705.48**
Browns Farm Conversion		Reliability Betterment	Completion of project started in 2009.Conversion to 27.6kv system will allow the removal of the old poleline along the railway spurline on west Broadway.	18300	
				18350	
				18400	24,529.76
				18450	47,200.86
				18505	
				18510	173,071.47
				18615	
				Gross Project Cost:	**244,802.09**
				19950	
				Grand Total:	**244,802.09**

Orangeville Hydro Limited
Capital Budget Details 2010
Distribution Project List

Brenda Blvd. Plaza 2 transformers		Reliability Betterment	Part of the project listed above, the conversion of these two three phase services will need to be upgraded.	18300	
				18350	
				18400	5,683.65
				18450	9,942.25
				18505	
				18510	35,817.03
				18615	
				Gross Project Cost:	**51,442.93**
				19950	
				Grand Total:	**51,442.93**
Conversion of three phase services on C-Line		Reliability Betterment	Conversion of these services will allow for the removal of an old 4kv circuit on C-Line north of Centennial Rd.	18300	
				18350	
				18400	9,967.28
				18450	17,725.88
				18505	
				18510	54,079.88
				18615	
				Gross Project Cost:	**81,773.03**
				19950	
				Grand Total:	**81,773.03**
Conversion of three phase services on West Broadway 312, 316, 318 Broadway		Reliability Betterment	These services must be converted to allow for the removal of the circuits referred to in the Browns Farm project.	18300	
				18350	3,721.03
				18400	9,967.28
				18450	17,725.88
				18505	
				18510	54,079.88
				18615	
				Gross Project Cost:	**85,494.06**
				19950	
				Grand Total:	**85,494.06**
Seniors Condo. Riddell Rd.		Customer Demand	A mature living condominium project expected to be developed.	18300	
				18350	
				18400	
				18450	5,908.63
				18505	
				18510	24,258.63
				18615	3,408.11
				Gross Project Cost:	**33,575.37**
				19950	30,167.25
				Grand Total:	**3,408.11**
310 Broadway		Customer Demand	A new development proposed on a vacant property on Broadway.	18300	
				18350	
				18400	
				18450	5,908.63
				18505	
				18510	17,258.63
				18615	2,708.11
				Gross Project Cost:	**25,875.37**
				19950	23,167.25
				Grand Total:	**2,708.11**
Broadway - Mad Hatter site		Customer Demand	A new development proposed on a vacant property on Broadway.	18300	
				18350	
				18400	
				18450	5,908.63
				18505	
				18510	17,258.63
				18615	2,708.11
				Gross Project Cost:	**25,875.37**
				19950	23,167.25
				Grand Total:	**2,708.11**
Montgomery Village - Phase H		Subdivisions	The Montgomery Village - Phase H project is located near Broadway and Pheasant Court and consists of approximately 102 lots.	18300	
				18350	
				18400	114,670.57
				18450	65,970.42
				18505	
				18510	60,412.45
				18550	74,872.45
				18615	
				Gross Project Cost:	**315,925.89**
				19950	137,577.00
				Grand Total:	**178,348.89**
Broadway Grande		Subdivisions	The Broadway Grande project is located just off downtown Broadway and consists of approximately 124 lots.	18300	
				18350	
				18400	63,334.57
				18450	33,457.79
				18505	
				18510	101,936.90
				18550	41,332.45
				18615	
				Gross Project Cost:	**240,061.71**
				19950	88,922.00
				Grand Total:	**151,139.71**
Westside Plaza (1)		Customer Demand	New Commercial Service expected to be developed in the Westside Plaza development.	18300	
				18350	
				18400	
				18450	5,908.63
				18505	
				18510	24,258.63
				18550	
				18615	
				Gross Project Cost:	**30,167.25**
				19950	30,167.25
				Grand Total:	-
Westside Plaza (2)		Customer Demand	New Commercial Service expected to be developed in the Westside Plaza development.	18300	
				18350	
				18400	
				18450	5,908.63
				18505	
				18510	24,258.63
				18550	
				18615	
				Gross Project Cost:	**30,167.25**
				19950	30,167.25
				Grand Total:	-

Total Gross Project Cost	**1,568,707.04**
Total Contributed Capital	**363,335.26**
Total Project less Contributed Capital	**1,205,371.78**

Orangeville Hydro Limited
Capital Budget Details 2010
General Plant Capital

Project	Category	Reason	G.L. accounts	Project Cost
Renovations to both ladies and mens washrooms.	Facilities	The building was built in 1990 and the washrooms are dated. With regular use by 9 females and 9 males, the wear and tear on these two areas are worn and deteriorating. The toilets are not environmentally efficient and while Orangeville Hydro likes to demonstrate our participation in a greener environment we are not practicing with older modeled bathroom fixtures.	19051	10,000.00
			Grand Total:	**10,000.00**
New Telephone System	Office Equipment	The Meridian Telephone currently installed at Orangeville Hydro is approaching 20 years old. Frequent failures and antiquation can impose on efficient operation of the business. With the regulatory reporting required, it is important to have a system that can provide output of data required to ensure reporting is accurate and to ensure compliance with regulatory requirements.	19150	
			Grand Total:	-
Engineering Plotter	Computer Equipment	Computer hardware is used by all departments of the utility and is key in customer service, improving reliability and reducing costs. Orangeville Hydro Computer purchase and deployment mandate: Upgrades are based on business software requirements. With the constant upgrades to business specific software, Orangeville Hydro may maintain the standard computer configuration required by software vendors. Upgrade to maintain customer service levels, in order to maintain prompt response to customer inquiries and billing creation, it is often necessary to increase processing level of hardware primarily used for customer service. Replace obsolete equipment; as equipment ages it loses the ability to run required operating systems and standard software applications. PC deployment is based on user specific requirements. CPUs are to be deployed based solely on the business need. Deployment is dependent upon the level of processing power each user requires to efficiently manage the business need, not based on user perception of requirements or perceived obsolescence of equipment. The deployment scheme assures Orangeville Hydro that assets are maintained for the maximum length of time and as importantly, each computer deployment is based specifically on user needs. Benefits of new equipment reduces the dependence on IT and support of older hardware, taking advantage of new technologies, empowering employee productivity with right equipment to complete their jobs efficiently, improved access to data and information, adhering to best practices and allowing for growth.	19200	10,000.00
CPUs				7,200.00
Contingency Monitors				600.00
Server for Finance				20,000.00
			Grand Total:	37,800.00
AutoCAD	Computer Software	Computer software, whether operating system software or application software, are programs written in machine-readable languages, that control the operations of hardware or that enable users to perform certain tasks on computers. The OS software controls the hardware and manages its internal functions: controls input, output and storage, and handles its interaction with application programs. Application software enables users to accomplish particular tasks. In this day and age, the functioning of computer software is tied closely into the hardware it resides on and it is important that the specs of any CPU or server is appropriate for the software being installed. Benefits: improved productivity from software enhancements, employee empowerment, keeping up to date with industry standards, ease of integration to other applications, reduced costs - common operating system, higher security, reduced dependence on IT services, improved tools for web development/design.	19250	10,000.00
ArcGIS 9.3				5,000.00
Upgrade to Windows Vista				2,500.00
Great Plains/Wennsoft Upgrade (Finance)				30,000.00
			Grand Total:	47,500.00
Truck and Van Replacement	Vehicles	Replace Tk.#20 on call pickup truck Replace Tk.# 22 Van Both trucks are to be replaced due to 7 year replacement policy.	19330	35,000.00 30,000.00
			Grand Total:	65,000.00
Gas or Hydraulic Tools	Tools and Equipment	Replace miscellaneous gas or hydraulic tools.	19400	5,000.00
			Grand Total:	5,000.00
Measurement and Testing	Tools and Equipment	Replace miscellaneous measurement and testing equipment.	19450	1,000.00
			Grand Total:	1,000.00

Total Projects **166,300.00**

Orangeville Hydro Limited
OPERATING
2009 & 2010 BUDGET

DESCRIPTION	2009 BUDGET	2009 BUDGET REVISED	% INCREASE (DECREASE) TO 2009 REVISED	2010 BUDGET	% INCREASE (DECREASE) OVER 2009
CONTROLLABLE EXPENSES					
DISTRIBUTION					
Transformer Station	$76,451	$76,478	0.04%	80,766	5.61%
Misc Distribution Expenses (Mapping)	$55,234	$73,375	24.72%	78,641	7.18%
Overhead Distribution	$97,209	$94,908	-2.42%	104,114	9.70%
Overhead Distribution - Tree Trimming	$103,318	$102,473	-0.83%	119,939	17.04%
Underground Distribution	$11,128	$11,052	-0.68%	12,480	12.92%
Customer Premises/Locates	$51,916	$58,422	11.14%	60,757	4.00%
Transformer Distribution	$57,177	$56,721	-0.80%	54,111	-4.60%
O/H & U/G Services	$90,767	$89,826	-1.05%	94,803	5.54%
Supervision/Maintenance & Engineering	$110,224	$118,589	7.05%	128,558	8.41%
Meter Distribution	$77,785	$77,268	-0.67%	86,275	11.66%
TOTAL DISTRIBUTION	**$731,209**	**$759,112**	**3.68%**	**820,444**	**8.08%**
BILLING & COLLECTING					
Meter Reading	$104,804	$107,504	2.51%	117,058	8.89%
Billing	$214,720	$210,771	-1.87%	240,700	14.20%
Collecting	$150,410	$161,002	6.58%	180,335	12.01%
TOTAL BILLING & COLLECTING	**$469,934**	**$479,277**	**1.95%**	**538,093**	**12.27%**
ADMINISTRATION					
Community Relations/Conservation	$11,680	$11,987	2.56%	11,874	-0.95%
Directors Salaries & Expenses	$276,484	$339,254	18.50%	373,391	10.06%
General Officers Salaries & Expenses	$181,790	$123,969	-46.64%	128,776	3.88%
General Administration Expenses & Salaries	$190,729	$186,801	-2.10%	197,933	5.96%
Miscellaneous General Expenses	$331,270	$283,301	-16.93%	309,982	9.42%
Maintenance of General Plant	$72,827	$97,600	25.38%	103,085	5.62%
Capital Taxes	$13,986	$13,986	0.00%	13,986	0.00%
TOTAL ADMINISTRATION	**$1,078,766**	**$1,056,899**	**-2.07%**	**1,139,026**	**7.77%**
Undistributed Overheads					
TOTAL CONTROLLABLE EXPENSES	**$2,279,909**	**$2,295,288**	**0.67%**	**2,497,563**	**8.81%**
Financial Expense	$408,260	$407,807	-0.11%	384,970	-5.60%
Depreciation & Amortization Expense	$912,629	$999,888	8.73%	1,007,604	0.77%

OPERATING BUDGET BREAKDOWN 2010

TRANSFORMER STATION MAINTENANCE 50160 + 50170 + 51140 - 51145

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	2,798	2,853
VEHICLES	720	720
MATERIALS	671	671
DIRECT PURCHASES	0	0
ADMINISTRATION	15,391	15,391
CONTRACTS	56,899	61,132
PREPAIDS		
TOTAL	**76,478**	**80,766**

NOTES: Maintenance of 1 sub-station/yr -includes switching to isolate & restore
Contracts include: grass cutting & weed spraying, snow removal
MSP service, meter reading, consultant (monitoring problems), and equipment rental
Oil & Gas analysis
Direct Purchases includes Misc purchases
Meter exit rebate end of year
2009 Implementation of Station Inspections

MISC DISTRIBUTION EXP 50850

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	57,760	63,026
VEHICLES	2,880	2,880
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	5,520	5,520
CONTRACTS		
PREPAIDS	7,215	7,215
TOTAL	**73,375**	**78,641**

NOTES: Engineering Tech for mapping
Addition of Co-op student

OPERATING BUDGET BREAKDOWN 2010

OVERHEAD DISTRIBUTION 50200-50250,51200, 51250 50960	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	57,568	61,914
VEHICLES	19,620	22,860
MATERIALS	8,625	8,625
DIRECT PURCHASES	0	1,620
ADMINISTRATION		
CONTRACTS	9,095	9,095
PREPAIDS		
TOTAL	**94,908**	**104,114**

LABOUR + OVERHEAD + BENEFITS: O/T 80 hrs spread over the year
On Call based on $190 per week plus $30/stat holiday
Increases to Trucking rates

MATERIALS: Material used to repair or replace existing plant

DIRECT PURCHASES: On-Call Costs, Joint use, Misc Rentals, Radio License, Includes Misc Expenses

CONTRACTS: Includes Rubber Testing and Equipment Rental

OVERHEAD DISTRIBUTION - TREE TRIMMING 51350	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	57,023	74,489
VEHICLES	45,000	45,000
MATERIALS		
DIRECT PURCHASES	300	300
ADMINISTRATION		
CONTRACTS	150	150
PREPAIDS		
TOTAL	**102,473**	**119,939**

LABOUR + OVERHEAD + BENEFITS: Increases to Trucking rates

DIRECT PURCHASES: Misc. Oil, Gas, Chains, Files, Pruners, handsaws, etc.

