



Oakville Hydro
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November 20, 2009

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Oakville Hydro Electricity Distribution Inc.
Oakville Hydro's Responses to the School Energy Coalition (SEC)
Interrogatories on 2010 Electricity Distribution Rate Application
– EB-2009-0271**

Please find enclosed Oakville Hydro's responses to the interrogatories of the School Energy Coalition (SEC) in the above-noted proceeding.

Respectfully submitted,

Cristina Birceanu
Oakville Hydro Electricity Distribution Inc.
Manager, Regulatory Affairs
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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
Oakville Hydro Electric Distribution Inc. for an Order
or Order setting just and reasonable rates
commencing May 1, 2010.

**Oakville Hydro Electricity Distribution Inc.
Responses to Interrogatories**

School Energy Coalition (SEC)

Filed: November 20, 2009

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1 Responses to SEC Interrogatories

**Appendix SEC 2 Oakville Hydro Electricity Distribution Inc., Electricity
Distribution Licence**

Appendix SEC 10 Bank Agreement

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Appendix SEC 19 c IFRS Presentation to the Audit and Finance Committee

Appendix SEC 19 d (i) Request for Proposal – IFRS

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Appendix SEC 21 Pay for Performance Program

Appendix SEC 22 c Capital Lease Agreement

Appendix SEC 22 i Request for Quotation – Larger Underground Capital Work

Appendix SEC 22 l Line Clearing Agreement

- 1. Please confirm that the Applicant has 53 schools operated by publicly funded school boards in its franchise area. Please advise how many schools are in each of the GS<50 and GS>50 classes.**

RESPONSE:

Oakville Hydro has 55 active school accounts:

Halton District School Board:

GS< 50 kW: 11 accounts

GS 50 to 999 kW: 23 accounts

Halton Catholic District School Board:

GS< 50 kW: 1 account

GS 50 to 999 kW: 20 accounts

Total schools:	
GS< 50 kW:	12
GS 50 to 999 kW:	43

2. **[Ex.1] Please file the current Distribution Licence of the Applicant.**

RESPONSE:

Please refer to Appendix SEC 2.

3. **[Ex.1/1/9] Please confirm that the Applicant is not in compliance with Appendix 2-N of Chapter 2 the Filing Requirements for Transmission and Distribution Applications, relating to the use of the half-year rule for amortization expense.**

RESPONSE:

There is no prescriptive guidance in either the CICA Handbook or the OEB Accounting Procedures Handbook (APH) stating that only one half year's depreciation should be taken in the year of acquisition. The APH states that "Consistent with the CICA Handbook, this APH Handbook does not provide prescriptive guidance in terms of the amortization methods to be used, the asset categories, the estimated useful lives or amortization rates. Instead it is expected that in the absence of an objective study to support the changes to the current methods, lives or rates, utilities will continue to use methods, lives or rates consistent with past practice."

Oakville Hydro has been consistent in its practice of full year amortization in the year of acquisition and this practice has been accepted by Oakville Hydro's auditors.

4. [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 13.5%, equivalent to 4.3% per annum compounded annually.

RESPONSE:

Oakville Hydro has provided a summary of customers and connections for 2002 to 2010 in Exhibit 3, Tab 2, Schedule 1, Page 16, Table 1. As shown in this table the number of customers/connections has grown from 71,432 in 2005 to 77,212 in 2008, a growth rate of 8.1% which is equivalent to 1.96% compounded annual growth.

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

- a. Page 1. 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, the Audit and Finance 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.**

RESPONSE:

The 2010 capital and operating budgets have not yet been presented to Oakville Hydro's Board of Directors for approval. Oakville Hydro will provide the capital and operating budgets once they have been approved by the Board of Directors.

- b. Page 1. 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, and any other components of the budgeting schedule that are not described in this exhibit.**

RESPONSE:

The 2010 capital and operating budgets are expected to be presented to the Audit & Finance Committee in the last week of November 2009, with the plan that they will be approved by the Board of Directors in early December 2009.

- c. Page 4. Please provide the "energy sales and revenue forecast model" referred to.**

RESPONSE:

Please refer to Exhibit 3, Tab2, Schedule 1.

- d. Page 4. Please provide the “in-depth review of operating priorities and requirements” referred to.**

RESPONSE:

The “in-depth review” is a review on a department by department basis by the Vice President, the CFO and the President with the department manager present to justify increases and explain any significant variances from last year’s budget and/or forecast. Once reviewed any changes or amendments were incorporated into this application.

6. [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.

RESPONSE:

The following table sets out the calculation of the revenue deficiency using actual figures for 2007 and 2008 and forecast data for 2009. The 2009 forecast was prepared in August 2009 based on actual data to July 31, 2009 and forecast data to December 31, 2009. Oakville Hydro is in the process of updating its forecast for 2009 as part of the 2010 budget process.

Calculation of Revenue Deficiency or Surplus

	2007 Actual	2008 Actual	2009 Forecast
Revenue			
Distribution Revenue	\$ 28,366,996	\$ 28,426,440	\$ 27,817,278
Other Operating Revenue (Net)	2,666,085	2,648,600	2,328,028
Total Revenue	31,033,081	31,075,040	30,145,306
Distribution Costs			
Operation, Maintenance, and Administration	8,913,036	10,120,875	11,507,960
Depreciation & Amortization	8,402,591	8,946,738	10,020,022
Property & Capital Taxes	613,373	392,332	497,946
Interest- Deemed Interest	3,582,336	3,858,259	4,426,827
Total Costs and Expenses	21,511,336	23,318,203	26,452,755
Utility Income Before Income Taxes	9,521,746	7,756,836	3,692,551
Net Tax Adjustments	3,447,874	1,418,252	952,240
Taxable Income	12,969,620	9,175,088	4,644,791
Tax Rate	36.1%	33.5%	33.5%
Income Tax	4,684,627	3,073,655	1,556,005
Utility Net Income	\$ 4,837,119	\$ 4,683,182	\$ 2,136,546
Rate Base	108,555,630	132,448,079	132,448,079
Return On Equity	9.00%	9.00%	9.00%
Equity Component Rate Base	45.0%	42.5%	40.0%
Target Return -Equity on Rate Base	\$ 4,396,503	\$ 5,066,139	\$ 4,768,131
Rate of Return	7.76%	6.45%	4.96%
Revenue Deficiency After Tax	- 440,616	382,957	2,631,584
Revenue Deficiency Before Tax	- 689,756	575,876	3,957,270

7. [Ex.1/2/5, p. 1] Please provide a list of salary adjustments made to “pay market salaries”, and the source of the market data for each. If any of these adjustments or data would disclose the names of individuals, please redact those names, and if the remaining data would still allow any individual to be identified, please file this response in confidence.

RESPONSE:

Oakville Hydro’s response to this interrogatory has been filed according to the Board’s Practice Direction on Confidential Filings. Due to the small size of the organization, release of the salary adjustments that were made would identify specific individuals and their compensation. A redacted version would have most of the information “blacked out”, so one has not been included. As noted in response to other similar interrogatories, salary information is highly sensitive personal information, and its public disclosure could expose those individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties’ counsel and experts or consultants provided that they have executed the OEB’s form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro’s right to object to the OEB’s acceptance of a Declaration and Undertaking from any person.

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8. [Ex. 1/3/1] With respect to the financial statements:

- a. Page 31. Please provide the CWIP figure as of the end of each year 2006 through 2010, with actual to 2008 and forecast for 2009 and 2010.

RESPONSE:

Oakville Hydro Electricity Distribution Inc.
Capital - Work in Progress

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
8,687,613	12,716,952	13,069,906	2,959,988	15,301,852

- b. Page 31 and Ex. 1/3/3. Please provide a list of the projects totaling \$6,151,455 shifted from CWIP to rate base as of the end of 2008. Please calculate, by asset class, the total impact of that adjustment on amortization in each of 2008 and 2009, and on opening rate base for the Test Year.

RESPONSE:

Oakville Hydro did not record amortization on these assets in 2008.

Oakville Hydro Electricity Distribution Inc.
CWIP to Rate Base end of 2008

	2008 WIP transferred to Capital 2008	<u>Amortization Period</u>	Impact on Amortization 2008	Impact on Amortization 2009	Impact on Opening Rate Base 2010
Poles	1,226,066	25	-	49,043	1,177,023
O/H Conductors	1,944,958	25	-	77,798	1,867,160
U/G Conduit	858,445	25	-	34,338	824,107
U/G Conductors	948,837	25	-	37,953	910,884
Transformers	1,082,973	25	-	43,319	1,039,654
Services	47,754	25	-	1,910	45,844
Scada	42,422	15	-	2,828	39,594
Total Assets	6,151,455		-	247,189	5,904,266

- c. **Page 37. Please provide a detailed breakdown of the “Amounts due from/receivable from associated companies”, including the terms of each such obligation. If those advances are documented with loan agreements, promissory notes, or other legal instruments, please file copies of those materials.**

RESPONSE:

*Oakville Hydro Electricity Distribution Inc.
For the Twelve Months Ending December 31, 2008*

*December
2008*

Due from Related Parties:

Intercompany Transactions - ESI	196,599.44
Intercompany Transactions - CORP	20,026.95
Intercompany Transactions - BLINK	7,169,032.79
Intercompany EL-CON	1,382,978.77
	<hr/>
	8,768,637.95
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The Due to/Due From accounts cover operating costs incurred in one company and allocated to another. The main components of EDI's intercompany receivable include:

- Payroll costs of other companies processed in EDI
- Management Fees from EDI to other companies
- Occupancy Costs incurred by EDI allocated to other companies

Please note that affiliate service agreements can be found under Exhibit 4, Tab 2, Schedule 8

9. [Ex.1/3/2, App. G] For each of accounts 5005 through 5695 inclusive, please provide the amount expected to be paid to affiliates and/or the Town of Oakville in that budget for the Test Year.

RESPONSE:

For the accounts 5005 to 5695 inclusive, there is a total of \$1,061,906 expected to be paid to affiliates and the Town of Oakville for such items as locates, tree trimming, property taxes for substations, and vehicle fuel and maintenance.

- 10. [Ex.1/3/5] Please file a copy of the documentation for the uncommitted line of credit facility referred to, including any loan agreement, commitment letter, or similar document describing in detail the terms of the credit facility. If there are any amendments subsequent to the establishment of the facility (for example, interest rate changes), please provide those details.**

RESPONSE:

Please see Appendix SEC #10.

11. [Ex.2/4/1, p.2] Please advise whether the phrase “If it is determined that Oakville Hydro does not have the appropriate skills for the project or does not have the manpower available” includes skills/manpower in affiliate, and whether an RFP is used if affiliates are able to do the project. If affiliates are not required to bid through an RFP, please describe the circumstances in which that is the case, and provide a list of all projects, including dollar amounts, to which that exception applied or will apply in 2008, 2009 and 2010.

RESPONSE:

The phrase, “If it is determined that Oakville Hydro does not have the appropriate skills for the project or does not have the manpower available”, does not include skills/manpower in an affiliate. “Oakville Hydro” in this phrase refers to Oakville Hydro Electricity Distribution Inc.

Projects where an RFP was not used:

2008

- Commercial Vault Top Replacements, \$18,698, in accordance with Services Agreement
- South of Lakeshore Rd Voltage Conversion, \$108,101, in accordance with Services Agreement
- Alternate Supply to Oakville Hydro Redwood Office, \$70,428, in accordance with Services Agreement
- Hartfordshire Square Mall Loop Feed, \$63,285, in accordance with Services Agreement
- New Development & Services, \$572,196, in accordance with Services Agreement

2009

- Commercial Vault Top Replacements, \$52,000, in accordance with Services Agreement
- McCraney Area Rebuild, \$252,000, prices submitted for project validated against recent RFP
- Poletran Replacements, \$290,000, prices submitted for project validated against recent RFP
- New Development & Services, \$129,037, in accordance with Services Agreement

12. [Ex.2/4/3,p.1] Please expand Table 16 with two additional right hand columns, the first containing the year to date spending on the project, and the second containing the dollar amount in the "Total" column that is expected to be in CWIP on December 31, 2009, if any. If this table does not include projects that will be in CWIP at year end, please add those projects to the table and complete all six dollar columns for those projects.

RESPONSE:

Project	<u>2009 Expenditures</u>	<u>Transfer from CWIP</u>	<u>Contributed Capital</u>	<u>Total</u>	<u>YTD Spending</u>	<u>WIP Dec 2009</u>
Substations	1,610,600	1,702,569		3,313,169	1,957,795	42,025
Rebuild for Load Widening / Railway Wc	315,000	106,888	170,000	591,888	201,820	102,892
Load Transfer Safety & Security	220,000			220,000	104,488	
Voltage Conversion	956,000			956,000	172,153	292,500
27.6 kV Additions	1,047,000	258,000		1,305,000	447,977	
Rebuild Underground Distribution System	2,320,000	760,129		3,080,129	1,021,040	393,174
Rebuild Overhead Distribution System	6,500,421	2,981,809		9,482,230	4,317,235	415,000
New Development & Services	2,562,000	2,137,748	3,247,849	7,947,597	1,281,787	150,000
Supervisory Control & Communications	671,183	174,755		845,938	327,910	5,817
Metering	900,000			900,000	175,120	
Vehicles	323,500			323,500	326,057	
Tools	110,000			110,000	117,143	
Information Technology	1,054,628	430,367		1,484,995	572,407	
Buildings	353,500			353,500	163,874	
	<u>18,943,832</u>	<u>8,552,265</u>	<u>3,417,849</u>	<u>30,913,946</u>	<u>11,186,806</u>	<u>1,401,408</u>
Transformer Station						<u>1,558,580</u>
						<u>2,959,988</u>

The balance in the column titled "WIP Dec 2009", represents the total balance of capital WIP as at December 31, 2009.

- 13. [Ex.2/4/3, App. A and B] For each project in which more than \$100,000 has been or will be paid to an affiliate or the Town of Oakville, please identify the project, the affiliate or affiliates, the amount, the nature of the work done or to be done, and the procurement method.**

RESPONSE:

F05A – Arkendo Substation, El-Con Construction, \$250,000, underground construction work, prices submitted for project validated against recent RFPs.

08-45C – Replace Poletrans, El-Con Construction, \$290,000, underground construction work, prices submitted for project validated against recent RFPs.

08-45D – McCraney Area Underground Rebuild, El-Con Construction, \$252,000, underground construction work, prices submitted for project validated against recent RFPs.

06-46E, 07-46E – Rearlot Conversion, El-Con Construction, \$783,681, underground construction work, RFP

14. [Ex.2/4/4] With respect to the Test Year Capital Budget:

- a. Page 1. Please expand Table 17 with two additional right hand columns, the first containing the year to date spending on the project, and the second containing the dollar amount in the “Total” column that is expected to be in CWIP on December 31, 2010, if any. If this table does not include projects that will be in CWIP at year end, please add those projects to the table and complete all six dollar columns for those projects.**

RESPONSE:

See table below:

Project	2010 <u>Expenditures</u>	Transfer from <u>CWIP</u>	Contributed <u>Capital</u>	<u>Total</u>	WIP Dec <u>2010</u>
Substations	750,000	42,025		792,025	
Rebuild for Load Widening / Railway We	165,000	102,892	85,000	352,892	
Load Transfer Safety & Security	300,000			300,000	
Voltage Conversion	430,000	292,500		722,500	
27.6 kV Additions	750,000			750,000	
Rebuild Underground Distribution System	1,443,000	393,174		1,836,174	
Rebuild Overhead Distribution System	5,429,000	415,000		5,844,000	
New Development & Services	1,587,700	150,000	2,530,000	4,267,700	
Supervisory Control & Communications	300,000	5,817		305,817	
Metering	750,000			750,000	
Vehicles	340,000			340,000	
Tools	130,000			130,000	
Information Technology	1,818,000			1,818,000	
Buildings	322,000			322,000	
	14,514,700	1,401,408	2,615,000	18,531,108	-

Transformer Station

15,301,852

The balance in the column titled "WIP Dec 2010", represents the total balance of capital WIP as at December 31, 2010.

- b. Page 7. Please provide the original multi-year plan for the new SCADA system, including planned spending in 2008 through 2010, and any other years in which spending was incurred or is planned. If the plan has been altered since its original approval or adoption, please describe those changes and their impacts.**

RESPONSE:

The original multi-year SCADA upgrade plan covered 2008, 2009 and 2010.

2008 & 2009 SCADA System Upgrade

SCADA Upgrade		\$765,000.00
ABB upgrade proposal	\$600,000.00	
Communications	\$100,000.00	
Integration with Hydro One ICCP network	\$50,000.00	
Field Communications (3 toughbook laptops)	\$15,000.00	

2010 Original SCADA System Enhancement Plan:

SCADA Enhancements		\$611,000.00
Outage Management System	\$50,000.00	
Services	\$25,000.00	
Wall Board (12 x \$20,000)	\$240,000.00	
Display Controller	\$50,000.00	
Loadflow	\$156,000.00	
Contingency Analysis	\$30,000.00	
Fault Detection, Isolation, restoration	\$60,000.00	

Oakville Hydro began planning the SCADA (Supervisory Control and Data Acquisition) upgrade early in 2007 after encountering problems with the current system and receiving the proposed cost to address those problems quoted at US\$529,000. This cost prompted us to develop a multi-year plan to update our SCADA to not only address the current problems but to add future efficiencies such as OMS (Outage Management System) and FDIR (Fault, Detection and Restoration) and to design a SCADA infrastructure that would integrate with new technologies such as AMI (Advanced Metering Infrastructure) and GIS (Geographical Information Systems) to position Oakville Hydro to take advantage of emerging smart grid technology. In late 2007 we developed our project plan, budget and RFP. The Original budgets (above) were planned at that time and adopted to cover 2008 thru 2010. The original 2008 project went as planned and was

implemented on time and on budget late in 2008. Because of the critical nature of this system both (old and new) systems ran in parallel for a couple of months before we shut down and started to dismantle the old system. Spending spilled over into 2009 because the re-design and re-build of the control room had to wait until we had removed the old SCADA system and all of its components as the furniture and control room had been custom designed to accommodate the old SCADA system and had to be re-designed to house the new SCADA system.

Other small tasks in the 2009 portion of the plan were to upgrade the UPS (Uninterruptable Power Supply) to handle the tri-redundant servers in the data centre and to draw the high-level , overall grid into a GIS system for integration with the electrical system schematic that was drawn into the new SCADA. These tasks will be completed by the end of 2009 and allow Oakville Hydro to capitalize this project in 2009.

Revisions to the original SCADA enhancement plan

The Engineering, Protection and Control, and Information Technology department met in 2009 to review and if necessary to revise the 2010 SCADA strategy. The 2010 plan has been influenced by other ongoing projects, namely the Operational Excellence (GIS and Asset Management systems) and the AMI implementation. Once the decision to move forward with the implantation of a new GIS system was confirmed, SCADA enhancement strategy had to be altered.

2010 Altered SCADA System Enhancement Plan to Accommodate GIS Implementation:

SCADA Enhancements		\$360,000.00
FDIR (Fault Detection, Isolation, Restoration)	\$60,000.00	
FDIR Implementation Services	\$25,000.00	
SCADA Strategy (OMS, SmartVU)	\$25,000.00	
Communications Upgrade (2nd freq.)	\$0.00	
Master Radio	\$50,000.00	
Field Radios (75)	\$150,000.00	
Implementation Consulting	\$50,000.00	

SCADA enhancements originally planned for 2010 were modified to better integrate with the GIS and AMI implementations. The revised 2010 plan (above) includes the following changes:

- Added \$25,000 to purchase industry research and consulting help to review our SCADA strategy (2011 plan) and ensure that it is in line with emerging electrical

distribution technologies.

- Added \$200,000 to overhaul our field communications and add a second digital communications frequency as our current single digital frequency is not adequate to handle our RTU's with the additional information and security demands.
- Moved \$251,000 originally planned for 2010 onto 2011 as these enhancements are contingent in planned 2010 GIS implementation.

The GIS system (as part of the Operational Excellence Program) will be implemented in 2010, which will enable Oakville Hydro to create a virtual map of the entire distribution system. As a result of the GIS system being implemented in 2010, other SCADA enhancements originally planned for 2010 have been deferred to 2011.

2011 SCADA System Enhancement Plan

SCADA Enhancements		\$526,000.00
Loadflow	\$156,000.00	
Contingency Analysis	\$30,000.00	
Wall Board (12 x \$20,000)	\$240,000.00	
Display Controller	\$50,000.00	
Implementation Services	\$50,000.00	

Deferred to 2011 as a result of GIS implementation in 2010 are the installation of Wallboard, Loadflow, and Contingency Analysis. Wallboard and Loadflow will integrate into the GIS, therefore must wait until 2011.

- Deferred \$240,000 - Wallboard
- Deferred \$156,000 - Loadflow
- Deferred \$50,000 - Display Controller
- Deferred \$30,000 - Contingency Analysis which demonstrates need to plan for a constantly evolving SCADA strategy as illustrated in Oakville Hydro's decision to move forward with a GIS system.
- Added \$50,000 – Implementation Services to integrate the SCADA with AMI, GIS and Asset Management systems.

15. [Ex. 2/4/6, p. 2] Please file the latest annual review of the burdens for reasonableness, as referred to in the exhibit.

RESPONSE:

**Oakville Hydro Electricity Distribution Inc
Burden Analysis - December 31, 2008**

	<u>Actual Costs</u>	<u>Burden Recovery</u>	<u>Over (Under) Recovery</u>	
Warehousing, Engineering, Operations, P&C, Fleet, Staff Benefits	<u>7,517,087</u>	<u>7,318,617</u>	<u>(198,470)</u>	-

16. [Ex. 4/1/1 p. 3] Please provide a description of all material “cost reduction strategies and elimination of discretionary costs” applicable to the Test Year, including the dollar amounts saved.

RESPONSE:

Management has instructed staff to reduce or limit expenditures on the following discretionary expenses:

- Airfare and travel
- Cellular Phones
- Conferences
- Courier Services
- Meals & entertainment
- Printing
- Promotions
- Subscriptions
- Office Supplies

17. [Ex.4/2/2] With respect to the Cost Drivers exhibit:

- a. Please provide a table showing the FTE's by employee category for each of the years 2006 through 2010. The explanations in this Exhibit show a total of 27 "new incremental personnel". Please reconcile those explanations with the data in the table requested.**

RESPONSE:

Summary of FTE's by Category 2006 - 2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Management	20	20	20	23	25
Board of Directors		1	10	10	10
Non-union	9	11	11	15	18
Union	64	65	66	67	68
Total	93	97	107	115	121
Increase		4	10	8	6

This chart is based upon the actual / budgeted headcount at Decemebr 31 of each year. It does not tie in exactly to the 26 new positions listed in the Cost Drivers exhibit as the cost driver's exhibit is only showing the major dollar items that effect each year and not all the adds and replacements of headcount.

- b. Page 3. Please describe the "changes to the management fee calculation", and any other changes to the calculation of payments to or from affiliates in any of the years 2006 through 2010.**

RESPONSE:

In 2006, each of the expense categories for Executive, Finance, Human Resources and Information Technology were allocated on the same percentage basis. Beginning in 2007 each of the categories was allocated on a basis that was consistent with their function – i.e. Executive and Finance allocated on the basis of revenues, Human Resources by

headcount and Information Technology by the number of system users. Beginning in 2009 Oakville Hydro will true up the budgeted costs to actual at year end.

- c. **Page 4. Please identify and quantify each of the offsetting OM&A reductions in 2007 that arose due to the high amount of capital work.**

RESPONSE:

The offsetting OM&A reductions in 2007 arising from the high amount of capital work would include savings of wages & benefits for maintenance, burden charges that would have been capitalized. This is evident in the reduction of Maintenance costs in 2007 of \$104,536 versus 2006 and in General & Administrative costs of \$ 1,230,992 found in Exhibit 4, Tab 2, Schedule 1, Appendix 2-F.

18. [Ex.4/2/3] With respect to the Departmental and Corporation OM&A Activities exhibit:

- a. 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:

The following categories of assets would be considered to be operated on a “run to failure” basis:

- Arresters and fusing equipment as part of overhead conductors and devices
- Arresters, fusing equipment and splices as part of underground conductors and devices
- Underground conduit and structures that cannot be readily inspected or tested (i.e. installed below ground).
- Services (typically, however, some overhead and underground services are replaced in association with area rebuilds)

There is no formal analysis done to decide to operate these assets on this basis.

- b. Page 3. Please advise what steps, if any, the Applicant has taken to consolidate its 24/7 control room and/or its SCADA system with neighbouring utilities to obtain economies of scale.**

RESPONSE:

Oakville Hydro’s new SCADA system was brought online this year, and Oakville Hydro is currently focused on refining connectivity to our field devices, developing standard operating practices for features that are new to this system, and refining the modified SCADA database. When our new SCADA system is fully operational we expect to realize the benefits from all of the enhancements inherent in the new system.

Oakville Hydro has not explored consolidation of our control room or SCADA system with neighbouring LDCs, and would expect to encounter the following hurdles upon investigation:

- Technical challenges and costs associated with connecting to the field devices in a geographic area without an existing SCADA system
- The time and costs required to merge databases with an existing SCADA system and

proof test the result

- The political challenges in operating a single SCADA system between two utilities that are independently owned
- Minimal economies of scale since we already own the system and are able to operate with only a single operator, any additional job scope would require a second operator.

c. Page 6. Please provide details of the cost and terms of the credit receivable insurance, and file a copy of the policy.