CONTRACTS: Chipper maintenance

OPERATING BUDGET BREAKDOWN 2010

UNDERGROUND DISTRIBUTION 51500,51450, 50400-50450

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	6,187	7,525
VEHICLES	2,340	2,430
MATERIALS	625	625
DIRECT PURCHASES	1,200	1,200
ADMINISTRATION		
CONTRACTS	700	700
PREPAIDS		
TOTAL	**11,052**	**12,480**

NOTES: Upgrades, phone grd's labeling, testing & dig-ins

LABOUR + OVERHEAD + BENEFITS: Increases to Trucking rates

CONTRACTS: Contractors U/G callouts, Site Damages and Equipment Rentals

LOCATES 50710 & 50750

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	40,547	42,756
VEHICLES	12,480	12,600
MATERIALS		
DIRECT PURCHASES	400	400
ADMINISTRATION		
CONTRACTS	4,995	5,001
PREPAIDS		
TOTAL	**58,422**	**60,757**

NOTES: Overtime 4 callouts/yr - one man double time
Overtime hours 16
Grand Valley Locates 20 hours

LABOUR + OVERHEAD + BENEFITS: Rodan Follow-up customer Voltage tests, etc.

OPERATING BUDGET BREAKDOWN 2010

TRANSFORMER DISTRIBUTION 50350, 50550, 51600 - 51601, 51610 - 51611

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	31,382	29,853
VEHICLES	15,120	14,040
MATERIALS	3953	3953
DIRECT PURCHASES	0	0
ADMINISTRATION		
CONTRACTS	6,265	6,265
PREPAIDS		
TOTAL	**56,721**	**54,111**

NOTES: History shows approx 2 repairs/mth - blown tx's from overloads, lightning, birds,
leaking or upgrading when re-building secondary
Infra red test the rest of the padmounts(moves $'s from station maint. A/C)
Ministry Web Site Fee
O/T - 6 callouts for a total of 48 hrs
Trucks - 1/2 of m/hrs, usually 2 trucks

MATERIALS: Replacement tx's, copper gr'd wire, bushing & hardware
(Now includes 100/tx for every tx that goes out of stores) Approx 1000/yr

SERVICES 51300, 51550

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	63,070	67,777
VEHICLES	19,740	20,010
MATERIALS	3,750	3,750
DIRECT PURCHASES	1,166	1,166
ADMINISTRATION		
CONTRACTS	2,100	2,100
PREPAIDS		
TOTAL	**89,826**	**94,803**

NOTES: 64 O/T hours for call-outs
Work includes Burn offs, lawn restoration and service upgrades

CONTRACTS: Electrician Call-outs, Equipment Rental & Contractors

OPERATING BUDGET BREAKDOWN 2010

SUPERVISION MAINTENANCE/ENGINEERING 51050

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	106,922	116,891
VEHICLES	9,360	9,360
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	2,307	2,307
CONTRACTS		
PREPAIDS		
TOTAL	**118,589**	**128,558**

Notes:

METER DISTRIBUTION 50650 & 51750

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	22,603	26,568
VEHICLES	3,780	3,900
MATERIALS		
DIRECT PURCHASES	986	986
ADMINISTRATION	0	0
CONTRACTS	49,900	49,900
PREPAIDS		
TOTAL	**77,268**	**81,353**

LABOUR + OVERHEAD + BENEFITS: metering services such as meter changeouts, high bill complaints
Investigation, service troubleshooting, etc.
Manager of Operations Salary distribution 8%

DIRECT PURCHASES: Lugs, bolts, glove covers, ties, shipping charges, batteries, meter rings
locks, keys, pager costs

CONTRACT: Includes reverfications, Rodan contract work, Equipment Maintenance
computer software support

OPERATING BUDGET BREAKDOWN 2010

METER READING 53100

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	15,700	12,119
VEHICLES	1,920	1,920
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION		
CONTRACTS	88,871	101,150
PREPAIDS	1,013	4,922
TOTAL	**107,504**	**120,112**

NOTES: Monthly electric reading with Utility Reading & Billing & Interval reads w/ Utilismart
Contractor to read regular billing cycles, check readings & finals
Project total number of customers at 11,002 by end of December 2010 including Grand Valley
VP Administration Salary 5%

ADMINISTRATION: Demand reset seals, Meter reading cards

BILLING 53150

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	124,432	110,312
VEHICLES		
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	55,295	52,853
CONTRACTS	4,937	3,944
PREPAIDS	8,421	720
LDC CONSOLIDATED RETAILER BILLING	17,686	20,505
TOTAL	**210,771**	**188,334**

NOTES: CSR 40% & Senior Clerk 66%, Cashier 14%
VP Administration 10% of time allocated

LABOUR + OVERHEADS + BENEFITS: Includes overtime to accommodate for new billing system

ADMINISTRATION: Includes Postage
CIS Conference, VP Administration and 1 staff

CONTRACTS: Computer Consulting, Bill Stationery
CIS Support - New Billing System

OPERATING BUDGET BREAKDOWN 2010

COLLECTING 53200 53350

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	96,937	108,471
VEHICLES	12,780	14,340
ADMINISTRATION	15,258	13,697
CONTRACTS	21,027	34,443
PREPAIDS	49,065	62,480
OTHER		
WRITE-OFFS	0	0
TOTAL	**195,067**	**233,431**

NOTES: CSR's 21 % & Senior Clerk 8%, Cashier 42%, VP Administration 10%,
Purch/Fin 4% of time allocations

ADMINISTRATION: Includes: Stationery and Postage, Training
Credit Insurance

CONTRACTS: Hand Delivery of Final Collection Notice
Bank Charges for transmission of PAP's and Interac charges
Bank deposit performed by Brinks Security

COMMUNITY RELATIONS 54100, 54150 & 62050

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	5,707	5,594
VEHICLES	540	540
DIRECT PURCHASES		
ADMINSTRATION	700	716
CONTRACTS		
OTHER		
DONATIONS	5,040	5,040
TOTAL	**11,987**	**11,890**

NOTES: informational letters, cable ads and promotional material
Newletters and school program brochures
Donations are set at $5000

OPERATING BUDGET BREAKDOWN 2010

DIRECTORS & President 56050

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	301,219	341,776
VEHICLES	180	180
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	32,513	38,723
CONTRACTS		
PREPAIDS	5,342	5,326
TOTAL	**339,254**	**386,005**

LABOUR + OVERHEAD + BENEFITS: Labour & overhead is for delivery of packages
Additional Meetings, Seminars, Coffee
President and % of VP Administration Salary (Supervision of Billing & Collecting)
Increase in Directors and Director's Remuneration

ADMINISTRATION: EDA AGM: 2 Directors, President, VP Administration
Georgian Bay District Annual Meeting: 2 Directors, President & Manager of CS & Admin
Georgian Bay Regular District Executive Meetings
2 Additional Conferences (addition of Board members & VP Adminsitration)

GENERAL OFFICERS 56100

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	113,829	121,585
VEHICLES		
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	10,140	10,564
CONTRACTS		
PREPAIDS		
TOTAL	**123,969**	**132,149**

NOTES: 100% Manager of Finance & Rates
Manager of Finance & Rates Conferences & Training

OPERATING BUDGET BREAKDOWN 2010

GENERAL OFFICE 56150

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	175,081	#REF!
VEHICLES		
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	11,720	7,605
CONTRACTS		
PREPAIDS		
TOTAL	**186,801**	**#REF!**

NOTES: 60% of Inventory Purchasing Clerk/7% of Cashier

LABOUR + OVERHEADS + BENEFITS: Accounting, Rates and Regulatory Assistant
FT Admin Assistant to help with ongoing CDM Projects/Administrative help for George/Ruth/Jan

ADMINISTRATION: Bank Charges, Computer, Mileage, Employee Related
Training and Seminars

MISCELLANEOUS GENERAL EXPENSES 56200 56300 56350 56400 56450 56460 56550 56650 56800

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	12,885	12,885
VEHICLES		
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	88,726	92,689
CONTRACTS	73,167	96,218
PREPAIDS	47,477	47,145
OTHER	61,046	61,046
TOTAL	**283,301**	**309,982**

ADMINISTRATION: Stationary, postage, telephone and Equipment Maintenance
Prepaids Annual Fee, EDA Membership, HR Services,
Mearie General Liability Insurance
Memberships-Manufacturers, BIA, Chamber of Commerce & CHEC Membership & OEB Assessment
TD Canada Trust Monthly Charges
Regulatory Expenses-IESO Fees, Unknown compliance expenses, ESA Fees
Outside Services include Legal and Audit
Specialized Assist, Staff Year End, Office Supplies
Rate Application $31,666 each year over a three year period

CONTRACTS: Computer Support, Equipment Maintenance and Rental

OPERATING BUDGET BREAKDOWN 2010

MAINTENANCE OF GENERAL PLANT 56750

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	5,888	5,910
VEHICLES	210	210
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	39,312	40,057
CONTRACTS	26,351	30,497
PREPAIDS	25,840	26,412
TOTAL	**97,600**	**103,085**

ADMINISTRATION: % of Property taxes/water/hydro

CONTRACTS: Includes lawn care, snow removal, office cleaning, equipment maintenance

STORES 84001

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	26,759	31,157
VEHICLES	324	324
MATERIALS		
DIRECT PURCHASES	300	300
ADMINISTRATION	4,016	4,016
CONTRACTS	250	250
PREPAIDS	2,840	3,009
TOTAL	**34,489**	**39,056**

ADMINISTRATION: Includes a portion of the property taxes, property insurance, propane and misc purchases
Cleaning, Depreciation

OPERATING BUDGET BREAKDOWN 2010

GARAGE 87000

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	1,379	1,434
VEHICLES	1,800	1,800
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION	16,611	16,611
CONTRACTS	5,366	5,366
PREPAIDS	4,414	4,633
TOTAL	**29,569**	**29,844**