RESPONSE:

The insurance purchased is in two parts. The policy covers only commercial customers, and no residential or “MUSH” related customers. The first part of the insurance covers approximately 25 accounts on a named basis, initially with the amount of coverage based upon 3 months of average customer billings (minimum \$15,000). The second part of the coverage provides up to \$ 50,000 of coverage on a no name commercial customer basis. The deductible amount in this part of the policy is a cumulative amount of \$25,000. The annual premium, plus application fee, for the period July 2009 to June 2010 is \$40,425.00 plus PST.

19. [Ex.4/2/5] With respect to the OM&A budget and explanations:

- a. Page 10. Please explain the \$206,256 increase in “Management Staff Salaries and Benefits” for Regulatory from 2006 Board Approved to 2010 Test Year Forecast.**

RESPONSE:

Oakville Hydro’s response has been filed confidentially in accordance with the Board’s Practice Direction on Confidential Filings, as the response relates to the salary and benefits of a department of two employees. The public disclosure of this information would effectively identify the salaries of these two individuals. Oakville Hydro submits that in the absence of any overriding formal disclosure requirements, salary information is highly sensitive personal information, and its public disclosure could expose those individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties’ counsel and experts or consultants provided that they have executed the OEB’s form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro’s right to object to the OEB’s acceptance of a Declaration and Undertaking from any person.

- b. Page 15. Please reconcile the figures for FTEs in Appendices 2-J with the FTEs listed in Appendix 2-L at Ex. 4/2/7 page 4.**

RESPONSE:

Please refer to Board Staff interrogatory #21

- c. **App. A, page 1-2. Please provide a detailed budget for the entire IFRS project totaling \$1 million (or more, if that is the case), broken down by category of spending and broken down between the years 2008 through 2011. Please file any business case, budget, or other justification document supplied to the executive or board of directors, as the case may be, at the time approval of the project was granted.**

RESPONSE:

Oakville Hydro's IFRS budget is provided in the following tables, organized according to the phases of the project and by year. Oakville Hydro's presentation to the Audit and Finance Committee on August 6, 2009 is provided in Appendix SEC 19 (c).

Oakville Hydro IFRS Project (000's)

Budget	<u>Phase1</u>	<u>Phase2</u>	<u>Phase3</u>	<u>Phase4</u>	<u>Total</u>
External Advisory	8	80	80	92	260
Backfill-controller			80	170	250
Project management		10	65	25	100
Contract Technical			40	50	90
IT Consulting			20	280	300
Total	8	90	285	617	1,000

Oakville Hydro IFRS Project (000's)

Actual / Budget	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
External Advisory	8	125	100	27	260
Backfill-controller		95	130	25	250
Project management		75	25		100
Contract Technical		70	20		90
IT Consulting		70	200	30	300
Total	8	435	475	82	1,000

- d. **App. A, page 1. Please file the RFP for the project, the initial KPMG bid, and the KPMG contract including any amendments that have taken place since it was originally signed.**

RESPONSE:

KPMG is a corporation which is engaged in competitive businesses. The public disclosure of KPMG's pricing in the requested material could reasonably be expected to prejudice the economic interest of, significantly prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interest of KPMG since it would enable its competitors to ascertain KPMG's pricing and manipulate their pricing so as to underbid KPMG on future projects. Oakville Hydro does not have KPMG's consent to the public release of this information.

The OEB's Practice Direction recognizes that these are among the factors that the Board will take into consideration when addressing the confidentiality of filings. They are also addressed in subsection 17(1) of FIPPA, and the Practice Direction notes (at Appendix C of the Practice Direction) that third party information as described in subsection 17(1) of FIPPA is among the types of information previously assessed or maintained by the OEB as confidential.

Accordingly, Oakville Hydro requests that those portions of the KPMG response and contract pertaining to pricing be kept confidential. Oakville Hydro has included redacted versions of this material as Appendix SEC 19 d (i) and Appedix SEC 19 d (ii) in its interrogatory responses. Oakville Hydro is prepared to provide unredacted copies of the material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

In keeping with the requirements of the Practice Direction, Oakville Hydro is filing confidential unredacted versions of the KPMG response and contract. The unredacted versions of the documents have been placed in a sealed envelope marked "Confidential". These versions are marked "confidential", and Oakville Hydro has identified the portions of the document in respect of which confidentiality is claimed through the use of yellow highlighting.

20. [Ex.4/2/6] With respect to the OM&A Variance Analysis:

- a. Page 4. Please disaggregate the cost impact between the overlap of personnel and the change in the position level from supervisor to manager. Please advise the annual impact of the change in position level after 2010.**

RESPONSE:

The cost impact of the overlap of the 5 personnel in 2010 is \$ 134,767. The annual impact of the change after 2010 is \$ 86,410. For more information see Oakville Hydro's response to Energy Probe question # 15.

- b. Page 4. Please confirm that the intention is to remove the position of Operations Manager when the Director of Operations retires. Please advise the date the Director of Operations is expected to retire.**

RESPONSE:

It is Oakville Hydro's intention that the position of Operations Manager would become the new Director of Operations when the incumbent retires. There is no specific date set for the incumbent's retirement. The Operations Manager position will not be back filled.

- c. Page 6. For each of the years 2006 through 2010, please provide the amount of the administrative expense transferred credit, broken down into the six categories listed, i.e. water billing, plus five components to the management fee (executive, finance department, etc.).**

RESPONSE:

Administrative Expense Transferred Credit

	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Budget 2010
Services for Regional Water Billing	909,240	917,779	975,392	1,012,066	1,042,000
Management fee					
Senior Management	128,150	106,100	128,444	174,729	135,100
Finance	80,100	122,600	131,945	140,953	163,700
Human Resources & Health & Safety	5,100	118,200	117,062	183,995	326,000
Information Technology	118,900	282,900	297,172	334,623	323,500
TOTAL	\$ 1,241,490	\$ 1,547,579	\$ 1,650,015	\$ 1,846,366	\$ 1,990,300

- 21. [Ex.4/2/7, p. 1] Please file a copy of the current Pay for Performance Program, the current financial target, and any communications to employees or any group of employees in the last twelve months describing that program or any changes to it.**

RESPONSE:

A copy of the communication to employees for 2008 Pay for Performance Program is provided as Appendix SEC 21. The Pay for Performance (Incentive Compensation Plan) the tables that identify individual positions' Bonus Targets, Maximum Bonus Payouts and the Financial and Personal Results Weightings have been filed in confidence in accordance with the Board's Practice Direction on Confidential Filings. This information pertains to elements of the compensation of identifiable individuals, as in all cases there is only one individual in each identified position. Oakville Hydro submits that in the absence of any overriding formal disclosure requirements, salary information is highly sensitive personal information, and its public disclosure could expose those individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

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22. [Ex.4/2/8] With respect to Shared Services/Corporate Cost Allocation:

- a. Page 2. Please confirm that all risk of spending in excess of budget is, in this allocation methodology, borne by the LDC. If this is not the case, explain how the allocations based on budgeted costs are adjusted or trued up in some manner later to ensure that affiliates share the budget overage.**

RESPONSE:

To date, in this allocation methodology, all risks of spending in excess of budget on the item allocated have been borne by the LDC. Effective 2009 Oakville Hydro has changed our methodology whereby it will true up the charges based upon actual costs incurred in the year.

- b. Page 2. Please confirm that allocations based on revenues use distribution revenues for the LDC, and not total revenues.**

RESPONSE:

Allocation based upon revenue use total revenues.

- c. Page 3. Please file a copy of the lease, together with any amendments to the lease, and the most recent document setting the rent level.**

RESPONSE:

Please see Appendix SEC 22(c) for the current lease document. The lease for 2010 is currently being negotiated and therefore not available at this time.

- d. **Page 5. Please reconcile the figures in Table 5 to the annual OM&A actual or budget, as the case may be, for the Applicant.**

RESPONSE:

It is not possible to reconcile these costs to the annual OM&A actual or budgets as they represent portions of departmental budgets or specific charges. For example, we extract costs such as wages and benefits for the executive team plus executive costs that benefit more than just the LDC and allocate those across all appropriate affiliates

- e. **Page 6-10. Please provide Tables 6 through 10, replacing all percentage figures with dollar figures.**

RESPONSE:

<p align="center">Table 6 Oakville Hydro Electricity Distribution Inc Summary of 2010 Intra-Company Cost Allocations by Dollar</p>						
	Oakville Hydro Corporation	Oakville Hydro Electricity Distribution	Oakville Hydro Energy Services Consol	Blink Communications	El-Con Construction	
Billing Administration		\$ 1,386,384	\$ 1,042,000			
Executive Services	\$ 7,732	\$ 624,802	\$ 21,221	\$ 88,073	\$ 18,028	
Finance Services	\$ 9,767	\$ 772,053	\$ 25,768	\$ 105,369	\$ 22,773	
Payroll Benefits		\$ 2,843,616	\$ 185,000	\$ 636,000	\$ 179,000	
Human Resources Services	\$ -	\$ 418,892	\$ 25,708	\$ 202,677	\$ 97,615	
Information Technology Services	\$ -	\$ 1,012,559	\$ 15,780	\$ 268,256	\$ 39,449	
Occupancy Services	\$ 11,500	\$ 1,616,565	\$ 94,400	\$ 158,700	\$ 7,200	
Warehouse & Purchasing Services	\$ -	\$ 802,000	\$ 32,000	\$ 42,000	\$ -	
Vehicle Insurance		\$ 47,633		\$ 13,085	\$ 10,782	
Pole Rentals				\$ 54,000		

Table 7
Oakville Hydro Electricity Distribution Inc

Summary of 2009 Intra-Company Cost Allocations by Dollar

	Oakville Hydro Corporation	Oakville Hydro Electricity Distribution	Oakville Hydro Energy Services Consol	Blink Communications	El-Con Construction
Billing Administration		\$ 1,322,934	\$ 1,012,066		
Executive Services	\$ 7,800	\$ 677,610	\$ 24,950	\$ 108,950	\$ 33,080
Finance Services	\$ 8,400	\$ 649,666	\$ 22,150	\$ 90,750	\$ 19,610
Payroll Benefits	\$ -	\$ 2,659,108	\$ 138,236	\$ 614,109	\$ 173,100
Human Resources Services	\$ -	\$ 405,088	\$ 12,600	\$ 128,400	\$ 43,000
Information Technology Services	\$ -	\$ 914,605	\$ 16,300	\$ 277,500	\$ 40,810
Occupancy Services	\$ 11,100	\$ 1,581,586	\$ 91,400	\$ 153,500	\$ 7,000
Warehouse & Purchasing Services	\$ -	\$ 700,548	\$ 36,452	\$ 37,000	\$ -
Vehicle Insurance	\$ -	\$ 43,308	\$ -	\$ 11,892	\$ 9,800
Pole Rentals				\$ 54,000	

Table 8
Oakville Hydro Electricity Distribution Inc

Summary of 2008 Intra-Company Cost Allocations

	Oakville Hydro Corporation	Oakville Hydro Electricity Distribution	Oakville Hydro Energy Services Consol	Blink Communications	El-Con Construction
Billing Administration		\$ 1,466,709	\$ 975,392		
Executive Services	\$ 12,117	\$ 647,771	\$ 24,075	\$ 80,625	\$ 11,626
Finance Services	\$ 12,886	\$ 563,537	\$ 25,086	\$ 81,610	\$ 12,363
Payroll Benefits	\$ -	\$ 2,490,313	\$ 140,708	\$ 502,205	\$ 143,645
Human Resources Services	\$ -	\$ 244,768	\$ 8,361	\$ 66,893	\$ 41,809
Information Technology Services	\$ -	\$ 898,991	\$ 29,717	\$ 237,738	\$ 29,717
Occupancy Services	\$ 7,500	\$ 1,190,838	\$ 61,200	\$ 102,900	\$ 4,700
Warehouse & Purchasing Services	\$ -	\$ 652,490	\$ 41,258	\$ 33,625	\$ -
Vehicle Insurance					
Pole Rentals				\$ 50,422	

Table 9
Oakville Hydro Electricity Distribution Inc

Summary of 2007 Intra-Company Cost Allocations by Dollar

	Oakville Hydro Corporation	Oakville Hydro Electricity Distribution	Oakville Hydro Energy Services Consol	Blink Communications	El-Con Construction
Billing Administration		\$ 1,206,473	\$ 917,779		
Executive Services	\$ 13,300	\$ 602,533	\$ 20,900	\$ 65,200	\$ 6,700
Finance Services	\$ 15,400	\$ 724,299	\$ 24,200	\$ 75,300	\$ 7,800
Payroll Benefits	\$ -	\$ 2,394,338	\$ 127,541	\$ 417,278	\$ 161,750
Human Resources Services		\$ 228,700	\$ 7,900	\$ 78,750	\$ 31,500
Information Technology Services		\$ 771,402	\$ 30,200	\$ 232,450	\$ 20,200
Occupancy Services	\$ 7,400	\$ 964,907	\$ 120,700	\$ 101,400	\$ 4,600
Warehouse & Purchasing Services	\$ -	\$ 921,684	\$ 57,794	\$ 29,713	\$ -
Vehicle Insurance					
Pole Rentals				\$ 44,400	