ADMINISTRATION: Utilities , misc supplies
Portion of property taxes
Overhead door repairs
Portion of building insurance costs

CONTRACTS: Snow removal and cleaning

VEHICLES 87001

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	3,858	4,595
VEHICLES	68,040	68,040
MATERIALS		
DIRECT PURCHASES		
ADMINISTRATION		
CONTRACTS		
PREPAIDS	74,620	82,745
TOTAL	**146,518**	**155,379**

LABOUR + OVERHEAD + BENEFITS: Line hrs - vehicle checks, pick up & delivery, arrange repairs etc.
Administration-procuring insurance, making fleet service arrangements

VEHICLE: Monthly inspections, oil filter changes, repairs, hydraulic testing/repairs,
fuel, plates for large and small vehicles

ADMINISTRATION: Includes Vehicle Insurance and Depreciation

OPERATING BUDGET BREAKDOWN 2010

SAFETY & TRAINING 89020

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS	25,341	26,446
VEHICLES	720	720
MATERIALS		
DIRECT PURCHASES	4,200	4,200
ADMINISTRATION	9,666	9,416
CONTRACTS	11,120	11,447
PREPAIDS		
TOTAL	**51,047**	**52,229**

NOTES: Monthly safety meetings and training for line crew, utility person, and meter tech
Reimbursement of any nightschool course

DIRECT PURCHASES: Safety material and equipment ie safety vests, safety signs
Fire Retardent Clothing - $3,000, safety glasses and boots - $2,600

ADMINISTRATION: Includes Learner Lineman Training, CPR,
EUSA Safety Seminar and Equipment Show
BPSC Safety & Training Consultant
Apprentice training $5000 - 2 weeks of school

SMALL TOOLS, MISC EQUIP 89030

	2009 BUDGET	2010 BUDGET
LABOUR + OVERHEAD + BENEFITS		
VEHICLES		
MATERIALS		
DIRECT PURCHASES	15,500	15,595
ADMINISTRATION	1,080	1,080
CONTRACTS	1,380	1,380
PREPAIDS		
TOTAL	**17,960**	**18,055**

NOTES: Includes: Small line equipment used for both capital & maintenance
Answering service, Cellular Telephone, Paging Devices
Purchasing & testing gloves

OPERATING BUDGET BREAKDOWN 2010

3 YEAR BUSINESS PLAN

	2006 ACTUAL	2007 ACTUAL	2008 FORECAST	2009 FORECAST	2010 FORECAST	2011 FORECAST
Revenue						
Service Revenue	4,041,657	4,113,469	4,135,458	4,386,668	4,684,907	4,708,332
Other Revenue	480,179	556,052	450,149	432,517	420,780	422,884
Operating Expenses						
Controllable Expenses	1,828,936	2,078,717	2,110,774	2,281,302	2,506,184	2,581,370
Capital Taxes	24,470	11,243	11,863	13,986	4,716	4,716
Depreciation	885,464	929,960	962,400	999,888	1,099,420	1,095,397
Financial Expense (Bank)	461,377	412,342	355,613	412,115	557,388	407,450
Financial Expense (other)	102,871	77,140	105,225	51,693	52,293	53,862
Total Expenses	**3,303,118**	**3,509,402**	**3,545,875**	**3,758,984**	**4,220,002**	**4,142,796**
Net Income						
Net Income before Corporate Tax	1,218,718	1,160,119	1,039,732	1,060,201	885,685	988,420
EBITDA	2,692,900	2,590,804	2,474,833	2,537,883	2,599,503	2,549,846
Corporate Income Tax	579,144	513,187	486,300	444,549	292,276	326,179
Net Income after Corporate Tax	**639,575**	**646,932**	**553,432**	**615,652**	**593,409**	**662,242**
Source of Funds						
Net Income	639,575	646,932	553,432	615,652	593,409	662,242
Depreciation	885,464	929,960	962,400	999,888	1,099,420	1,095,397
Borrowing	-	-	-	2,000,000		
Contributed Capital	226,554	534,860	224,300	401,458	363,335	357,400
Total Source of Funds	**1,751,592**	**2,111,751**	**1,740,132**	**4,016,998**	**2,056,165**	**2,115,039**
Application of Funds						
Debt Retirement	600,000	1,370,602	183,980	216,619	245,696	240,391
Capital Expenditures	1,423,060	1,584,588	1,501,878	3,666,497	1,371,672	1,300,000
Dividends to Shareholders	310,780	1,280,561	276,716	307,826	296,705	331,121
Other						
Total Application of Funds	**2,333,840**	**4,235,751**	**1,962,574**	**4,190,942**	**1,914,072**	**1,871,512**
Statistics						
Inventory	458,827	323,303	310,862	316,898	326,520	326,520
Annual Wholesale Cost of Power	17,366,845	17,836,413	16,293,207	16,998,321	17,338,287	17,338,287
Net Expenses	1,853,406	2,089,960	2,122,637	2,295,288	2,510,900	2,586,086
Actual Rate Base	15,810,163	15,923,018	15,915,320	16,046,984	16,130,321	16,141,599
Rate Application Rate Base	15,437,854	15,437,854	15,437,854	15,437,854	17,493,674	17,493,674
Return on Rate Base	8.29%	8.38%	7.17%	8.54%	7.83%	9.46%
Number of Customers	10,014	10,156	10,210	11,080	11,135	11,191
Controllable Expenses/Customer	182.64	204.68	206.74	205.89	225.06	230.66
Number of Staff	17	18.5	20	20	20	20
Customers Served/Staff	589.06	548.97	510.50	554.00	556.77	559.55
Equity						
Prior Year	8,179,855	8,508,650	7,875,021	8,151,737	8,459,563	8,756,267
Current Year	8,819,430	9,155,582	8,428,453	8,767,388	9,052,972	9,418,509
Dividends	(310,780)	(1,280,561)	(276,716)	(307,826)	(296,705)	(331,121)
Total	8,508,650	7,875,021	8,151,737	8,459,563	8,756,267	9,087,388
Debt						
Prior Year	8,400,000	7,800,000	6,429,398	6,245,418	8,028,799	7,783,104
Current Year	7,800,000	6,429,398	6,245,418	8,028,799	7,783,104	7,542,713
Total	7,800,000	6,429,398	6,245,418	8,028,799	7,783,104	7,542,713
Return on Equity	7.5%	8.2%	6.8%	7.3%	6.8%	7.3%
Actual Debt/Equity Ratio	0.48	0.45	0.43	0.49	0.47	0.45

NOTE: BORROWING OF 2 MILLION FOR SMART METERS INCLUDED IN 2009 CAPITAL EXPENDITURES THEREFORE INTEREST EXPENSE HAS BEEN ADJUSTED ACCORDINGLY

APPENDIX B – STRATEGIC PLAN

ORANGEVILLE HYDRO
2009 STRATEGIC PLAN

ORANGEVILLE HYDRO

Orangeville Hydro 2009 Strategic Plan

1. About Our Strategic Plan

Strategic planning is a process that deals with the objectives of an organization and allocates resources to the achievement of those objectives. Orangeville Hydro developed its first formal strategic plan in November 2001 and has revised it periodically since then. The plan is a "living" document and is used as a guide to assist the management, staff and Board of Directors in the forward planning of the Company.

The plan is reviewed from time to time by management to ensure it remains current in an evolving electricity marketplace and that the identified strategic directions are followed. This revised version of the Strategic Plan reflects the results of a formal review session held at Orangeville Hydro's offices on December 8, 2008.

2. Background

As early as 1885, the Town of Orangeville was supplied with electric power from a plant located at the corner of Mill Street at Church Street. C. W. Watson eventually purchased the plant and after operating it for 3 years, merged his interests with those of James Pickering of Shelburne to form the Dufferin Light and Power Company. This company went into liquidation, was sold, and became the Pine River Light and Power Company. The Town of Orangeville purchased this company and on November 20, 1916 established the Orangeville Hydro-Electric Commission with 114 customers.

In 1925, Dr. G. H. Campbell was quoted as saying that it was because of Orangeville Hydro that such industries as Dods Knitting Mill had located themselves in Orangeville. Again in 1937, Dr. Campbell said that Orangeville Hydro was the Town's greatest asset and was running debt free.

From November 20, 1916 until October 2, 2000, Orangeville Hydro operated as a not-for-profit electric distribution utility, serving the electrical needs of the customers in the Town of Orangeville. The 18 full-time staff serves about 11,000 customers. The staff completes almost all of the work internally including billing, collecting, administration, finance, construction of new and upgraded lines, and maintenance.

The electrical distribution system consists of 160 kilometers of circuits at the following voltages - 44,000 volts, 27,600 volts, and 4,160 volts. Yearly distribution revenues are about $4 million.

The *Energy Competition Act, 1998* required local distribution utilities like Orangeville Hydro to become incorporated according to the Ontario *Business Corporations Act* by November 7, 2000. Hence on October 2, 2000, the Town of Orangeville passed a by-law transferring all assets and liabilities of the Orangeville Hydro-Electric Commission to Orangeville Hydro Limited. Orangeville Hydro Limited is considered a "local distribution company" or a "wires company". The Town of Orangeville wholly owns this company.

Orangeville Hydro Limited is licensed by the Ontario Energy Board to operate as an electricity distribution company within the current boundaries of the Town of Orangeville. An affiliate company called Green Pathways, a “one-stop energy shop”, was established in 2008 to serve the needs of our residential and commercial customers in the areas of energy conservation and efficiency, as well as renewable energy and electricity generation.

The overall value of the Strategic Plan is based on three critical statements. The vision statement, mission statement, and values statement are written corporate commitments that legitimize the plan by setting the future direction of the Company, stating what it will do to get there, and how it will get there based on a set of fundamental principles it follows in business. The statements are presented below.

3. <u>Vision Statement</u>

To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, financials, and performance.

4. <u>Mission Statement</u>

To provide safe, reliable, efficient delivery of electrical energy within the town of Orangeville while being accountable to our shareholders.....the citizens of Orangeville and the former Village of Grand Valley.

While we must operate as a business and be profitable for our shareholders, our main reason for existing is to provide safe, reliable, and economic electricity services to the people of Orangeville and the former Village of Grand Valley. That is what distinguishes us from other large, remotely owned and controlled power companies.

5. <u>Values Statement</u>

To continue into the future as a profitable electricity distribution enterprise the following principles are core features of our Company:

We value professionalism and safety in our service and our work;

We value people - our customers, employees, board members, and shareholders;
We value our community - its environment and its economic progress;
We value integrity, honesty, respect, and communications;
We value local control, local accountability, local employment, and local purchasing; and
We value easy accessibility to our ratepayers.

6. SWOT Analysis

As we face the future, in a drastically changing setting for all electric utilities, the following is a quick analysis of where Orangeville Hydro currently stands in term of our corporate strengths, weaknesses, opportunities and threats ("SWOT").

6a. Strengths

We have positive relationships with our shareholders - the people of Orangeville and the former Village of Grand Valley, individual customers and their elected representatives.

We have a core of high quality employees, effective management, and solid relations between the staff and the Board of Directors. In addition we have a strong, well - maintained physical plant (lines, transformers etc.).

We have a high level of quality customer service and customer satisfaction, based on survey results.

We have a strong relationship with local organizations, including the Home Builders Association, Chamber of Commerce, and the Manufacturers Association.