Table 10
Oakville Hydro Electricity Distribution Inc
Summary of 2006 Intra-Company Cost Allocations by Dollar

	Oakville Hydro Corporation	Oakville Hydro Electricity Distribution	Oakville Hydro Energy Services Consol	Blink Communications	El-Con Construction
Billing Administration		\$ 1,170,795	\$ 909,240		
Executive Services	\$ 16,750	\$ 447,701	\$ 66,800	\$ 38,900	\$ 6,150
Finance Services	\$ 10,500	\$ 262,803	\$ 41,700	\$ 24,300	\$ 3,500
Payroll Benefits	\$ -	\$ 2,203,486	\$ 126,675	\$ 307,739	\$ 75,401
Human Resources Services	\$ 600	\$ 145,346	\$ 2,100	\$ 1,200	\$ 1,000
Information Technology Services	\$ 16,150	\$ 502,099	\$ 64,400	\$ 37,600	\$ 600
Occupancy Services	\$ 11,150	\$ 925,399	\$ 66,900	\$ 44,600	\$ -
Warehouse & Purchasing Services	\$ -	\$ 835,352	\$ 51,084	\$ 5,641	\$ -
Vehicle Insurance					
Pole Rentals				\$ 49,394	

- f. **Page 12. Please provide a list of all other electricity distributors to which OHESI provides meter-related services, and the aggregate OHESI revenues in each of 2006 through 2008 from all of those distributors.**

RESPONSE:

The electricity distributors to which OHESI provides meter-related services are:

<u>COMPANY NAME</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Barrie Hydro Distribution Inc.			
Burlington Hydro			
Collus Power Corp.			
Enersource Hydro Mississauga			
Innisfil Hydro Distribution Systems Ltd.			
Lakeland Power Distribution Ltd.			
Manitoba Hydro			
Midland Power Utility Corp.			
Tay Hydro Distribution Inc.			
TOTAL REVENUE	\$213,501	\$190,616	\$108,529

- g. **Page 12. Please provide the RFP or other documentation showing the process by which the Applicant determined that only El-Con can provide the “level of flexible fast response services” the Applicant requires.**

RESPONSE:

El-Con was created with a commitment to responsiveness and a mindset to perform this work as safely as possible. The pricing offered by El-Con was comparable to other contractors that Oakville Hydro had been using.

Engineering and Operations determined that it was more efficient to use one on-call for this type of work as it would allow for a consistent standard of work. El-Con is available on a 24 / 7 basis, which Oakville Hydro did not have with its previous contractor.

There was no RFP issued for this change, however the agreement with El-Con was based on terms no less favourable than Oakville Hydro had been paying to any of the other underground contractors. Oakville Hydro has done an analysis on pricing from its old supplier in 2006, rolling those charges to 2009 using an annual 3% inflationary increase and compared them with the rates currently being charged by El-Con and El-Con's rates were consistent lower, excluding labour as El-Con is unionized and the former vendor was not in 2006.

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- h. Page 13. Please provide details of the “profit margins” contained in El-Con prices for both general construction and locating services. Please provide the documentation that shows that the prices charged by El-Con to the Applicant are market prices or, alternatively, are based on the costs of the affiliate.**

RESPONSE:

El-Con is a private competitive organization and Oakville Hydro does not have access to their “profit margins”.

El-Con’s pricing for time and materials bids are based upon cost plus. El-Con does work for other utilities and municipalities and currently has a bid into a purchasing consortium in the Niagara region. El-Con uses the same pricing model for all cost plus bids.

- i. Page 13. Please provide the last RFP for “larger underground capital work” put out by the Applicant, on which El-Con bid and won, together with the full El-Con bid. Please describe the procedures put in place by the Applicant to ensure that El-Con did not have any unfair advantage in terms of information, influence, or otherwise, due to their affiliate status.**

RESPONSE:

The last RFP for “larger underground capital work” was issued in May 2008. The RFQ was issued to 5 contractors – 2 were unable to quote and 3 responded. A redacted copy of the RFQ and El-Con’s response is provided as Appendix SEC 22 I.

Procedures put in place to prevent an unfair advantage to the affiliate are as follows:

- The process is managed by the Purchasing department.
- All contractors received the same RFQ.
- Request for additional information are to be directed through Purchasing – none were received.
- Bids were returned directly to Purchasing. All were received by the specified deadline.
- Bids were opened in Purchasing and reviewed for completeness, prior to evaluation.

As Oakville Hydro has previously advised, El-Con is a corporation which is engaged in competitive businesses. The disclosure of El-Con’s pricing and price adjustment mechanisms in the agreements could reasonably be expected to prejudice the economic

interest of, significantly prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interest of El-Con since it would enable its competitors to ascertain El-Con's pricing and manipulate their pricing so as to underbid El-Con on future projects. Oakville Hydro does not have El-Con's consent to the public release of this information.

The OEB's Practice Direction recognizes that these are among the factors that the Board will take into consideration when addressing the confidentiality of filings. They are also addressed in subsection 17(1) of FIPPA, and the Practice Direction notes (at Appendix C of the Practice Direction) that third party information as described in subsection 17(1) of FIPPA is among the types of information previously assessed or maintained by the OEB as confidential.

Accordingly, Oakville Hydro requests that those portions of the El-Con response pertaining to pricing be kept confidential. Oakville Hydro has included redacted versions of this material as Appendix 22 (i) in its interrogatory responses. Oakville Hydro is prepared to provide unredacted copies of the material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

In keeping with the requirements of the Practice Direction, Oakville Hydro is filing confidential unredacted versions of the El-Con bid. The unredacted versions of the documents have been placed in a sealed envelope marked "Confidential". These versions are marked "confidential", and Oakville Hydro has identified the portions of the document in respect of which confidentiality is claimed through the use of yellow highlighting

- j. Page 13. Please confirm that El-Con does not currently provide locating services to anyone other than the Applicant. If that is not the case, please**
- i. advise the percentage of El-Con's revenues that are from customers other than its own affiliates, and**

RESPONSE:

We understand that El-Con has done some locating services for other utilities, but Oakville Hydro does not have access to El-Con revenues or the prices charged to third parties.

ii.confirm that El-Con's prices to customers other than the Applicant are the same as, or greater than, the prices charged to the Applicant for locating services.

RESPONSE:

See response to part i).

k. Page 13. Please provide the documentation that shows that the prices charged by Blink to the Applicant are market prices or, alternatively, are based on the costs of the affiliate. If the prices include a profit margin, please provide details.

RESPONSE:

Prices charged to Oakville Hydro Distribution Inc. for fibre connections to its substations are based on a standard price list created by Blink. The annual charge from Blink is \$4,500 and should be considered immaterial to this application.

- l. Page 13. Table 13 at Ex.4/2/9 p. 2 states that the Applicant expects to pay the Corporation of the Town of Oakville \$6,682,596 for “trimming” in the Test Year. Please confirm that this is the Tree Trimming referred to on this page. Please break down the budgeted cost into its various cost components as described here. Please file a copy of the contract with the Town, together with the most recent document setting the annual pricing.**

RESPONSE:

The tree trimming cost is one component of the total \$6,682,596. The total amount represents all monies paid out to the Corporation of the Town of Oakville. This amount is made up of the following for the 2010 Test Year:

Vehicle Maintenance	250,000
Heavy Equipment Surcharge	128,792
Vehicle Fuel	191,510
Tree Trimming	290,000
Interest on Capital Lease – Building	636,121
Interest – Promissory Notes - (Exh 5, Tab 1, Schd3 App.A)	<u>5,177,473</u>
	<u>6,682,596</u>

The Agreement with the Corporation of the Town of Oakville relating to Tree Trimming is a 10 year contract commencing January 1, 2004 and terminating December 31, 2013. The fee charged to Oakville Hydro is based on actual costs of providing Line Clearing Services plus a 10% administrative fee. Please see Appendix SEC 22 (l).

- m. Page 15. Please describe the impacts on ARC expected by the Applicant as a result of the implementation of GEGEA.**

RESPONSE:

The recent passage of Bill 150, the *Green Energy and Green Economy Act, 2009* allows electricity distributors to own and operate renewable energy generation. Oakville Hydro is aware that the Board has recently issued Guidelines for the regulatory and accounting requirements for electricity distributors that own and operate renewable energy generation which outlines the renewable energy generation will not be part of the regulated rate base. It is Oakville Hydro's view that this new situation could have some impacts on the ARC and the resulting transfer pricing within the ARC.

23. [Ex.4/2/9. p. 2] Please complete the 2009 and 2010 columns for all vendors with the amounts currently included in the forecast or budget, as the case may be, for the respective years.

RESPONSE:

We do not budget or forecast by vendor. We included amounts in 2009 & 2010 that were specifically identifiable from the profit and loss forecast. The larger items of inventory (i.e. transformers) that we purchase are subject to a Request for Quote process issued to a number of vendors. At budget time we cannot determine which vendor will be successful.

24. [Ex. 4/2/10] With respect to amortization:

- a. Page 1. Please file any studies or analyses that deal with the appropriateness of applying a full year of amortization on new additions.**

RESPONSE:

See Oakville Hydro's response to SEC Interrogatory Question # 3.

- b. Page 8. Please confirm that the difference between applying a full year of amortization on new additions, as reported, and applying the half-year rule on new additions, would in this budget for 2010 be a total of \$402,544 less amortization expense under the half-year rule.**

RESPONSE:

The difference in applying a full year of amortization on fixed asset additions versus using the half year rule for the 2010 budget would result in \$ 426,830 less amortization expense.

25. [Ex.4/3/1] With respect to PILs/taxes:

- a. Page 3. Please confirm that the Applicant currently expects to have SR&ED qualified expenditures in the Test Year. Please advise the amount currently in the budget that would so qualify.**

RESPONSE:

At this time Oakville Hydro is not certain whether there will be any SR&ED qualified expenditures in the Test Year. As stated in the submission on line 20 of Exhibit 4, Tab 3, Schedule 1, page 3 “In the 2010 Test Year PILs calculation, Oakville Hydro did not include the Investment Tax Credit due to the uncertainty and unpredictability of the amount”.

- b. Page 5. Please confirm that the historical data in Table 15 includes Regulatory Liabilities balances in the Adds and Deducts of reserves, but that the tax calculations in Table 16 do not include Regulatory Liabilities in those Adds and Deducts. Please explain why the different methodology was employed. Please confirm that there is no other difference between the two methodologies except the inclusion of Regulatory Liabilities. Please confirm that Regulatory Liabilities are included in the adjustments on the tax returns.**

RESPONSE:

Table 15 includes the Regulatory liabilities in the reserves, as required by the Tax authorities for income tax filings.

For the 2010 test Year, Table 16 PILs Regulatory liabilities are not included based on past decisions. In these past decisions, it is Oakville Hydro’s understanding that the OEB has stated that the recovery of PILs in rates associated with the change in regulated liabilities is strictly a timing difference and will eventually resolve itself. In addition, this follows direction from “Staff Discussion Paper-EB 2008-0820 on August 20, 2008 which clearly states the following:

“In the Board’s report on 2006 EDR, Chapter 7, on page 61, the Board articulated a position on this issue. The Board stated, “A PILs or tax provision is not needed for the recovery of deferred regulatory asset costs, because the distributors have deducted, or will deduct, these costs in calculating taxable income in their tax returns.”

There are no other differences in the methodology except for Regulatory liabilities.

The tax returns filed annually include the regulatory liabilities adjustment. This is evident on Exhibit 4, Tab 3, Schedule 3, Appendix B, Page 30 of 116 “Continuity of financial statement reserves”.

26. [Ex.5/1/3, App.A] With respect to the promissory notes:

- a. Please confirm the Applicant's understanding that these notes can be repaid at any time at the option of the Applicant. If that is not the case, please provide details of any discussions the Applicant has had with the Town with respect to repayment of these notes or any part of them.**

RESPONSE:

The notes state that they are payable on February 1, 2020 with no specified provision for repayments prior to that time. Should Oakville Hydro wish to repay earlier, it would have to negotiate with the Town of Oakville. There have been no discussions to date in regards to early repayment.

- b. Please confirm that, in practice, the interest rate set each year has been, and will continue to be, the rate calculated under the larger of the two notes, notwithstanding that the wording of the two notes on the annual interest adjustment is different.**

RESPONSE:

The interest rate has been calculated each year under the terms of the larger note. The terms of each note, with regard to interest, are different and therefore could be set differently in the future.

- c. Please file any studies, analyses, valuations or opinions relating to the value of the convertibility right contained in these notes.**

RESPONSE:

There have not been any studies, analyses, valuations or opinions made in regard to the determination of the value of the convertibility right in these notes.

27. [Ex.7/1/3, p.3] Please provide a detailed calculation showing the rates for all classes, including both fixed and variable, and the revenues from each class, on the assumption that the revenue to cost ratio for GS 50 to 999 KW class is moved 50% of the way to the bottom of its range, i.e. 80%, in 2010 (with the remainder of the change coming in two equal steps in 2011 and 2012), as set forth in the Applicant's principle #9 and the Cost Allocation Report.

RESPONSE:

Oakville Hydro has provided the requested detailed rate calculation:

Table 1: Proposed Revenue to Cost Ratios

Rate Class	2010 Cost Allocation results	Oakville Hydro's proposal			Target Ranges
		2010	2011	2012	
Residential	122.59%	115.72%	115.72%	114.61%	85-115
GS < 50 kW	112.94%	112.94%	110.00%	108.00%	80-120
GS 50 to 999 kW	66.16%	73.08%	76.54%	80.00%	80-180
GS > 1000 kW	144.83%	144.83%	126.00%	124.00%	80-180
Sentinel Lights	3.33%	36.66%	53.33%	70.00%	70-120
Street Lighting	11.02%	40.51%	55.25%	70.00%	70-120
USL	163.13%	120.00%	120.00%	120.00%	80-120

Note: 2011 and 2012 Street Lighting and Sentinel Lighting incremental revenue will be assigned to Residential, GS< 50 kW and GS> 1000 Kw classes

Table 2: Allocation of incremental revenue from Street Lighting and Sentinel Lighting

	2010 revenue allocation	2011 revenue allocation	2012 revenue allocation
Residential	\$20,571,753	\$20,572,417	\$20,374,986
GS < 50 kW	\$5,189,350	\$5,054,197	\$4,962,303
GS 50 to 999 kW	\$7,031,386	\$7,031,386	\$7,031,386
GS > 1000 kW	\$1,332,100	\$1,158,869	\$1,140,474
Sentinel Lights	\$16,751	\$24,367	\$31,982
Street Lighting	\$824,442	\$1,124,547	\$1,424,652
USL	\$168,980	\$168,980	\$168,980
TOTAL	\$35,134,764	\$35,134,764	\$35,134,764

Table 3: Cost Allocation Based Calculations

Rate Classification	Distribution Revenue @ Existing Rate %	2010 Serv Rev Requirement Excl Transformer Allowance	2010 EDR Miscellaneous Rev Allocation - Cost Allocation	Miscellaneous Revenue %	Miscellaneous Revenue	2010 Revenue Requirement by Rate Class	Revenue to Cost Ratios Per C.A. Study	Rev Requirement by Rate Class @ 100% Rev Cost Ratio	Proposed Revenue to Cost Ratios	Board Target Low	Board Target High	Proposed Rev Requirement by Rate Class @ proposed revenue to cost ratios	Miscellaneous Revenue	2010 Serv Rev Requirement Excl Transformer Allowance and Miscellaneous Revenue	Proposed Proportion of Distribution Revenue @ 2010 proposed rates
Residential	62.55%	\$20,668,344	\$1,123,858	53.69%	\$1,123,858	\$21,792,202	122.59%	\$17,777,160	115.72%	85%	115%	\$20,571,753	\$1,123,858	\$19,447,895	58.86%
GS < 50 kW	14.70%	\$4,856,278	\$333,072	15.91%	\$333,072	\$5,189,350	112.94%	\$4,594,725	112.94%	80%	120%	\$5,189,350	\$333,072	\$4,856,278	14.70%
GS 50 to 999 kW	17.81%	\$5,885,832	\$479,805	22.92%	\$479,805	\$6,365,638	66.16%	\$9,621,419	73.08%	80%	180%	\$7,031,386	\$479,805	\$6,551,581	19.83%
GS > 1000 kW	3.87%	\$1,277,945	\$54,154	2.59%	\$54,154	\$1,332,100	144.83%	\$919,737	144.83%	80%	180%	\$1,332,100	\$54,154	\$1,277,945	3.87%
Sentinel Lights	0.001%	\$430	\$1,090	0.05%	\$1,090	\$1,520	3.33%	\$45,689	36.66%	70%	120%	\$16,751	\$1,090	\$15,661	0.0474%
Street Lighting	0.44%	\$145,698	\$78,535	3.75%	\$78,535	\$224,233	11.02%	\$2,035,217	40.51%	70%	120%	\$824,442	\$78,535	\$745,907	2.26%
USL	0.63%	\$206,995	\$22,725	1.09%	\$22,725	\$229,720	163.13%	\$140,817	120.00%	80%	120%	\$168,980	\$22,725	\$146,255	0.44%
TOTAL	100.00%	\$33,041,523	\$2,093,240	100.00%	\$2,093,240	\$35,134,764		\$35,134,764				\$35,134,764	\$2,093,240	\$33,041,523	100.00%

Table 4: Distribution Rate Allocation Between Fixed & Variable Rates For 2010 Test Year

Customer Class	Total Net Rev. Requirement	Rev Requirement %	Proposed Fixed Rate	Proposed Variable Rate	Total Fixed Revenue	Total Variable Revenue	Transformer Allowance	Gross Distribution Revenue	LV & Wheeling Charges	Total
Residential	19,447,895	58.86%	14.96	\$0.0164	\$ 10,525,433	\$ 8,922,461		19,447,895	100,498	19,548,393
GS < 50 kW	4,856,278	14.70%	34.88	\$0.0152	\$ 2,138,159	\$ 2,718,120		4,856,278	30,399	4,886,677
GS 50 to 999 kW	6,551,581	19.83%	250.77	\$2.5124	\$ 2,506,854	\$ 4,044,727	\$ 113,555	6,665,136	108,943	6,774,080
GS > 1000 kW	1,277,945	3.87%	3,662.59	\$2.0005	\$ 747,168	\$ 530,777	\$ -	1,277,945	17,465	1,295,410
Sentinel Lights	15,661	0.05%	1.69	\$28.4618	\$ 4,591	\$ 11,071		15,661	5	15,666
Street Lighting	745,907	2.26%	1.84	\$11.2574	\$ 370,483	\$ 375,424		745,907	1,774	747,681
USL	146,255	0.44%	12.33	\$0.0115	\$ 102,909	\$ 43,346		146,255	642	146,897
TOTAL	33,041,523	100.00%			\$ 16,395,597	\$ 16,645,927	\$ 113,555	\$ 33,155,078	\$ 259,726	\$ 33,414,805

Schedule of Proposed Rates & Charges (2010)

Monthly Rates and Charges

Residential

	Metrics	Rate
Service Charge	\$/month	14.96
Smart Meters Rate Adder	\$/month	1.69
Distribution Volumetric Rate	\$/kWh	0.0164
Low Voltage Rate Adder	\$/kWh	0.0002
Regulatory Asset Recovery	\$/kWh	(0.0012)
LRAM/SSM Recovery	\$/kWh	0.0004
Distribution Revenue Loss Recovery	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service less than 50 kW

Service Charge	\$/month	34.88
Smart Meters Rate Adder	\$/month	1.69
Distribution Volumetric Rate	\$/kWh	0.0151
Low Voltage Rate Adder	\$/kWh	0.0002
Regulatory Asset Recovery	\$/kWh	(0.0012)
Distribution Revenue Loss Recovery	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 999 kW

Service Charge	\$/month	250.77
Smart Meters Rate Rider	\$/month	1.69
Distribution Volumetric Rate	\$/kW	2.5124
Low Voltage Rate Adder	\$/kW	0.0658
Regulatory Asset Recovery	\$/kW	(0.4978)
LRAM/SSM Recovery	\$/kW	0.0052
Distribution Revenue Loss Recovery	\$/kW	0.0772
Retail Transmission Rate – Network Service Rate	\$/kW	1.9161
Retail Transmission Rate – Network Service Rate - Interval Metered	\$/kW	1.9781
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5762
Retail Transmission Rate – Line and Transformation Connection Service Rate - Interval Metered	\$/kW	1.6273
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service >1000 kW

Service Charge	\$/month	3,662.59
Smart Meters Rate Rider	\$/month	1.69
Distribution Volumetric Rate	\$/kW	2.0005
Low Voltage Rate Adder	\$/kW	0.0658
Regulatory Asset Recovery	\$/kW	(0.5909)
Distribution Revenue Loss Recovery	\$/kW	0.0908
Retail Transmission Rate – Network Service Rate -Interval Metered	\$/kW	1.9781
Retail Transmission Rate – Line and Transformation Connection Service Rate -Interval Metered	\$/kW	1.6273
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$/month	12.33
Distribution Volumetric Rate	\$/kWh	0.0115
Low Voltage Rate Adder	\$/kWh	0.0002
Regulatory Asset Recovery	\$/kWh	(0.0011)
Distribution Revenue Loss Recovery	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$/month	1.84
Distribution Volumetric Rate	\$/kW	11.2574
Low Voltage Rate Adder	\$/kW	0.0532
Regulatory Asset Recovery	\$/kW	(0.6059)
LRAM/SSM Recovery	\$/kW	-
Distribution Revenue Loss Recovery	\$/kW	0.0802
Retail Transmission Rate – Network Service Rate	\$/kW	1.5986
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3150
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$/month	1.69
Distribution Volumetric Rate	\$/kW	28.4618
Low Voltage Rate Adder	\$/kW	0.0128
Regulatory Asset Recovery	\$/kW	(0.5945)
LRAM/SSM Recovery	\$/kW	-
Distribution Revenue Loss Recovery	\$/kW	0.0773
Retail Transmission Rate – Network Service Rate	\$/kW	0.3841
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.3159
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Table 6:

Bill Impact	Total Bill Impact	Dollar Impact
Residential 800 kWh	2.34%	\$1.63
GS< 50 kW at 2000 kWh	2.48%	\$5.20
GS 50 to 999 kW at 64,000 kWh	0.12%	\$7.46
GS> 1000 kW at 1000,000 kWh	0.01%	\$7.44
Street Lighting at 620,000 kWh	63.39%	\$42,104.14
Sentinel Lighting 1 connection	88.38%	\$10.18
USL at 250 kWh	-7.41%	-\$5.55

		Selected Delivery Charge and Bill Impacts								
		Monthly Delivery Charge					Total Bill			
		Current	Proposed	Change			Current	Proposed	Change	
				\$	%				\$	%
Residential	800 kWh/month	\$ 35.48	\$ 37.85	\$ 2.37	6.69%		\$ 69.55	\$ 71.17	\$ 1.63	2.34%
GS < 50 kW	2000 kWh/month	\$ 77.50	\$ 84.50	\$ 7.01	9.04%		\$ 209.60	\$ 214.80	\$ 5.20	2.48%

Note: Delivery Charge includes distribution and transmission charges

28. [Ex.8/1/2, p. 8] Please calculate the distribution volumetric rate for the GS 50 to 999 KW class in each of the following two scenarios:

- a. the fixed charge is limited to the current fixed charge of \$199.71, and
- b. the fixed charge is limited to the top of the Board's range, i.e. \$116.64.

RESPONSE:

GS 50 to 999 kW

Fixed Monthly Charge	Volumetric Charge
2010 proposed rates	
\$294.66	\$2.9402
scenario a	
\$199.71	\$3.5137
scenario b	
\$116.64	\$4.0154

29. [Ex.8/2/1] With respect to the proposed Z factor claim:

- a. Please confirm that, notwithstanding the loss of customers and load detailed in the exhibit, the Applicant's actual 2008 distribution revenues, and forecast 2009 distribution revenues, are materially higher than the distribution revenues for 2006 based on Board-approved rates and volumes, as set out in Ex.3/1/2.**

RESPONSE:

Please note that 2006 revenue requirement is based on 2004 costs for OM&A and the average of year end 2003 and 2004 for assets. However, the usage per customer assumed in the 2006 model is based on the 3 year average and 2004 historical number of customers and consumption. It is Oakville Hydro's opinion that the variance between 2006 approved revenue requirement and 2008 distribution revenue, or 2009 forecast distribution revenue is not an indicator of the sufficiency of covering the revenue loss. Any new additional customer and any kWh consumption increase imply additional distribution cost. When analyzing a distribution revenue loss, it is important to review the fixed costs required to service these customers. The fixed costs do not go away when load is reduced and no replacement load is predicted.

- b. Please recalculate compliance with the materiality threshold on an annual basis (i.e. loss of revenues within a given fiscal year), and on a per customer basis. Please identify any years in which an individual customer's loss of load meets the materiality threshold, and the amount of lost revenues for that customer in that year.**

RESPONSE:

Oakville Hydro has presented lost revenue by customer for each fiscal year in the table below including the 2008 and 2009 approved revenue requirement, 2010 requested revenue requirement and the calculation of 0.5% threshold on an annual basis.

Oakville Hydro submits that the current economic recession is an individual event and that the threshold used for materiality analysis should be applied to the total loss of revenue, and not to losses related to individual customers. It is Oakville Hydro's opinion that the threshold of 0.5% of the 2010 revenue requirement should be used when analyzing the total lost revenue Of \$1,243,205.

Oakville Hydro Electricity Distribution Inc.