6b. Weaknesses

We have limited land for development, as our territory is bound by Hydro One. We also do not have a formal asset management strategy.

We have an aging work force, with many in management eligible to retire within the next 5 years. This could mean a loss of expertise for the organization.

OHL has a risk-averse shareholder – they are focused on optimizing current business

6c. Opportunities

We have an opportunity to maintain a high standard of service for our customers, contribute to the welfare of our local community and earn a profit that will remain for local benefits rather than remote corporate gain.

We can help our customers and Shareholder to "become more knowledgeable" regarding effective purchase and use of electricity.

Future legislation may allow us to pursue other business opportunities through our LDC thereby making more efficient use of our resources. We can utilize expertise from affiliate companies, such as Green Pathways. We may also be able to get our employees more involved in the business side of the operation.

Through the merger of Orangeville Hydro and Grand Valley Energy, we have created new development opportunities.

6d. Threats and Uncertainties

Some parties outside Orangeville and the former Village of Grand Valley might have the potential to benefit from our failure. Because of our excellent financial picture, lean staffing, and efficient operation, we are a desirable target to be purchased by larger LDCs.

As a relatively small utility, we face the threats of being "steamrolled" as large utility corporations exert more pressure on government to enact legislation which discourages local customer ownership of utilities. We will suffer from a lack of "clout" with the provincial government and the OEB.

The current economic slowdown may cause a larger number of customers to default on their bill payments.

Revenue recovery is based on approval from the Ontario Energy Board. Their expectations and requirements are continually changing, creating risk for revenue recovery.

6e. Capability

Orangeville Hydro places tremendous value on its highly skilled staff and the importance of ensuring that the Company provides appropriate training and acquires outside expertise when needed to continue to successfully meet the challenges of the evolving electricity market, and to maintain a high level of operational performance.

7. Strategic Directions

We will use the following strategies to overcome our weaknesses and threats and capitalize on our strengths and opportunities. These strategies will also be in harmony with our corporate values, our vision, and our mission statement.

Strategy # 1

We want to grow the business as a public good.

#1 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy #2

We will continue to leverage the benefits of the CHEC membership. We will encourage CHEC to lobby to reduce response requirements by the regulatory entities.

Members	Number of Customers
Centre Wellington	6,255
Collus	14,225
Goderich	3,844
Innisfil	14,145
Lakefront	9,141
Lakeland	9,103
Midland	6,700
Orangeville/Grand Valley	10,836
Parry Sound	3,395
Rideau St Lawrence	5,903
Wasaga	11,813
Wellington North	3,514
TOTAL	98,874

#2 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy #3

Mergers will be investigated with utilities that are same size or smaller, with Orangeville Hydro being the majority shareholder.

#3 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management Orangeville Hydro Board of Directors Shareholder

Strategy #4

We will investigate opportunities to utilize renewable energy, and pursue potential partnerships with renewable energy companies.

#4 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy #5

Acquisitions of other utilities may be considered, but Orangeville Hydro is not being considered as For Sale.

#5 Action Timeline	As opportunities arise
Responsibility	Orangeville Hydro Board of Directors Shareholder

Strategy #6

We will invest heavily in our staff and rely on them to help us accomplish our goals. The following activities are included in the implementation of our Human Resource strategy:

- ***We will keep our people informed;***
- ***We will make sure our people understand what we expect from them and why they are important to the organization;***
- ***We will support our people by providing them with information, tools, equipment, standard procedures and training;***
- ***We will compensate them well and attempt to link their compensation with their performance and the performance of the company; and***
- ***We will utilize a pay-for-performance model for the management team.***

#6 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management (Lead) Orangeville Hydro Board of Directors

Strategy #7

We will stay current with industry, sector, and regulatory changes. This will be an obligation of the Management, the Board of Directors, and the Shareholder.

#7 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management (Lead) Orangeville Hydro Board of Directors Shareholder

Strategy #8

We will inform customers and shareholders and keep them informed. A comprehensive, multifaceted communications plan has been developed. It will be reviewed and further implemented.

#8 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management

Strategy #9

We will network with other boards to develop and share best practices. We will also keep the Board informed but our main focus will be on the customers' needs.

#9 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management

Strategy # 10

Although we have won numerous safety awards in the past, much of which is due in large part to staff input, we will seek new ways to further enhance the safety to our employees, our customers, and our community.

#10 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy # 11

We will investigate areas that are within our control to reduce or curtail costs, or to better utilize resources.

#11 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy # 12

We will develop strategies to improve our system reliability.

#12 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy # 13

We will develop a formal asset management plan to enhance the overall value of the organization.

#12 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy # 14

We will continue to maintain just and reasonable rates for our customers, while providing a reasonable return for our shareholders.

#12 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

Strategy # 15

We will continue to comply with all legislation related to our industry, as well as all other government regulations that are required of us.

#12 Action Timeline	Ongoing
Responsibility	Orangeville Hydro Management

APPENDIX C – ORANGEVILLE HYDRO LIMITED LOAN AGREEMENT WITH ORANGEVILLE HYDRO SERVICES

TERM PROMISSORY NOTE

May 16, 2008
Orangeville, Ontario
$65,000.00 (Sixty Five Thousand Dollars)
5 year term

FOR VALUE RECEIVED, the undersigned Orangeville Hydro Services Inc. ("Borrower") promise(s) to pay to Orangeville Hydro Limited (together with its successors in interest herein referred to as "Lender" or "Holder"), the principal sum of Sixty Five Thousand Dollars ($65,000.00), with interest on the unpaid principal balance which interest shall be calculated beginning on the date commencing one year from the date of execution of this Promissory Note ("Note") until paid, at the rate of six percent (6.0%) per annum. The period from May 16, 2008, to May 16, 2009 shall be called the "Interest-Free Period". During the Interest-Free Period, no payment shall be required to be made by the Borrower, nor will any interest be calculated or accrue on the principal.

Time and Place of Payments
Borrower will not be required to make any interest or principal payments during the Interest-Free Period. Beginning on May 16, 2009, Borrower will make an interest-only payment on the first day of each month in the amount of Three Hundred and Twenty Five Dollars ($325.00) until the Maturity Date of this note. Borrower may increase these payments without penalty. Borrower will make payments every month after the Interest-Free Period until Borrower has paid all of the principal and interest and any other charges described below that Borrower may owe under this Note. Each monthly payment will be applied as of its scheduled due date, and if the payment includes both principal and interest it will be applied to interest before principal. If, on May 16, 2013, Borrower still owes amounts under this Note, Borrower will pay those amounts in full on that date, which is called the "Maturity Date."

Payments shall be made at the principal office of the Holder at 400 C Line Orangeville, Ontario, or such other place as the Holder may designate.

Late Charges
Borrower shall pay to the Holder a late charge of five percent (5%) of any monthly installment not received by the Holder within fifteen (15) days after the installment is due. Should a default be made in payment of any installment when due, the whole sum of principal and interest then outstanding shall become immediately due and payable at the Holder's option. Failure by the Holder to exercise this option shall not constitute a waiver of the right to exercise it in the event of any subsequent default.

Borrower's Right to Prepay
Borrower has the right to make payments of principal at any time before they are due, including during the Interest-Free Period. A payment of principal in excess of what is then due is known as a "Prepayment." When Borrower makes a Prepayment, Borrower will tell the Holder in writing that

made all of the monthly payments then due under the Note.

Borrower may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Holder will use the Prepayments to reduce the amount of principal that Borrower owes under this Note. The Holder may, however, apply any Prepayment to the accrued and unpaid interest on the Prepayment amount, or to late charges, or other required payments before applying the Prepayment to reduce the principal amount of the Note. If Borrower makes a partial Prepayment, there will be no changes in the due dates of the monthly payments unless the Holder agrees in writing to those changes. However, if a sufficiently large partial Prepayment is made before the Maturity Date, the amount of the monthly payment will decrease accordingly. In the event a monthly payment amount changes, the Holder will inform Borrower of the revised amount of the required payment.

Acceleration of Unpaid Principal Balance Upon Default

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon will immediately become due and payable at the option of the Holder. The date specified will be not less than thirty (30) days from the date such notice is mailed. The Holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If a judicial or non-judicial action is brought to collect on this Note, the Borrower agrees to pay all reasonable costs and expenses of such actions or costs of collection, including, but not limited to, any legal and court fees.

Notices

Any notice to Borrower provided for in this Note will be given by mailing such notice by mail or will be hand-delivered and addressed to Borrower at 400 C Line Orangeville, Ontario, attn: George Dick, or at such other address as Borrower may designate by notice to the Holder. Any notice to the Holder will be given by mailing such notice by certified mail, or will be hand-delivered to the Holder at 400 C Line Orangeville, Ontario, attn: JAN HOWARD or at such other address as may have been designated by notice to Borrower.

Executed this 16 day of May, 2008.

Orangeville Hydro Services Inc.

Per: ______________________

Per: ______________________

[We have the authority to bind the corporation)

APPENDIX D – TD BANK LOAN AGREEMENT

TD Commercial Banking

Central Ontario Commercial Banking Group
50 Dunlop Street East, 2nd Floor, P.O. Box #220
Barrie, Ontario,
L4M 4T3
Telephone No. : 519-941-1850 ext 280
Fax No. : (705) 727-0866

June 12, 2007

Orangeville Hydro Limited
400 C LINE, PO BOX 400
ORANGEVILLE, ON L9W 2Z7

Dear Sirs

We are pleased to offer the Borrower the following credit facilities (the "Facilities"), subject to the following terms and conditions.

<u>BORROWER</u>

Orangeville Hydro Limited (the "Borrower")

<u>LENDER</u>

The Toronto-Dominion Bank (the "Bank"), through its branch, in Orangeville, Ontario.

<u>CREDIT LIMIT</u>

1. CDN $2,500,000
   - Up to $1,500,000 available for outstanding L/Gs (prudential requirement).
2. CDN $7,900,000 as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".
3. CDN $3,000,000

<u>TYPE OF CREDIT AND BORROWING OPTIONS</u>

1. Operating Loan available at the Borrower's option by way of:
   - Prime Rate Based Loans in CDN$ ("Prime Based Loans")
   - Bankers Acceptances in CDN$ or US$ ("B/As")
   - Stand-by Letters of Guarantee in CDN$ ("L/Gs")
2. Committed Reducing Term Facility (Single Draw) available at the Borrower's option by way of:
   - Fixed Rate Term Loan in CDN$
   - Floating Rate Term Loan available by way of:
     - Prime Rate Based Loans in CDN$ ("Prime Based Loans")
     - Bankers Acceptances in CDN$ or US$ ("B/As")
3. Committed Revolving Facility available at the Borrower's option by way of:

- Fixed Rate Term Loan(s) in CDN$
- Floating Rate Loan(s) available by way of:
  - Prime Rate Based Loans in CDN$ ("Prime Based Loans")
  - Bankers Acceptances in CDN$ or US$ ("B/As")

PURPOSE

1. To finance day-to-day requirements. L/G availability to cover prudential requirement of $1.2MM.
2. To refinance existing Bank of Nova Scotia term loan.
3. Available to finance repayment of regulatory liabilities and/or capital expenditures (including smart meter program). Also available for additional short term financing if needed.

TENOR

1. Tenor Options:
   a. Committed for 1 year term (renewed annually); 10 basis point standby fee to apply on unused portion.
   b. Uncommitted; No fees.
2. Committed.
3. Committed.

CONTRACTUAL TERM

1. 1 year term if committed; No term if uncommitted.
2. 10 years from the date of drawdown.
3. 5 years from the date of each drawdown.

RATE TERM (FIXED RATE TERM LOAN)

1. No term.
2. Fixed rate terms available: 6 month, 1-10 years but never to exceed the Contractual Term Maturity Date.
3. Fixed rate terms available: 6 month, 1-5 years but never to exceed the Contractual Term Maturity Date.

AMORTIZATION

1. N/A
2. 20 years.
3. N/A

INTEREST RATES AND FEES

Advances shall bear interest and fees as follows:

1. Operating Loan:
   - Prime Based Loans: Prime Rate - 0.55% per annum
   - B/As: Stamping Fee at 0.50% per annum
   - L/Gs: 0.30% per annum

2. Committed Reducing Term Facility:

- Fixed Rate Term Loans: Rate to be determined by the Bank at time of booking for the Rate Term selected by the Borrower.
- Floating Rate Term Loans available by way of:
  - Prime Based Loans: Prime Rate - 0.55% per annum
  - B/As: Stamping Fee at 0.50% per annum

3. Committed Revolving Facility:
   - Fixed Rate Term Loans: Rate to be determined by the Bank at time of booking for the Rate Term selected by the Borrower.
   - Floating Rate Term Loans available by way of:
     - Prime Based Loans: Prime Rate - 0.55% per annum
     - B/As: Stamping Fee at 0.50% per annum

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

<u>ARRANGEMENT FEE</u>

NIL

<u>COMMITMENT FEES</u>

1. Options Available:
   - Uncommitted Option: NIL
   - Committed Option: On the third Business Day following the last Business Day of March, June, September, and December, in each year, the Borrower shall pay to the Bank a Commitment Fee for the Committed Operating Facility in an amount equal to 0.10% per annum calculated on the daily average amount of the undrawn portion of the Committed Operating Facility during the quarter just ended.

2. NIL

3. On the third Business Day following the last Business Day of March, June, September, and December, in each year, the Borrower shall pay to the Bank a Commitment Fee for the Committed Revolving Term Facility in an amount equal to 0.15% per annum calculated on the daily average amount of the undrawn portion of the Committed Revolving Term Facility during the quarter just ended.

<u>ADMINISTRATION FEE</u> NIL

<u>RENEWAL FEE</u> NIL

<u>DRAWDOWN</u>

1. On a revolving basis as needed.

2. One time drawdown, after which time, any amount not drawn is cancelled. Amounts repaid may not be redrawn.

3. On a revolving basis. Amounts repaid may be redrawn up to the Credit Limit as reduced pursuant to the heading Repayment and Reduction of Amount of Credit Facility.
    - Each drawdown will be a "tranche" and each tranche will bear its own interest rate (fixed rate is determined at the time of booking based on the Bank's cost of funds at that time) and repayment terms as set out in the Rate and Payment Terms Notice delivered by the Bank to the Borrower in respect of that drawdown.

<u>BUSINESS CREDIT SERVICE</u>

The Borrower will have access to the Operating Loan (Facility 1) via Loan Account Number <9214932-3160> (the "Loan Account") up to the Credit Limit of the Operating Loan by withdrawing funds from the Borrower's Current Account Number <5214932-3160> (the "Current Account"). The Borrower agrees that each advance from the Loan Account will be in an amount equal to $20,000 (the "Transfer Amount") or a multiple thereof. If the Transfer Amount is NIL, the Borrower agrees that an advance from the Borrower's Loan Account may be in an amount sufficient to cover the debits made to the Current Account.

The Bank may, but is not required to, automatically advance the Transfer Amount or a multiple thereof or any other amount from the Loan Account to the Current Account in order to cover the debits made to the Current Account if the amount in the Current Account is insufficient to cover the debits. The Bank may, but is not required to, automatically and without notice apply the funds in the Current Account in amounts equal to the Transfer Amount or any multiple thereof or any other amount to repay the outstanding amount in the Loan Account.

<u>REPAYMENT AND REDUCTION OF AMOUNT OF CREDIT FACILITY</u>

1. Repayment Options:
    - If Committed Option is chosen: All amounts outstanding will be repaid on or before the Contractual Term Maturity Date unless the facility is renewed by the Bank.
    - If Uncommitted Option is chosen: On demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Operating Loan, including without limitation, the amount of all unmatured B/As and the amount of all drawn and undrawn L/Gs. All costs to the Bank and all loss suffered by the Bank in re-employing the amounts so repaid will be paid by the Borrower.

2. All amounts outstanding will be repaid on or before the Contractual Term Maturity Date. The drawdown will be repaid in equal monthly (or quarterly if preferred) payments. The details of repayment and interest rate applicable to such drawdown will be set out in the" Rate and Payment Terms Notice" applicable to that drawdown. Any amounts repaid may not be reborrowed.

3. Interest only payable monthly with full repayment by maturity date. Maturity date is extendible at the Bank's option. Amounts repaid may be redrawn up the the credit limit.

PREPAYMENT

1. N/A.
2. Standard prepayment penalties apply if prepaid within fixed rate term contract.
3. Standard prepayment penalties apply if prepaid within fixed rate term contract.

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank:

a) General Security Agreement ("GSA") representing a first charge on all the Borrower's assets and undertakings,
b) Assignment of General Liability Insurance for Orangeville Hydro Limited.

All persons and entities required to provide a guarantee shall be referred to herein individually as a "Surety" and/or "Guarantor" and collectively as the "Guarantors".

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" and the following additional drawdown conditions:

Delivery to the Bank of the following, all of which must be satisfactory to the Bank:

a. Completion of due diligence and security documentation.
b. Completion of environmental audit or Bank Environmental Risk Borrower's Questionnaire confirming that there are no environmental issues on all properties owned by the Borrowers.
c. There has been no material adverse change in the financial condition and/or operations of the Borrower.
d. Provision of latest business plan for next fiscal year including capital expenditure budget. **(MET)**
e. Copy of the Borrower's distribution license from the OEB. **(MET)**
f. Copy of most recent in-house year-to-date financial statements for the Borrower. **(MET)**
g. Compliance Certificate confirming compliance with financial covenants as noted below based on most recent available quarterly reporting.

REPRESENTATIONS AND WARRANTIES

All representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect. The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Positive Covenants set out in Schedule "A" and in addition will:

a. The Borrower remains in the regulated business of electricity distribution and maintaining all requisite licenses to do so.
b. File all OEB rate submissions (when applicable).
c. Compliance with Affiliate Relationship Code.
d. Compliance with all terms and licenses and immediately advise the Bank if OEB shall notify the Borrower of a default under a license or if the license is amended, cancelled, suspended or revoked (any such circumstances will also constitute an event of default).
e. No material change in the municipal ownership component of the Borrower.
f. Compliance with all applicable environmental regulations at all times.
g. Maintain adequate insurance.
h. Compliance with all contractual obligations and laws, including payment of taxes.

Independent Auditor:
So long as the Borrower is indebted to the Bank, the Borrower acknowledges and agrees that the Bank may, from time to time, engage, at the Borrower's expense, an independent auditor to examine the Borrower's books, records and physical assets and perform such tests and analysis and other verifications as the Bank may, in its sole discretion, determine necessary to assess its loan risk and realizable value of the Bank Security. The Borrower agrees that it shall provide the Bank's representative(s), including such independent auditor, with its full and complete cooperation and assistance.

NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Negative Covenants set out in Schedule "A". In addition the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

a. No change in the direct or indirect ownership of the Borrower.
b. Distributions shall not exceed: Free Cashflow less Principal and Interest costs (providing the Debt Service Coverage Ratio as defined below is met and no other default has occurred). Free Cashflow is defined as EBITDA less cash taxes less unfinanced CAPEX (net of contributed capital).
c. Limitations on additional debt, subject to PMSI interests up to a maximum of $500,000.
d. No change in the status of the Borrower as a Local Distribution Company.
e. Negative pledge against assets without the Bank's consent subject to PMSI interests up to $500,000.

REPORTING

The Borrower acknowledges that the financial reporting obligations contained herein, including the submission of the financial statements to the Bank on a timely basis, constitute a material condition precedent to the Bank providing the credit facilities contemplated herein. Should the Borrower fail to fulfill such obligations within the delays set forth herein and such default is not remedied within 10 days from the date of the Bank's written notice to the Borrower setting forth the nature of the default, then the Borrower shall be deemed to have committed an "Event of Default" as hereinafter defined.

Reporting Covenants:

a. The Borrower and Orangeville Hydro Services Inc. are to provide audited annual financial statements within 120 days past each fiscal year end.
b. The Borrower is to provide unaudited quarterly financial statements within 45 days past each quarter end with all quarterly financial statements to be accompanied by a Certificate of No Default setting out compliance calculations.
c. The Borrower is to provide an annual business plan within 120 days past each fiscal year end, including an income statement, balance sheet and capital expenditure schedule.
d. The Borrower is to provide annual OEB rate submission (when applicable).

Notwithstanding the foregoing, and without prejudice to and under strict reserve thereof, of any rights and recourses the Bank may have in the circumstances, the Bank shall nevertheless have the right to engage, at the Borrower's expense, an independent auditor to examine the Borrower's books, records and physical assets, and perform such tests and analysis and such other verifications as the Bank may, in its sole discretion, determine necessary to assess its loan risk and realizable value of the Security.

PERMITTED LIENS

Purchase Money Security Interests not to exceed the following at any time:

- For the Borrower and its Subsidiaries, $500,000 in the aggregate

FINANCIAL COVENANTS

The Borrower agrees at all times to:

A. Maintain a Debt Service Coverage Ratio of not less than 1.20x (to be tested quarterly based on rolling 4 quarters). Debt Service Coverage is defined as:

   - *EBITDA - 50% of CAPEX (net of contributed capital) - Cash Taxes (PILs) / Total Cash Interest and Mandatory Principal Payments*

B. Maintain an Interest Bearing Debt to Capitalization Ratio of no more than 0.6:1 (to be tested quarterly).

   - *Interest Bearing Debt is defined as all interest bearing debt (excluding Regulatory Liabilities)*
   - *Capitalization is defined as the sum of Interest Bearing Debt, Shareholder's Equity, Contributed Capital, Preference Share Capital net of any Goodwill (or other intangibles).*

EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" attached hereto and after any one of the following additional Events of Default:

a) Customary for a transaction of this nature including without limitation, any material adverse change in legislation or regulation of the electrical distribution business in Ontario
b) Loss of OEB license
c) Material judgements described as those beyond the Borrower's insurance coverage and/or those that could impact the viability of the Borrower.

ANCILLARY FACILITIES

As at the date of this Agreement, the following uncommitted ancillary products are made available. These products may be subject to other agreements.

1) TD Visa Business card (or cards) for an aggregate amount of $60,000

AVAILABILITY OF OPERATING LOAN

Unless the committed option is chosen for Facility 1: the Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before September 30, 2007.

Yours truly,

THE TORONTO-DOMINION BANK

M John Clarke
Account Manager

Michael Lafontaine
Manager, Commercial Credit

TO THE TORONTO-DOMINION BANK:

Orangeville Hydro Limited hereby accepts the foregoing offer this 16 day of JULY, 2007.