EB-2009-0271

Responses to School Energy Coalition (SEC)

Filed: November 20, 2009

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Customer	Revenue Loss in 2008	Revenue Loss in 2009	Revenue Loss in 2010	Total
A	\$45,796	\$646,420	\$247,208	939,423
B	\$40,519	\$93,743	\$31,110	165,372
C	\$35,515	\$48,201	\$16,060	99,776
D	\$13,903	\$18,547	\$6,184	38,634
Annual Total	\$135,733	\$806,910	\$300,562	1,243,205
Approved/required Revenue Requirement		\$28,802,235	\$28,670,876	\$35,134,764
Materiality threshold 0.50%		144,011	143,354	\$175,674

- 30. [Ex.9/2/1, p. 1] Please advise the amount of any dividends included in the referenced cash flow forecast, whether such dividends are in 2008, 2009 or 2010. Please confirm that the Balance Sheet Exhibit assumes repayment in full of all deferral and variance accounts. Please confirm that the cash flow forecast assumes that no amount of the available uncommitted line of credit from the bank is utilized prior to the end of the Test Year.**

RESPONSE:

Oakville Hydro has included a dividend in 2009 of \$1,500,000 to be paid out in 2009 year and a dividend of \$1,000,000 in the 2010 test year which is outlined in Exhibit 1, Tab 3, Schedule 2, Appendix F page 17 of 16 and Exhibit 1, Tab 3, Schedule 2, Appendix G, Page 17 of 17 respectively.

The negative cash flow at the end of the Test Year assumes a repayment of only of $\frac{1}{4}$ of the deferral and variance accounts commencing May 1, 2010, consistent with the requested 4 year disposition of the deferral and variance accounts noted in Exhibit 9, Tab 2, Schedule 1, Page 1 of 7.

The Cash flow forecast does not assume any utilization of the uncommitted available line of credit from the bank.



Electricity Distribution Licence

ED-2003-0135

Oakville Hydro Electricity Distribution Inc.

Valid Until
November 25, 2023

Mark C. Garner
Secretary
Ontario Energy Board

Date of Issuance: November 26, 2003

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4

1 Definitions

In this Licence:

“**Accounting Procedures Handbook**” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Affiliate Relationships Code for Electricity Distributors and Transmitters**” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“**distribution services**” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

“**Distribution System Code**” means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**Licensee**” means: Oakville Hydro Electricity Distribution Inc.;

“**Market Rules**” means the rules made under section 32 of the Electricity Act;

“**Performance Standards**” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“**Rate Order**” means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

“**regulation**” means a regulation made under the Act or the Electricity Act;

“**Retail Settlement Code**” means the code approved by the Board which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

“**service area**” with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“**Standard Supply Service Code**” means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

“**wholesaler**” means a person that purchases electricity or ancillary services in the IMO-administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IMO-administered markets or directly to another person other than a consumer.

2 Interpretation

- 2.1 In this Licence words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

3 Authorization

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:
- a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;
 - b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and
 - c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

4	Obligation to Comply with Legislation, Regulations and Market Rules	25
4.1	The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts except where the Licensee has been exempted from such compliance by regulation.	26
4.2	The Licensee shall comply with all applicable Market Rules.	27
5	Obligation to Comply with Codes	28
5.1	The Licensee shall at all times comply with the following Codes (collectively the “Codes”) approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:	29
a)	the Affiliate Relationships Code for Electricity Distributors and Transmitters;	30
b)	the Distribution System Code;	31
c)	the Retail Settlement Code; and	32
d)	the Standard Supply Service Code.	33
5.2	The Licensee shall:	34
a)	make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and	35
b)	provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	36
6	Obligation to Provide Non-discriminatory Access	37
6.1	The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee’s distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.	38
7	Obligation to Connect	39
7.1	The Licensee shall connect a building to its distribution system if:	40

- a) the building lies along any of the lines of the distributor's distribution system; and 41
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 42
- 7.2 The Licensee shall make an offer to connect a building to its distribution system if: 43
- a) the building is within the Licensee's service area as described in Schedule 1; and 44
- b) the owner, occupant or other person in charge of the building requests the connection in writing. 45
- 7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board. 46
- 7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the *Act* or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence. 47
- 8 Obligation to Sell Electricity** 48
- 8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board. 49
- 9 Obligation to Maintain System Integrity** 50
- 9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board. 51
- 10 Market Power Mitigation Rebates** 52
- 10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence. 53

11	Distribution Rates	54
11.1	The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.	55
12	Separation of Business Activities	56
12.1	The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.	57
13	Expansion of Distribution System	58
13.1	The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.	59
13.2	In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.	60
14	Provision of Information to the Board	61
14.1	The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.	62
14.2	Without limiting the generality of condition 14.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.	63
15	Restrictions on Provision of Information	64
15.1	The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.	65
15.2	The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:	66

- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence; 67
- b) for billing, settlement or market operations purposes; 68
- c) for law enforcement purposes; or 69
- d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator. 70
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified. 71
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent. 72
- 15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed. 73
- 16 Customer Complaint and Dispute Resolution** 74
- 16.1 The Licensee shall: 75
- a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner; 76
- b) publish information which will make its customers aware of and help them to use its dispute resolution process; 77
- c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours; 78
- d) give or send free of charge a copy of the process to any person who reasonably requests it; and 79
- e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective. 80

17	Term of Licence	81
17.1	This Licence shall take effect on November 26, 2003 and expire on November 25, 2023. The term of this Licence may be extended by the Board.	82
18	Fees and Assessments	83
18.1	The Licensee shall pay all fees charged and amounts assessed by the Board.	84
19	Communication	85
19.1	The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.	86
19.2	All official communication relating to this Licence shall be in writing.	87
19.3	All written communication is to be regarded as having been given by the sender and received by the addressee:	88
a)	when delivered in person to the addressee by hand, by registered mail or by courier;	89
b)	ten (10) business days after the date of posting if the communication is sent by regular mail; and	90
c)	when received by facsimile transmission by the addressee, according to the sender's transmission report.	91
20	Copies of the Licence	92
20.1	The Licensee shall:	93
a)	make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and	94
b)	provide a copy of the Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	95

SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA

96

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.

97

The Town of Oakville as of December 31, 1990.

98

SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE

100

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

101

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with condition 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

102

SCHEDULE 3 LIST OF CODE EXEMPTIONS

103

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

104

The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

105

APPENDIX A MARKET POWER MITIGATION REBATES

1 Definitions and Interpretation

In this Licence,

“embedded distributor” means a distributor who is not a market participant and to whom a host distributor distributes electricity;

“embedded generator” means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

“host distributor” means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IMO includes interim payments made by the IMO.

2 Information Given to IMO

a Prior to the payment of a rebate amount by the IMO to a distributor, the distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with information in respect of the volumes of electricity withdrawn by the distributor from the IMO-controlled grid during the rebate period and distributed by the distributor in the distributor’s service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor’s host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor’s service area to:

- i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 118
 - ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*. 119
- c Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with the information provided to the host distributor by the embedded distributor in accordance with section 2. 120

The IMO may issue instructions or directions providing for any information to be given under this section. The IMO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment. 121

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IMO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IMO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period. 122

3 Pass Through of Rebate 123

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to: 124

- a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented; 125
- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 126
- c embedded distributors to whom the distributor distributes electricity. 127

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor. 128

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IMO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IMO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.



Commercial Banking

Halton Commercial Banking Centre
5515 North Service Road
Burlington, Ontario
L7L 5H7
Telephone No. : (905) 336-6718
Fax No. : (905) 336-7712

July 3, 2007

Oakville Hydro Electricity Distribution Inc
861 Redwood Square
Oakville, ON
L6L 6N3

Attention: Lesley Gallinger, Vice President of Finance
David Sweezie, Corporate Controller

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

<u>BORROWER</u>	Oakville Hydro Electricity Distribution Inc (the "Borrower")
<u>LENDER</u>	The Toronto-Dominion Bank (the "Bank"), through its Halton Commercial Banking Centre branch in Burlington ON.
<u>CREDIT LIMIT</u>	1) CDN \$20,000,000 2) CDN \$15,000,000
<u>TYPE OF CREDIT AND BORROWING OPTIONS</u>	1) Operating Loan available at the Borrower's option by way of: <ul style="list-style-type: none">• Prime Rate Based Loans in CDN\$ ("Prime Based Loans")• Bankers Acceptances in CDN\$ or US\$ ("B/As") 2) Letter of Guarantee Facility available at the Borrower's option by way of: <ul style="list-style-type: none">• Stand-by Letters of Guarantee in CDN\$ ("L/G's")
<u>PURPOSE</u>	1) To finance working capital requirements 2) To satisfy the IESO prudential requirements.
<u>TENOR</u>	1, 2) Uncommitted

INTEREST RATES AND FEES

Advances shall bear interest and fees as follows:

- 1) **Operating Loan :**
 - Prime Based Loans: Prime Rate - 0.50% per annum
 - B/As: Stamping Fee at 0.50% per annum
- 2) **Letter of Guarantee Facility :**
 - L/G's: 0.30% per annum

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

DRAWDOWN

- 1) Prime Based Loans: On a revolving basis in multiples of \$100,000. B/A's: Term maturities up to a maximum of 180 days. Minimum drawdown is \$1,000,000 and in multiples of \$100,000 thereafter. The Borrower is to provide a minimum of 3 business days notice prior to the intention of borrowing via B/A's.
- 2) L/G's: To be determined by the beneficiary.

OVERDRAFTS

The Borrower will have access to Prime Based Loans under the Operating Loan via overdraft from Current Account Number TO BE DETERMINED at Branch 3138 (the "Current Account") up to the Credit Limit.

REPAYMENT AND REDUCTION OF AMOUNT OF CREDIT FACILITY

- 1) 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. 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) On demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Letter of Guarantee facility, including without limitation, the amount of all drawn and undrawn L/G's. 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.

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 undertaking;
- b) Assignment of fire insurance.

All of the above security 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) execution of Loan Agreement, Security, Legal Opinions as determined by the Bank and its counsel;
- b) completion of an Environmental Questionnaire;
- c) execution of the Mirror Accounting Agreement;
- d) confirmation that there has been no material adverse change in the financial condition and/operations of the Borrower;
- e) provision of a Compliance Certificate confirming compliance with financial covenants based on most recent financial 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) ensure all existing indebtedness (beyond that permitted under Financial Covenants below) is held directly or indirectly on an unsecured basis by the municipal shareholder and is bound by the distribution restrictions outlined in the Negative Covenants below;
- b) ensure compliance with the Affiliate Relationship Code;
- c) ensure all OEB rate submissions are filed as outlined in the three year business plan, if applicable;
- d) ensure compliance with all applicable environmental regulations at all times;
- e) ensure compliance with all contractual obligations and laws including payment of taxes;



- f) remain in the regulated business of electricity distribution and maintain all requisite licenses to do so. Licenses are to be retained in the borrowing entity;
- g) ensure compliance with all terms of all licenses and immediately advise the Bank if the OEB shall notify the Borrower of a default under a license or if the license is amended, cancelled, suspended or revoked (any of such occurrences will be an event of default);
- h) ensure adequate liability insurance is maintained.

Reporting Requirements :

The Borrower will provide:

- a) quarterly internal Financial Statements within 60 days of Q1, Q2 and Q3 (March, June, September);
- b) annual Audited Financial Statements, Compliance Certificate, and Three Year Business Plan including an income statement, balance sheet, cash flow statement and capital expenditure schedule, within 150 days of each fiscal year end;
- c) annual OEB Rate Submission and Service Quality Index (SQI) if applicable;
- d) Mirror Accounting Service Annual Confirmation Letter within 150 days of each fiscal year end.

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:

- a) Change in the direct (Oakville Hydro Corporation) or indirect (Town of Oakville) ownership of the Borrower;
- b) Repay shareholder debt, beyond the permitted distributions, without the expressed written consent of the Bank. Distributions are to be limited to excess FCF to be defined as EBITDA less cash taxes less interest less unfinanced capex (net of contributed capital) less principal if any providing ICR in compliance;

- c) Undertake in any investments, mergers, amalgamations or consolidations without the Bank's prior consent;
- d) Undertake in any additional debt nor guarantees without the expressed written consent of the Bank;
- e) Change the status of the Borrower as a Limited Distribution Company.

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.

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

Permitted Liens as referred to in Schedule "A" are:

Purchase Money Security Interests in equipment which Purchase Money Security Interest exists on the date of this Agreement ("Existing PMSIs") which are known to the Bank and all future Purchase Money Security Interests on equipment acquired to replace the equipment under Existing PMSIs, provided that the cost of such replacement equipment may not exceed the cost of the equipment subject to the Existing Lien by more than 10%.

FINANCIAL COVENANTS

The Borrower agrees at all times to:

- a) maintain a minimum Interest Coverage Ratio (DSC) of 1.50x. To be tested annually.