Signature

Signature

JAN HOWARD - MGR FINANCE & RATES
Print Name & Position

George Dick - President
Print Name & Position

2

cc. Guarantor(s)

The Bank is providing the guarantor(s) with a copy of this letter as a courtesy only. The delivery of a copy of this letter does not create any obligation of the Bank to provide the guarantor(s) with notice of any changes to the credit facilities, including without limitation, changes to the terms and conditions, increases or decreases in the amount of the credit facilities, the establishment of new credit facilities or otherwise. The Bank may, or may not, at its option, provide the guarantor(s) with such information, provided that the Bank will provide such information upon the written request of the guarantor.

2

SCHEDULE A
STANDARD TERMS AND CONDITIONS

1. INTEREST RATE DEFINITIONS

Prime Rate means the rate of interest per annum (based on a 365/366 day year) established and reported by the Bank to the Bank of Canada from time to time as the reference rate of interest for determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness in Canada for Canadian dollar loans made by it in Canada.

The Stamping Fee rate per annum for CDN$ B/As is based on a 365/366 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance. The Stamping Fee rate per annum for US$ B/As is based on a 360 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance.

LIBOR means the rate of interest per annum (based on a 360 day year) as determined by the Bank (rounded upwards, if necessary to the nearest whole multiple of 1/16th of 1%) at which the Bank may make available United States dollars which are obtained by the Bank in the Interbank Euro Currency Market, London, England at approximately 11:00 a.m. (Toronto time) on the second Business Day before the first day of, and in an amount similar to, and for the period similar to the interest period of, such advance.

USBR means the rate of interest per annum (based on a 365/366 day year) established by the Bank from time to time as the reference rate of interest for the determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness for US dollar loans made by it in Canada.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

2. INTEREST CALCULATION AND PAYMENT

Interest on Prime Based Loans and USBR Loans is calculated daily and payable monthly in arrears based on the number of days the subject loan is outstanding unless otherwise provided in the Rate and Payment Terms Notice.

The Stamping Fee is calculated based on the amount and the term of the B/A and payable upon acceptance by the Bank of the B/A. The net proceeds received by the Borrower on a B/A advance will be equal to the Face Amount of the B/A discounted at the Bank's then prevailing B/A discount rate for CDN$ B/As or US$ B/As as the case may be, for the specified term of the B/A less the B/A Stamping Fee.

Interest on LIBOR Loans is calculated and payable on the earlier of contract maturity or quarterly in arrears, for the number of days in the LIBOR interest period.

L/C and L/G fees are payable at the time set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C or L/G.

Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice.

Interest is payable both before and after maturity or demand, default and judgment.

Each payment under this Agreement shall be applied first in payment of costs and expenses, then interest and fees and the balance, if any, shall be applied in reduction of principal.

For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit Limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at 21% per annum, or such lower interest rate if the Bank agrees to a lower interest rate in writing. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit.

3. DRAWDOWN PROVISIONS

Prime Based and USBR Loans
There is no minimum amount of drawdown by way of Prime Based Loans and USBR Loans, except as stated in the section of the Agreement titled "Business Credit Services Agreement", if that section of the Agreement has not been deleted. The Borrower shall provide the Bank with 3 Business Days' notice of a requested Prime Based Loan or USBR Loan over $1,000,000.

B/As
The Borrower shall advise the Bank of the requested term or maturity date for B/As issued hereunder. The Bank shall have the discretion to restrict the term or maturity dates of B/As. In no event shall the term of the B/A exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of B/As is $1,000,000 and in multiples of $100,000 thereafter. The Borrower shall provide the Bank with 3 Business Days' notice of a requested B/A drawdown.

The Borrower shall pay to the Bank the full amount of the B/A at the maturity date of the B/A.

The Borrower appoints the Bank as its attorney to and authorizes the Bank to (i) complete, sign, endorse, negotiate and deliver B/As on behalf of the Borrower in handwritten form, or by facsimile or mechanical signature or otherwise, (ii) accept such B/As, and (iii) purchase, discount, and/or negotiate B/As.

LIBOR
The Borrower shall advise the Bank of the requested LIBOR contract maturity period. The Bank shall have the discretion to restrict the LIBOR contract maturity. In no event shall the term of the LIBOR contract exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of a LIBOR Loan is $1,000,000, and shall be in multiples of $100,000 thereafter. The Borrower will provide the Bank with 3 Business Days' notice of a requested LIBOR Loan.

L/C and/or L/G
The Bank shall have the discretion to restrict the maturity date of L/Gs or L/Cs.

B/A - Prime Conversion
The Borrower will provide the Bank with at least 3 Business Days' notice of its intention either to convert a B/A to a Prime Based Loan or vice versa, failing which, the Bank may decline to accept such additional B/As or may charge interest on the amount of Prime Based Loans resulting from maturity of B/As at the rate of 115% of the rate applicable to Prime Based Loans for the 3 Business Day period immediately following such maturity. Thereafter, the rate shall revert to the rate applicable to Prime Based Loans.

Notice
Prior to each drawdown and at least 10 days prior to each Rate Term Maturity, the Borrower will advise the Bank of its selection of drawdown options from those made available by the Bank. The Bank will, after each drawdown, other than drawdowns by way of BA, LIBOR Loan or under the operating loan, send a Rate and Payment Terms Notice to the Borrower.

4. PREPAYMENT

(a) 10% Prepayment Option Chosen. If the Borrower has elected a 10% Prepayment Option for a Facility the following shall apply to all Fixed Rate Loans made under that Facility. Each calendar year, ("Year"), the Borrower may prepay in one lump sum, once each Year, an amount outstanding under a Fixed Rate Term Loan not exceeding 10% of the original amount of the Fixed Rate Term Loan being prepaid, upon payment of all interest accrued to the date of prepayment ("Prepayment Date") without paying any prepayment charge, provided that an Event of Default has not occurred. This privilege is not cumulative from Year to Year.

(b) 10% Prepayment Option Not Chosen or Borrower Prepaying More than 10%. During each Year, the Borrower may, provided that an Event of Default has not occurred:

i. if it has not chosen the 10% Prepayment Option, prepay all or any part of the principal then outstanding under Fixed Rate Term Loans, or,
ii. if it has chosen the 10% Prepayment Option, prepay more than 10% of the original amount of the Fixed Rate Term Loan being prepaid, in any Year,

in either case, upon payment of all interest accrued to the Prepayment Date and prepayment charges equal to the greater of:

(a) three months' interest on the amount of the prepayment (and in the case where the Borrower has chosen the 10% Prepayment Option, the amount of prepayment is the amount of prepayment exceeding the 10% limit) using the interest rate applicable to the Fixed Rate Term Loan being prepaid; and

(b) the Interest Rate Differential, being the amount by which:

i. the total amount of interest on the amount of the prepayment using the interest rate applicable to the Fixed Rate Term Loan being prepaid calculated for the period of time equal to the Remaining Term, exceeds
ii. the total amount of interest on the amount being prepaid using the interest rate applicable to a fixed rate term loan that the Bank would make to a borrower for a comparable facility on the Prepayment Date, calculated for the period of time from the Prepayment Date until the Rate Term Maturity Date for the Fixed Rate Term Loan being prepaid ("Remaining Term").

5. STANDARD DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdowns hereunder at any time is subject to the following conditions precedent:

a) The Bank shall have received the following documents which shall be in form and substance satisfactory to the Bank:
i) A copy of a duly executed resolution of the Board of Directors of the Borrower empowering the Borrower to enter into this Agreement;
ii) A copy of any necessary government approvals authorizing the Borrower to enter into this Agreement;
iii) All of the Bank Security and supporting resolutions and solicitors' letter of opinion required hereunder;
iv) The Borrower's compliance certificate certifying compliance with all terms and conditions hereunder;
v) all operation of account documentation; and
vi) For drawdowns under the Facility by way of L/C or L/G, the Bank's standard form Letter of Credit Indemnity Agreement

b) The representations and warranties contained in this Agreement are correct.

c) No event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default, but for the requirement that notice be given or time elapse or both.

d) The Bank has received the arrangement fee payable hereunder (if any) and the Borrower has paid all legal and other expenses incurred by the Bank in connection with the Agreement or the Bank Security.

6. STANDARD REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants, which representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, that:

a) The Borrower is a duly incorporated corporation, a limited partnership, partnership, or sole proprietorship, duly organized, validly existing and in good standing under the laws of the jurisdiction where the Branch/Centre is located and each other jurisdiction where the Borrower has property or assets or carries on business and the Borrower has adequate corporate power and authority to carry on its business, own property, borrow monies and enter into agreements therefore, execute and deliver the Agreement, the Bank Security, and documents required hereunder, and observe and perform the terms and provisions of this Agreement.

b) There are no laws, statutes or regulations applicable to or binding upon the Borrower and no provisions in its charter documents or in any by-laws, resolutions, contracts, agreements, or arrangements which would be contravened, breached, violated as a result of the execution, delivery, performance, observance, of any terms of this Agreement.

c) No Event of Default has occurred nor has any event occurred which, with the passage of time or the giving of notice, would constitute an Event of Default under this Agreement or which would constitute a default under any other agreement.

d) There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, assets, financial condition, business or operations of the Borrower.

e) All material authorizations, approvals, consents, licenses, exemptions, filings, registrations and other requirements of governmental, judicial and public bodies and authorities required to carry on its business have been or will be obtained or effected and are or will be in full force and effect.

f) The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied.

g) All of the remittances required to be made by the Borrower to the federal government and all provincial and municipal governments have been made, are currently up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including income taxes, Employment Insurance and Canada Pension Plan), sales taxes (both provincial and federal), corporate income taxes, corporate capital taxes, payroll taxes and Workers' Compensation dues are currently paid and up to date.

7. STANDARD POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will, and will ensure that its subsidiaries and each of the Guarantors will:

a) Pay all amounts of principal, interest and fees on the dates, times and place specified herein, under the Rate and Payment Terms Notice, and under any other agreement between the Bank and the Borrower.

b) Advise the Bank of any change in the amount and the terms of any credit arrangement made with other lenders or any action taken by another lender to recover amounts outstanding with such other lender.

c) Advise promptly after the happening of any event which will result in a material adverse change in the financial condition, business, operations, or prospects of the Borrower or the occurrence of any Event of Default or default under this Agreement or under any other agreement for borrowed money.

d) Do all things necessary to maintain in good standing its corporate existence and preserve and keep all material agreements, rights, franchises, licenses, operations, contracts or other arrangements in full force and effect.
e) Take all necessary actions to ensure that the Bank Security and its obligations hereunder will rank ahead of all other indebtedness of and all other security granted by the Borrower.
f) Pay all taxes, assessments and government charges unless such taxes, assessments, or charges are being contested in good faith and appropriate reserves shall be made with funds set aside in a separate trust fund.
g) Provide the Bank with information and financial data as it may request from time to time.
h) Maintain property, plant and equipment in good repair and working condition.
i) Inform the Bank of any actual or probable litigation and furnish the Bank with copies of details of any litigation or other proceedings, which might affect the financial condition, business, operations, or prospects of the Borrower.
j) Provide such additional security and documentation as may be required from time to time by the Bank or its solicitors.
k) Continue to carry on the business currently being carried on by the Borrower its subsidiaries and each of the Guarantors at the date hereof.
l) Maintain adequate insurance on all of its assets, undertakings, and business risks.
m) Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow the duplication or extraction of pertinent information therefrom and
n) Comply with all applicable laws.

<u>8. STANDARD NEGATIVE COVENANTS</u>
So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:
a) Create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its assets or undertakings, now owned or hereafter acquired, except for those Permitted Liens, if any, set out in the Letter.
b) Create, incur, assume or suffer to exist any other indebtedness for borrowed money (except for indebtedness resulting from Permitted Liens, if any) or guarantee or act as surety or agree to indemnify the debts of any other Person.
c) Merge or consolidate with any other Person, or acquire all or substantially all of the shares, assets or business of any other Person.
d) Sell, lease, assign, transfer, convey or otherwise dispose of any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables and leasehold interests), except for inventory disposed of in the ordinary course of business.
e) Terminate or enter into a surrender of any lease of any property mortgaged under the Bank Security.
f) Cease to carry on the business currently being carried on by each of the Borrower, its subsidiaries, and the Guarantors at the date hereof.
g) Permit any change of ownership or change in the capital structure of the Borrower.

<u>9. ENVIRONMENTAL</u>
The Borrower represents and warrants (which representation and warranty shall continue throughout the term of this Agreement) that the business of the Borrower, its subsidiaries and each of the Guarantors is being operated in compliance with applicable laws and regulations respecting the discharge, omission, spill or disposal of any hazardous materials and that any and all enforcement actions in respect thereto have been clearly conveyed to the Bank.

The Borrower shall, at the request of the Bank from time to time, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank.

The Borrower hereby indemnifies the Bank, its officers, directors, employees, agents and shareholders, and agrees to hold each of them harmless from all loss, claims, damages and expenses (including legal and audit expenses) which may be suffered or incurred in connection with the indebtedness under this Agreement or in connection with the Bank Security.

10. STANDARD EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the following Events of Default:

a) Non-payment of principal outstanding under this Agreement when due or non-payment of interest or fees outstanding under this Agreement within 3 Business Days of when due.

b) If any representation, warranty or statement made hereunder or made in connection with the execution and delivery of this Agreement or the Bank Security is false or misleading at any time.

c) If there is a breach or non-performance or non-observance of any term or condition of this Agreement or the Bank Security and, if such default is capable to being remedied, the default continues unremedied for 5 Business Days after the occurrence.

d) If the Borrower, any one of its subsidiaries, or, if any of the Guarantors makes a general assignment for the benefit of creditors, files or presents a petition, makes a proposal or commits any act of bankruptcy, or if any action is taken for the winding up, liquidation or the appointment of a liquidator, trustee in bankruptcy, custodian, curator, sequestrator, receiver or any other officer with similar powers or if a judgment or order shall be entered by any court approving a petition for reorganization, arrangement or composition of or in respect of the Borrower, any of its subsidiaries, or any of the Guarantors or if the Borrower, any of its subsidiaries, or any of the Guarantors is insolvent or declared bankrupt.

e) If there exists a voluntary or involuntary suspension of business of the Borrower, any of its subsidiaries, or any of the Guarantors.

f) If action is taken by an encumbrancer against the Borrower, any of its subsidiaries, or any of the Guarantors to take possession of property or enforce proceedings against any assets.

g) If any final judgment for the payment of monies is made against the Borrower, any of its subsidiaries, or any of the Guarantors and it is not discharged within 30 days from the imposition of such judgment.

h) If there exists an event, the effect of which with lapse of time or the giving of notice, will constitute an event of default or a default under any other agreement for borrowed money in excess the Cross Default Threshold entered into by the Borrower, any of its subsidiaries, or any of the Guarantors.

i) If the Bank Security is not enforceable or if any party to the Bank Security shall dispute or deny any liability or any of its obligations under the Bank Security.

j) If, in the Bank's determination, a material adverse change occurs in the financial condition, business operations or prospects of the Borrower, any of the Borrower's subsidiaries, or any of the Guarantors.

11. ACCELERATION

If the Bank accelerates the payment of principal and interest hereunder, the Borrower shall immediately pay to the Bank all amounts outstanding hereunder, including without limitation, the amount of unmatured B/As and LIBOR Loans and the amount of all drawn and undrawn L/Gs and L/Cs. All cost to the Bank of unwinding LIBOR Loans and all loss suffered by the Bank in re-employing amounts repaid will be paid by the Borrower.

The Bank may demand the payment of principal and interest under the Operating Loan (and any other uncommitted facility) hereunder and cancel any undrawn portion of the Operating Loan (and any other uncommitted facility) hereunder, at any time whether or not an Event of Default has occurred.

12. CURRENCY INDEMNITY

US$ loans must be repaid with US$ and CDN$ loans must be repaid with CDN$ and the Borrower shall indemnify the Bank for any loss suffered by the Bank if US$ loans are repaid with CDN$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

13. TAXATION ON PAYMENTS

All payments made by the Borrower to the Bank will be made free and clear of all present and future taxes (excluding the Bank's income taxes), withholdings or deductions of whatever nature. If these taxes, withholdings or deductions are required by applicable law and are made, the Borrower, shall, as a separate and independent obligation, pay to the Bank all additional amounts as shall fully indemnify the Bank from any such taxes, withholdings or deductions.

14. REPRESENTATION

No representation or warranty or other statement made by the Bank concerning any of the credit facilities shall be binding on the Bank unless made by it in writing as a specific amendment to this Agreement.

15. ADDED COST

If the introduction of or any change in any present or future law, regulation, treaty, official or unofficial directive, or regulatory requirement, (whether or not having the force of law) or in the interpretation or application thereof, relates to:

i) the imposition or exemption of taxation of payments due to the Bank or on reserves or deemed reserves in respect of the undrawn portion of any Facility or loan made available hereunder; or,

ii) any reserve, special deposit, regulatory or similar requirement against assets, deposits, or loans or other acquisition of funds for loans by the Bank; or,

iii) the amount of capital required or expected to be maintained by the Bank as a result of the existence of the advances or the commitment made hereunder;

and the result of such occurrence is, in the sole determination of the Bank, to increase the cost of the Bank or to reduce the income received or receivable by the Bank hereunder, the Borrower shall, on demand by the Bank, pay to the Bank that amount which the Bank estimates will compensate it for such additional cost or reduction in income and the Bank's estimate shall be conclusive, absent manifest error.

16. EXPENSES

The Borrower shall pay, within 5 Business Days following notification, all fees and expenses (including but not limited to all legal fees) incurred by the Bank in connection with the preparation, registration and ongoing administration of this Agreement and the Bank Security and with the enforcement of the Bank's rights and remedies under this Agreement and the Bank Security whether or not any amounts are advanced under the Agreement. These fees and expenses shall include, but not be limited, to all outside counsel fees and expenses and all in-house legal fees and expenses, if in-house counsel are used, and all outside professional advisory fees and expenses. The Borrower shall pay interest on unpaid amounts due pursuant to this paragraph at the All-In Rate plus 2% per annum.

17. NON WAIVER

Any failure by the Bank to object to or take action with respect to a breach of this Agreement or any Bank Security or upon the occurrence of an Event of Default shall not constitute a waiver of the Bank's right to take action at a later date on that breach. No course of conduct by the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Bank Security or the Bank's rights thereunder.

18. EVIDENCE OF INDEBTEDNESS

The Bank shall record on its records the amount of all loans made hereunder, payments made in respect thereto, and all other amounts becoming due to the Bank under this Agreement. The Bank's records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement.

The Borrower will sign the Bank's standard form Letter of Credit Indemnity Agreement for all L/Cs and L/Gs issued by the Bank.

With respect to chattel mortgages taken as Bank Security, this Agreement is the Promissory Note referred to in same chattel mortgage, and the indebtedness incurred hereunder is the true indebtedness secured by the chattel mortgage.

19. ENTIRE AGREEMENTS

This Agreement replaces any previous letter agreements dealing specifically with terms and conditions of the credit facilities described in the Letter. Agreements relating to other credit facilities made available by the Bank continue to apply for those other credit facilities. This Agreement, and if applicable, the Letter of Credit Indemnity Agreement, are the entire agreements relating to the Facilities described in this Agreement.

20. ASSIGNMENT

The Bank may assign or grant participation in all or part of this Agreement or in any loan made hereunder without notice to and without the Borrower's consent.

The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement.

21. RELEASE OF INFORMATION

The Borrower hereby irrevocably authorizes and directs the Borrower's accountant, (the "Accountant") to deliver all financial statements and other financial information concerning the Borrower to the Bank and agrees that the Bank and the Accountant may communicate directly with each other.

22. FX CLOSE OUT

The Borrower hereby acknowledges and agrees that in the event any of the following occur: (i) Default by the Borrower under any forward foreign exchange contract ("FX Contract"); (ii) Default by the Borrower in payment of monies owing by it to anyone, including the Bank; (iii) Default in the performance of any other obligation of the Borrower under any agreement to which it is subject; or (iv) the Borrower is adjudged to be or voluntarily becomes bankrupt or insolvent or admits in writing to its inability to pay its debts as they come due or has a receiver appointed over its assets, the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts entered into hereunder, using normal commercial practices employed by the Bank, to determine the gain or loss for each terminated FX contract. The Bank shall then be entitled to calculate a net termination value for all of the terminated FX Contracts which shall be the net sum of all the losses and gains arising from the termination of the FX Contracts which net sum shall be the "Close Out Value" of the terminated FX Contracts. The Borrower acknowledges that it shall be required to forthwith pay any positive Close Out Value owing to the Bank and the Bank shall be required to pay ant negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

23. SET-OFF

In addition to and not in limitation of any rights now or hereafter granted under applicable law, the Bank may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, in any currency, and any other indebtedness or amount payable by the Bank (irrespective of the place of payment or booking office of the obligation), to or for the credit of or for the Borrower's account, including without limitation, any amount owed by the Bank to the Borrower under any FX Contract or other treasury or derivative product, against and on account of the indebtedness and liability under this Agreement notwithstanding that any of them are contingent or unmatured or in a different currency than the indebtedness and liability under this Agreement.

When applying a deposit or other obligation in a different currency than the indebtedness and liability under this Agreement to the indebtedness and liability under this Agreement, the Bank will convert the deposit or other obligation to the currency of the indebtedness and liability under this Agreement using the Bank's noon spot rate of exchange for the conversion of such currency.

24. USE OF INFORMATION

The word "Information" means the Borrower's business and credit information and the Guarantor's personal, business and credit information. It includes information provided to the Bank by the Borrower and Guarantors, including through the products and services the Borrower and Guarantor(s) uses, and information obtained from others.

The Borrower and the Guarantor agree to the use of its Information as follows:

i. Use of Information - The Bank may use Information to establish and serve the Borrower as its customer, determine whether any products or services of the TD Bank Financial Group are suitable for the Borrower and offer them to the Borrower, or when required or permitted by law. The Bank may share Information within the TD Bank Financial Group where permitted by law;

ii. Collection and Use of Credit Information - THE BANK MAY OBTAIN INFORMATION FROM PARTIES OUTSIDE THE TD BANK FINANCIAL GROUP, INCLUDING THROUGH A CREDIT CHECK, AND VERIFY INFORMATION WITH THEM. THE BORROWER AND THE GUARANTOR AUTHORIZE THOSE PARTIES TO GIVE THE BANK INFORMATION. The Bank may disclose Information to other lenders and credit bureaus.

The Borrower and the Guarantor may obtain the Bank's Privacy Code - "Protecting Your Privacy" or review its options for refusing or withdrawing this consent, including its option not to be contacted about offers of products or services, by contacting the Branch or calling the Bank at 1-800-9TD BANK.