Interest Coverage Ratio defined as:

$$\frac{\text{EBITDA} - \text{Cash Taxes} - 50\% \text{ Capital Expenditures (net of contributed capital)}}{\text{Cash Interest}}$$

EBITDA is defined as Earnings Before Interest, Income Taxes, Depreciation, and Amortization.



- b) maintain a maximum Debt to Capitalization of 0.60:1. To be tested annually.

Debt defined as all interest bearing debt. Capitalization defined as the sum of total interest bearing debt, shareholder's equity, contributed capital and preference share capital net of any goodwill.

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) Any material adverse change in the legislation or regulation of the electrical distribution business.
- b) Loss of OEB licence.
- c) Material judgements.

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 \$45,000.
- 2) Electronic Funds Transfer - Payroll facility in the amount of \$600,000.
- 3) Electronic Funds Transfer - Retailer facility in the amount of \$500,000.
- 4) Wire Payment Service in the amount of \$10,000,000.
- 5) Electronic Funds Transfer - Payments & Transfers in the amount of \$15,000,000.

AVAILABILITY OF OPERATING LOAN

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.

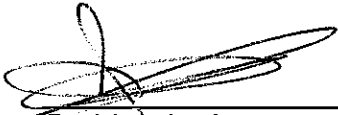
SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

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.

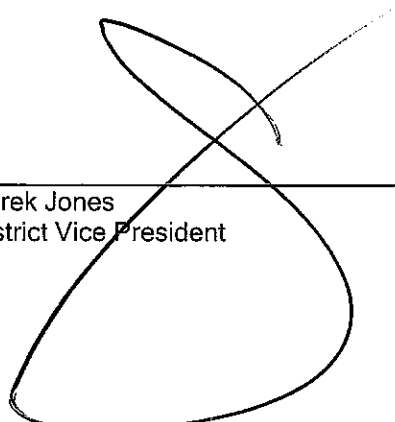
We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before July 31, 2007.

Yours truly,

THE TORONTO-DOMINION BANK



Paul A. Lalonde
Relationship Manager

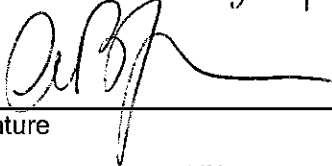


Derek Jones
District Vice President

TO THE TORONTO-DOMINION BANK:

Oakville Hydro Electricity Distribution Inc hereby accepts the foregoing offer

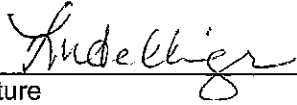
this 4th day of July, 2007.



Signature
A. BYSTRIN

PRESIDENT and C.E.O.

Print Name & Position



Signature

VICE PRESIDENT FINANCE & ADMIN

Print Name & Position

LESLEY GALLINGER, MBA, CMA, CPA

A

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.

8. STANDARD 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 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.

9. ENVIRONMENTAL

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 any 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 to 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.



Commercial Banking

Halton Commercial Banking Centre
5515 North Service Rd.
Burlington, ON
L7L 5H7

Telephone No.: (905) 336-6718
Fax No.: (905) 336-7712

August 26, 2009

Oakville Hydro Electricity Distribution Inc.
P.O. Box 1900 Stn Main
861 Redwood Sq
Oakville, ON
L6J 5E3

Attention: Mr. David Sweezie

Dear Mr. Sweezie:

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 July 3, 2007 and the subsequent Amending Agreement(s) dated November 7, 2008 and December 5, 2008:

BORROWER

Oakville Hydro Electricity Distribution Inc. (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its
Halton Commercial Banking Centre branch, in Burlington, ON.

**FINANCIAL
COVENANTS**

The Borrower agrees at all times to:

- a) maintain a minimum Interest Coverage Ratio (DSC) of 1.50x. Tested quarterly.

ICR defined as

EBITDA - Cash Taxes – 40% Capital Expenditures (net of contributed capital)
<hr/> Cash Interest

EBITDA is defined as Earnings Before Interest, Income Taxes, Depreciation, and Amortization.

- b) maintain a maximum Debt to Capitalization of 0.60:1.

Debt is defined as all interest bearing debt. Capitalization defined as the sum of total interest bearing debt, shareholder's equity, contributed capital and preference share capital net of any goodwill. Tested quarterly.

A

**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 \$45,000.
- 2) Electronic Funds Transfer - Payroll Facility in the amount of \$600,000.
- 3) Electronic Funds Transfer - Retailer Facility in the amount of **\$20,000,000**.
- 4) Wire Payment Service Facility in the amount of \$500,000.
- 5) Electronic Funds Transfer Facility - Payments & Transfers in the amount of \$15,000,000.
- 6) Uncleared Daily Foreign Exchange Facility in the amount of \$4,000,000.

For the Borrower's information only, the Bank advises the Borrower that, as at the day of this Agreement only, the Bank would, if requested by the Borrower, make available to the Borrower forward foreign exchange contracts in an aggregate amount of up to \$3,500,000 for periods of up to 12 months. This limit and term is subject to change at any time at the discretion of the Bank and without prior notice to the Borrower. The Borrower must contact the Bank from time to time, to obtain information about the Borrower's then current forward foreign exchange limit.

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 any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

**SCHEDULE "A" -
STANDARD
TERMS AND
CONDITIONS**

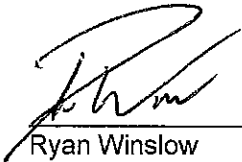
Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the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



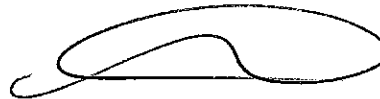
Unless otherwise stated, the amendments outlined above are in addition to the Terms and Conditions of the existing Agreement. All other terms and conditions remain unchanged. We ask that you acknowledge your agreement to these amendments by signing and returning the attached duplicate copy of this Amending 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 **September 30, 2009.**

Yours truly,

THE TORONTO-DOMINION BANK

A handwritten signature in black ink, appearing to read 'RWinslow', written over a horizontal line.

Ryan Winslow
Relationship Manager

A handwritten signature in black ink, appearing to read 'Cory Basha', written over a horizontal line.

Cory Basha
Manager Commercial Credit

A small, handwritten mark or signature in the bottom right corner of the page.

TO THE TORONTO-DOMINION BANK:

Oakville Hydro Electricity Distribution Inc. hereby accepts the foregoing offer this 14th day of SEPTEMBER, 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

LESLEY GALLINGER, MBA, CMA, CPA **CHIEF FINANCIAL OFFICER**

Print Name & Position



Signature

DAVID J. SWEEZIE, C.G.A. **CORPORATE CONTROLLER**

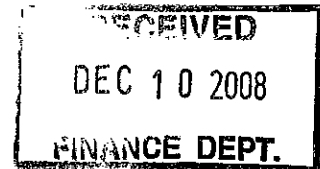
Print Name & Position





Commercial Banking

5515 North Service Road,
Burlington, Ontario L7L 5H7
Telephone No.: 905-336-6718
Fax No.: 905-336-2912
Paul.a.lalonde@td.com



12/5/2008

Oakville Hydro Electricity Distribution Inc.

Po Box 1900 Stn Main
861 Redwood Sq
Oakville, ON
L6J 5E3

Attention: Lesley Gallinger
David Sweezie

DEMAND OPERATING FACILITY AGREEMENT AMENDMENT

This Amending

Agreement between: **The Toronto-Dominion Bank** (the "Bank"), through its Halton Commercial Banking Centre branch in Burlington, Ontario

and

Borrower's Legal Name: **Oakville Hydro Electricity Distribution Inc.** (herein called the "Borrower")

Borrower's Address: Po Box 1900 Stn Main
861 Redwood Square
Oakville, ON L6J 5E3

Whereas:

- (i) the Bank has agreed to establish a revolving demand credit facility (the "Facility") as per the Demand Operating Facility Agreement dated July 3, 2008 which together with Schedule "A" of the Demand Operating Facility Agreement comprise the "Agreement".
- (ii) the Agreement was subsequently amended by way of (a) Demand Operating Facility Amending Agreement(s) dated November 7, 2008 which together with the Agreement now comprise the "Agreement".

In consideration of the Bank continuing to make the Facility available, the Borrower hereby agrees with the Bank to the following amendments to the terms and conditions of the Agreement:

A

**AVAILABILITY
OF THE FACILITY**

The Borrower acknowledges that the Facility is uncommitted and is not automatically available upon satisfaction of the terms and conditions, including without limitation the Representations & Warranties, Positive Covenants, Negative Covenants, or Financial Covenants set out herein.

The Bank can demand repayment and/or cancel the availability of the Facility at any time.

**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 \$45,000.
- 2) Electronic Funds Transfer - Payroll Facility in the amount of \$600,000.
- 3) Electronic Funds Transfer - Retailer Facility in the amount of \$14,000,000.
- 4) Wire Payment Service Facility in the amount of \$500,000.
- 5) Electronic Funds Transfer Facility - Payments & Transfers in the amount of \$15,000,000.
- 6) ****NEW** Uncleared Daily Foreign Exchange Facility in the amount of \$4,000,000.**

For the Borrower's information only, the Bank advises the Borrower that, as at the day of this Agreement only, the Bank would, if requested by the Borrower, make available to the Borrower forward foreign exchange contracts in an aggregate amount of up to \$3,500,000 for periods of up to 12 months. This limit and term is subject to change at any time at the discretion of the Bank and without prior notice to the Borrower. The Borrower must contact the Bank from time to time, to obtain information about the Borrower's then current forward foreign exchange limit.

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 any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

SCHEDULE "A"
TERMS AND
CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which are applicable to the Borrower and which apply to this Facility. 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:

A handwritten signature in black ink, appearing to read 'Paul A. Lalonde', written over a horizontal line.

Paul A. Lalonde
Relationship Manager

A handwritten signature in black ink, appearing to read 'Cory Basha', written over a horizontal line.

Cory Basha
Manager Commercial Credit



Commercial Banking

Halton Commercial Banking Centre
5515 North Service Rd.
Burlington, ON
L7L 5H7

Telephone No.: (905) 336-6718
Fax No.: (905) 336-7712

NOV 11 2008

November 7, 2008

Oakville Hydro Electricity Distribution Inc.
P.O. Box 1900 Stn Main
861 Redwood Square
Oakville, ON
L6J 5E3

Attention: David Sweezie and Lesley Gallinger

DEMAND OPERATING FACILITY AGREEMENT AMENDMENT
--

This Amending

Agreement between: **The Toronto-Dominion Bank** (the "Bank"), through its
Halton Commercial Banking Centre branch, in Burlington, ON.

and

Borrower's Legal Name: **Oakville Hydro Electricity Distribution Inc.** (herein called the "Borrower")

Borrower's Address: P.O. Box 1900 Stn Main 861 Redwood Square, Oakville ON, L6J 5E3

Whereas:

- (i) the Bank has agreed to establish a revolving demand credit facility (the "Facility") as per the Demand Operating Facility Agreement dated July 3, 2007 which together with Schedule "A" of the Demand Operating Facility Agreement comprise the "Agreement".

In consideration of the Bank continuing to make the Facility available, the Borrower hereby agrees with the Bank to the following amendments to the terms and conditions of the Agreement:

A

**AVAILABILITY
OF THE FACILITY**

The Borrower acknowledges that the Facility is uncommitted and is not automatically available upon satisfaction of the terms and conditions, including without limitation the Representations & Warranties, Positive Covenants, Negative Covenants, or Financial Covenants set out herein.

The Bank can demand repayment and/or cancel the availability of the Facility at any time.

**POSITIVE
COVENANTS**

REPORTING REQUIREMENTS

The Borrower will provide:

- a) quarterly internal financial statements within 60 days of Q1, Q2 and Q3 (March, June and September)
- b) annual audited financial statements, Compliance Certificate and **Annual Business Plan** including an income statement, balance sheet, cash flow statement and capital expenditure schedule, within 150 days of each fiscal year end;
- c) annual OEB Rate Submission and Service Quality Index (SQI) if applicable;
- d) Mirror Accounting Service Annual Confirmation Letter within 150 days of each fiscal year end.


**SCHEDULE "A"
TERMS AND
CONDITIONS**


Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which are applicable to the Borrower and which apply to this Facility. 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 **November 30, 2008.**

Yours truly,

THE TORONTO-DOMINION BANK



Paul A. Lalonde
Relationship Manager

Cory Basha
Manager Commercial Credit

Oakville Hydro Electricity Distribution Inc.

The foregoing is acknowledged and accepted by the Borrower. The Borrower confirms that, except as may be set out above, the credit facility detailed herein shall not be used by or on behalf of any third party. The following persons have the capacity to bind the Borrower.