25. MISCELLANEOUS

i) The Borrower has received a signed copy of this Agreement;

ii) If more than one Person, firm or corporation signs this Agreement as the Borrower, each party is jointly and severally liable hereunder, and the Bank may require payment of all amounts payable under this Agreement from any one of them, or a portion from each, but the Bank is released from any of its obligations by performing that obligation to any one of them;

iii) Accounting terms will (to the extent not defined in this Agreement) be interpreted in accordance with accounting principles established from time to time by the Canadian Institute of Chartered Accountants (or any successor) consistently applied, and all financial statements and information provided to the Bank will be prepared in accordance with those principles;

iv) This Agreement is governed by the law of the Province or Territory where the Branch/Centre is located.

v) Unless stated otherwise, all amounts referred to herein are in Canadian dollars

26. DEFINITIONS

Capitalized Terms used in this Agreement shall have the following meanings:

"All-In Rate" means the greater of the Interest Rate that the Borrower pays for Prime Based Loans (which for greater certainty includes the percent per annum added to the Prime Rate) or the highest fixed rate paid for Fixed Rate Term Loans.

"Agreement" means the agreement between the Bank and the Borrower set out in the Letter and this Schedule "A" - Standard Terms and Conditions.

"Business Day" means any day (other than a Saturday or Sunday) that the Branch/Centre is open for business.

"Branch/Centre" means The Toronto-Dominion Bank branch or banking centre noted on the first page of the Letter, or such other branch or centre as may from time to time be designated by the Bank.

"Contractual Term Maturity Date" means the date set out in the Letter under the heading "Contractual Term".

"Face Amount" means, in respect of:

(i) a B/A, the amount payable to the holder thereof on its maturity;

(ii) A L/C or L/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C or L/G.

"Fixed Rate Term Loan" means any drawdown in Canadian dollars under a Credit Facility at an interest rate which is fixed for a Rate Term at such rate as is determined by the Bank as its sole discretion.

"Inventory Value" means, at any time of determination, the total value (based on the lower of cost or market) of the Borrower's inventories that are subject to the Bank Security (other than (i) those inventories supplied by trade creditors who at that time have not been fully paid therefore and would have a right to repossess all or part of such inventories if the Borrower were then either bankrupt or in receivership, (ii) those inventories comprising work in process and (iii) those inventories that the Bank may from time to time designate in its sole discretion) minus the total amount of any claims, liens or encumbrances on those inventories having or purporting to have priority over the Bank.

"Letter" means the letter from the Bank to the Borrower to which this Schedule "A" - Standard Terms and Conditions is attached.

"Letter of Credit" or *"L/C"* means a documentary letter of credit or similar instrument in form and substance satisfactory to the Bank.

"Letter of Guarantee" or *"L/G"* means a stand-by letter of guarantee or similar instrument in form and substance satisfactory to the Bank.

"Person" includes any individual, sole proprietorship, corporation, partnership, joint venture, trust, unincorporated association, association, institution, entity, party, or government (whether national, federal, provincial, state, municipal, city, county, or otherwise and including any instrumentality, division, agency, body, or department thereof).

"Purchase Money Security Interest" means a security interest on equipment which is granted to a lender or to the seller of such equipment in order to secure the purchase price of such equipment or a loan to acquire such equipment, provided that the amount secured by the security interest does not exceed the cost of the equipment, the Borrower provides written notice to the Bank prior to the creation of the security interest, and the creditor under the security interest has, if requested by the Bank, entered into an inter-creditor agreement with the Bank, in a format acceptable to the Bank.

"Rate Term" means that period of time as selected by the Borrower from the options offered to it by the Bank, during which a Fixed Rate Term Loan will bear a particular interest rate. If no Rate Term is selected, the Borrower will be deemed to have selected a Rate Term of 1 year.

"Rate Term Maturity" means the last day of a Rate Term which day may never exceed the Contractual Term Maturity Date.

"Rate and Payment Terms Notice" means the notice sent by the Bank setting out the interest rate and payment terms for a particular drawdown.

"Receivable Value" means, at any time of determination, the total value of those of the Borrower's trade accounts receivable that are subject to the Bank Security other than (i) those accounts then outstanding for 90 days, (ii) those accounts owing by Persons, firms or corporations affiliated with the Borrower, (iii) those accounts that the Bank may from time to time designate in its sole discretion, (iv) those accounts subject to any claim, liens, or encumbrance having or purporting to have priority over the Bank, (v) those accounts which are subject to a claim of set-off by the obligor under such account, MINUS the total amount of all claims, liens, or encumbrances on those receivables having or purporting to have priority over the Bank.

"Receivables/Inventory Summary" means a summary of the Customer's trade account receivables and inventories, in form as the Bank may require and certified by a senior officer/representative of the Borrower.

"US$ Equivalent" means, on any date, the equivalent amount in United States Dollars after giving effect t a conversion of a specified amount of Canadian Dollars to United States Dollars at the Bank's noon spot rate of exchange for Canadian Dollars to United States Dollars established by the Bank for the day in question.

TD Commercial Banking

Creekside CAS
Commercial Group
4720 Tahoe Boulevard
Building 1, 4thFloor
Mississauga, Ontario L4W 5P2
Telephone No. (905)214-0751
Fax No. (905) 214-0682

August 1, 2007

Orangeville Hydro Limited
400 C Line
P.O. Box 400
Orangeville, Ontario
L9W 2Z7

Dear Sir/Madam:

Re: Rate and Payment Terms Notice
Loan Number (the "Loan") #3160 -9214932 - 02

This Notice is provided pursuant to the Letter Agreement signed by Orangeville Hydro Limited and The Toronto-Dominion Bank, through its Commercial Banking branch at 89 Broadway Street, Orangeville, Ontario, L9W 1K2.

A drawdown under Facility# 2 was funded in the amount of $6,500,000.00 on July 30, 2007 at a fixed rate of 5.590% per annum for a rate term expring July 30, 2012.

Based on the agreed amortization period of 240 months , monthly blended payments of principal and interest on the Loan are $45,047.73 due on the 30th day of each successive month commencing on August 30, 2007.

We will contact you prior to the expiration of the Rate Term to advise you of future Rate Term options if applicable. We value your business and if you have any questions with respect to this Rate and Payment Terms Notice please contact your TD Commercial Banking Account Manager, M. John Clarke at 519-941-1850 ext. 280.

Yours truly,

Lucy Vidalin
Credit Compliance Officer

TD Commercial Banking

Central Ontario Commercial Banking Group
89 Broadway Street
Orangeville. ON
L9W 1K2

Telephone No.: 519-941-1850 ext 280
Fax No.: (519) 941-9061

January 16, 2009

Orangeville Hydro Limited
400 C Line
Po Box 400
Orangeville,ON
L9W 2Z7

Attention: Mr. George Dick, President

The following amending agreement (the "Amending Agreement") amends the terms and conditions of the credit facilities (the "Facilities") provided to the Borrower pursuant to the Agreement dated June 12, 2007.

BORROWER Orangeville Hydro Limited (the "Borrower")

LENDER **The Toronto-Dominion Bank** (the "Bank"), through its branch in Orangeville, Ontario.

CREDIT LIMIT 3) CND$ 3,000,000 Revolving Term cancelled at Borrower's request

REPORTING COVENANTS

The following reporting covenant has been amended, all other reporting covenants remain unchanged.

a) The Borrower is to provide audited annual financial statements within 120 days past each fiscal year end

FINANCIAL COVENANTS

The following financial covenant has been amended as follows, all other covenants remain unchanged:

a) Maintain a Debt Service Coverage Ratio of not less than 1.20x (to be tested quarterly based on rolling 4 quarters). Debt Service Coverage is defined as:

EBITDA – 40% of CAPEX (net of contributed capital) - Cash Taxes (PILs) / Total Cash Interest and Mandatory Principal Payments.

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

Unless otherwise stated, the amendments outlined above are in addition to the Terms and Conditions of the existing Agreement. All other terms and conditions remain unchanged. We ask that you acknowledge your agreement to these amendments by signing and returning the attached duplicate copy of this Amending Agreement to the undersigned. The amendments will not come into force unless the duplicate of this Amending Agreement is received by the Bank on or before **February 16, 2009**

Yours truly,

THE TORONTO-DOMINION BANK

Gerry Brisson
Relationship Manager

Ian Montford
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

Orangeville Hydro Limited hereby accepts the foregoing offer this 26TH day of JAN., 2009. The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be used by or on behalf of any third party.

Signature

Signature

JAN HOWARD MGR OF FINANCE & RATES
Print Name & Position

George Dick - President
Print Name & Position

TD Commercial Banking

Central Ontario Commercial Banking Group
89 Broadway Street
Orangeville. ON
L9W 1K2

Telephone No.: 519-941-1850 ext 280
Fax No.: (519) 941-9061

March 13, 2009

Orangeville Hydro Limited
400 C Line
PO Box 400
Orangeville, ON
L9W 2Z7

Attention: George Dick, President

The following amending agreement (the "Amending Agreement") amends the terms and conditions of the credit facilities (the "Facilities") provided to the Borrower pursuant to the Agreement dated June 12, 2007 and the subsequent Amending Agreement(s) dated January 16, 2009

BORROWER

Orangeville Hydro Limited (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its Central Ontario Commercial Banking Centre in Orangeville, Ontario.

INTEREST RATES AND FEES

Advances shall bear interest and fees as follows:

1) **Operating Loan:**
   - Prime Based Loans: Prime Rate + 0.00% per annum

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

All other terms and conditions remain unchanged. Amended Terms and Conditions acknowledged by:

THE TORONTO-DOMINION BANK:

Gerry Brisson
Relationship Manager

Ian Montford
Manager Commercial Credit

APPENDIX E – INFORMATION TECHNOLOGY INFRASTRUCTURE PLAN

Orangeville Hydro Computer Purchase and Deployment Mandate

Request for Purchase will only be requested to fulfill the following requirements:

- **Upgrade based on Business Software Requirements**
  With the constant upgrade to business specific software, Orangeville Hydro must maintain the standard computer configuration required by the software vendor. It should be noted that this is the most common need for computer purchase.

- **Upgrade to maintain Customer Service Levels**
  In order to maintain prompt response to customer inquires and billing creation, it is often necessary to increase the processing level of the machines used primarily for customer service.

- **Replace Obsolete Equipment**
  As equipment ages, it is no longer able to be used to run required operating systems and standard software applications.

Specific Deployment Guidelines:

- **PC deployment based on User Specific Requirements**
  Workstations are to be deployed based solely on the business need, that is, deployment is dependent upon the level of processing power each user requires, to efficiently manage the business need, not based on user perception of requirements or perceived obsolescence of equipment.

- **PC Rotation is Required**
  Since job function often dictates workstation needs, it is typical to have the same group of users require the highest processing power. When an existing higher end workstation is replaced with a new piece of equipment, the existing unit will be moved to the next employee with the 2nd highest processing requirements. This rotation will continue until the oldest and least productive piece of equipment is replaced. This rotation provides the maximum life of the asset and assures that each employee is provided with the best tool for their job.

Overview:
As stated, workstation purchase is not predetermined nor based on any specific schedule, rather the possibility of need is defined within the budget and only purchased based on the actual business requirement.
The Rotation Deployment scheme assures Orangeville Hydro that assets are maintained for the maximum length of time, and as importantly, each computer deployment is based specifically on user needs.