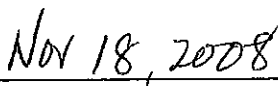
Borrower's authorized officers or representatives:



Signature

LESLEY GALLINGER, MBA, CMA, CPA
VICE PRESIDENT FINANCE & ADMIN

Print Name & Position



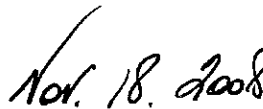
Date:



Signature

DAVID J. SWEEZIE, C.G.A.
CORPORATE CONTROLLER

Print Name & Position



Date:



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTÉRIEUR – CANADA BRANCH

POLICY DECLARATION

POLICY NUMBER: D 930005292

1. INSURED: OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC
2. LOCATION: 861 REDWOOD SQUARE, OAKVILLE, ON L6L 6N3
(905) 825-4447
DSWEEZLE@OAKVILLEHYDRO.COM
3. POLICY AMOUNT: \$2,000,000.00
4. PREMIUM: DEPOSIT PREMIUM \$36,750.00 due at the commencement of the Policy term.
5. POLICY TERM: 07/15/2009 THROUGH: 07/14/2010
6. PRODUCTS COVERED: HYDRO ELECTRICITY DISTRIBUTION
7. NO ACCOUNT COVERED IF SOLD ON TERMS LONGER THAN: 40 DAYS
8. PRIMARY LOSS PERCENTAGE: 28.57 /100ths of 1%
9. MINIMUM PRIMARY LOSS: \$50,000.00
10. GOVERNING MERCANTILE AGENCY: None
11. FOR COVERAGE LIMITS ON CONDITION 1, SEE THE ATTACHED SCHEDULE.
12. FILE NOTIFICATION OF CLAIMS AT:
Compagnie Française d'Assurance pour le Commerce Extérieur – Canada Branch
c/o Coface North America, Inc.
50 Millstone Rd.
Bldg 100, Suite 360
East Windsor, NJ 08520
13. RIDERS NUMBER 1 THROUGH 10 HAVE BEEN MADE PART OF THIS POLICY,
BY THE COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR
– CANADA BRANCH ON July 27, 2009 THE ISSUANCE DATE HEREOF.

Authenticated:


Christopher Short, Chief Agent

Agent

COUNTERSIGNED:

Resident Agent

DPD-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE
COMMERCE EXTERIEUR – CANADA BRANCH

Policy of Credit Insurance

Policy Number D - 930005292

All correspondence relating to any condition of this Policy, or to the proof or settlement of any claim for loss thereunder, must be addressed to the Company at its Administrative Office as designated in the declaration page of this Policy.

Policy of Credit Insurance

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DEFINITIONS

Certain words and phrases have special meanings when used in this Policy. They are defined below:

We, our and us mean Compagnie Française d'Assurance pour le Commerce Extérieur – Canada Branch.

You, your and yours mean the individual, firm, partnership or corporation named as insured in the Policy Declaration.

Agency means the Governing Mercantile Agency named in the Policy Declaration.

Governing Rating means the rating assigned by the **Agency** to a debtor on the date of shipment.

Gross Loss means the lesser of:

- a) the total amount owing to **you** by a debtor at the date of the **Insolvency**; and
- b) the amount set opposite the **Governing Rating** of a debtor in the Table of Ratings and Coverage, as further described and limited in Condition 1 in this Policy.

Gross Sales means sales made by **you** during the policy term, less:

- a) all allowances actually made on said sales during the said term; and (b) the Invoiced price of any of said sales returned and accepted by **you** during the said term.

Insolvency, Insolvent mean when any of the following has occurred:

- a) a voluntary or involuntary proceeding for the relief of a debtor has been instituted in a Bankruptcy Court in the United States or Canada;
- b) a voluntary or involuntary petition for the corporate reorganization of a debtor or for the arrangement of the debts of a debtor has been instituted in a Bankruptcy Court in the United States or Canada;

- c) a receiver is appointed of the whole or any part of the property of a debtor;
- d) a debtor, or a third party on behalf of a debtor, has made a general offer of compromise, in writing, to its creditors for less than its indebtedness;
- e) possession has been taken of a debtor's assets under an Assignment or Deed of Trust executed by the debtor for the benefit of its creditors;
- f) a creditors' committee has been formed for the sole purpose of liquidation of the debtor's assets;
- g) possession has been taken of a debtor's business assets, or those assets have been sold, pursuant to a chattel mortgage or a security agreement;
- h) a sale in bulk is made of a debtor's property and the date of the actual sale shall constitute the date of **Insolvency**;
- i) a debtor's assets have been sold under a writ of execution or attachment, or a writ of execution has been returned unsatisfied;
- j) an individual debtor has died;
- k) an individual debtor has been adjudged mentally incompetent;
- l) a debtor has absconded;
- m) a debtor's assets have been sold under a distraint or levy by any Taxing Authority or a landlord;
- n) a debtor has filed an Assignment or a Notice of Intention to make a Proposal to creditors, or made a Proposal to creditors, under the Canadian Bankruptcy & Insolvency Act ("Canadian Bankruptcy Act") and the date on which the Assignment is filed with the Official Receiver, or the date on which the Notice of Intention or the Proposal is filed with a Licensed Trustee, shall constitute the date of **Insolvency**;
- o) a Bankruptcy Order is made against a debtor under the Canadian Bankruptcy

Act and the date of the Bankruptcy Order shall constitute the date of **Insolvency**;

- p) an application for a bankruptcy order is filed in a Bankruptcy Court in **[the United States or]** Canada against a debtor;
- q) a Winding-Up Order under the Canadian Winding -Up and Restructuring Act is made against a debtor;
- r) a general meeting of unsecured creditors has been called by the debtor or on behalf of the debtor and the date of notice of such meeting shall be, for the purpose of this Policy, the date of **Insolvency**;
- s) an application for an order has been made under the provisions of the Canadian Companies' Creditors Arrangement Act, or any statute now or hereafter in force concerning bankrupt or insolvent debtors, and the date of the

application shall be, for the purpose of this policy, the date of **Insolvency**;

- t) a debtor ceases to carry on business or is dissolved or otherwise ceases to exist.

Policy means this Policy, the Policy Declaration, the Application and any Riders annexed hereto. If there is a conflict between the provisions contained in this Policy and the provisions contained in a Rider, the provisions in the Rider shall govern.

Primary Loss means the following:

The **Primary Loss** is established by multiplying the Primary Loss Percentage as set out in the Declaration Page of this Policy by the total **Gross Sales** made during the Policy Term. The **Primary Loss** shall be the greater of the **Primary Loss** as calculated above or the minimum **Primary Loss** as set out in the Policy Declaration.

AGREEMENT AND EXCLUSIONS

We will provide the insurance described in this Policy in consideration of the representations and warranties made in the application for this Policy of Insurance and of the payment of the premium as herein provided, and subject to the Conditions set forth on the within pages and the provisions of the Policy Declaration all of which are made a part of the Policy. The insurance provided protects **you** against loss due to **Insolvency** of debtors, which **Insolvency** has occurred within the Policy Term. Such loss shall consist of the unpaid purchase price of **your** bona fide **Gross Sales** of the Products Covered shipped and delivered during the Policy Term in the usual course of business to individuals, firms, partnerships or corporations, which has been covered, filed and proven as hereinafter provided, subject to the terms and conditions of this Policy.

The calculation of the excess loss owing by **us** to **you** is set out in Condition 6 herein and shall not exceed the Policy Amount.

Exclusions:

This Policy does not cover any loss:

- a) occurring prior to delivery of the Policy; or
- b) that is not a valid and legally sustainable indebtedness; or
- c) that has not been scheduled by and allowed against the debtor or the debtor's estate by a Trustee, Receiver, Executor, or Administrator unless there is a court order that the indebtedness is valid and legally sustainable; or
- d) if the debtor to whom goods were shipped and delivered does not have, at the date of shipment, a **Governing Rating** for which Coverage is specified in the Table of Ratings and Coverage as set forth in the Policy Declaration; or
- e) if loss results from any sale by any individual, firm, parties or corporation not named in the Policy Declaration or specified Rider attached hereto; or
- f) resulting from loss due to enemy attack by armed forces, including action taken by military, naval or air forces, in resisting an actual or immediately impending enemy attack; or
- g) if Notification of Claim has not been filed as referred to in Condition 3; or
- h) if **you** make any agreement with respect to the account of a debtor which would, at the date of filing with **us** or subsequent thereto, prejudice **us** or **you** in enforcement of any rights against the debtor unless prior to the agreement or action **we** have in writing consented to such agreement or action.

CONDITIONS: 1- Governing Rating and Coverage

The latest published rating book of the **Agency** shall be used to determine a debtor's **Governing Rating** for coverage on shipments made from the first day of the month named by that book to the first day of the month named by the next subsequent book. When the **Agency** changes a rating by written report, compiled and issued to **you** during the currency of the latest published book or within 4 months prior to the date thereof, that report, of which **you** have received a copy from the **Agency**, or written notice thereof from **us**, shall be used to determine the debtor's **Governing Rating** for coverage on shipments made after receipt by **you** of such written report from the **Agency**, or written notice thereof from **us**. If the **Agency** issues supplements to the rating book, the ratings appearing in the latest supplement published by the **Agency** prior to the date of shipment shall be deemed and construed to be the **Governing Rating** applying to the shipment, the same as though it had appeared in the latest published rating book of the **Agency** issued prior to the date of shipment. If the indebtedness of a debtor at

the date of **Insolvency** be for shipments made under different **Governing Ratings**, the **Gross Loss** covered on the total of such indebtedness shall not exceed the largest amount opposite that debtor's **Governing Rating** in the Table of Ratings and Coverage. Should a change of rating reduce the limit of coverage applicable to a debtor, shipments made thereafter shall be covered up to the amount shown opposite the reduced **Governing Rating** minus the covered **Gross Loss** owed to **you** under the prior **Governing Rating**.

Notwithstanding the foregoing paragraph, the amount of coverage applicable to a debtor under the Table of Ratings and Coverage at the beginning of the Policy Term as set forth in the Policy Declaration shall not be reduced for subsequent shipments made to the debtor while assigned a **Governing Rating** as high or higher than that set forth in the Table of Ratings and Coverage.

Every prepayment made by **you** for freight on any shipment covered by this Policy, and

for which the debtor is legally liable, shall be treated as part of the Invoice price payable by the debtor to **you** for the merchandise. Such prepayments shall accordingly be included in the calculation of **your Gross Sales and Gross Losses**.

When **you** make sales, shipments and deliveries to a debtor whose account is secured by a valid and legally binding guarantee, the coverage under this Policy applicable to the guarantor at the date of shipment, if higher than the coverage

applicable to the debtor, shall, at **your** option, be used as the basis of coverage on such account under this Policy. If losses shall occur on accounts against different debtors secured by the same guarantee or a loss shall be on accounts secured by guarantee and also on sales, shipments and deliveries made directly to the guarantor, then all the losses shall not in the aggregate be covered for a larger amount than would have been covered if all the sales, shipments and deliveries had been made directly to the guarantor.

2- Optional Filing of Past Due Accounts

When during the policy term, **you** assign to **us** an account for recovery against a debtor not **Insolvent**, at the time the account was filed, then the part of the account that was due and payable at the date of filing, but no more than 3 months past due under the original terms of sale, shall be treated under

this Policy as though the debtor were **Insolvent**. Every such past due account so filed: (a) shall include all indebtedness then due and payable; and (b) shall be accompanied by a Notification of Claim as described in Condition 3.

3- Notification and Filing of Claims

You will, within 20 days after acquiring knowledge of a debtor's **Insolvency** and within the Policy Term, file Notification of Claim with **us**, on a form furnished by **us** and assign the entire account to **us** for recovery. If knowledge of a debtor's **Insolvency** is received too late to file a claim with **us** during the Policy Term, then such claim may be filed within 20 days after the Policy Term.

Every Notification of Claim assigned hereunder or under Condition 2 shall be accompanied by: (a) an itemized statement of account including the dates of shipment, terms of sale and payments made, and records in support of the claim; (b) all documents; and (c) any guarantees, securities, or other documents. **You** will,

upon request, promptly furnish all information and documents required by **us**. All Notifications of Claim must be received by **us** at the office shown in the Policy Declaration and shall be handled upon the terms provided for in Condition 4. The date of receipt of Notification of Claim shall be the date postmarked or otherwise delivered to **us**. No claim withdrawn by **you** may be refilled under this or any other Policy.

The receipt, retention or handling by **us** of any claim filed by **you** under this Policy shall not constitute a waiver of any terms or conditions of this Policy, nor an acceptance of such claim.

4- Recovery of Claims & Schedule of Charges

If Notification of Claim was filed under Condition 2 or 3 of the Policy, **we** shall assume responsibility and the right to collect all cash, warrants, checks, drafts or sums of money received as payment on debts existing between **you** and **your** debtors and incident to the accounts assigned to **us** through the Notification of Claim. **We** shall devote our best efforts to the recovery of all such accounts and the distribution of such recoveries to **you**. This assignment is made pursuant to the terms and conditions of the Notification of Claim. **We** shall, after deduction of charges and expenses, remit to **you** all amounts due and owing as a result of **our** recovery efforts. The charges assessed on recovery are as follows:

1. Free Service: No charge shall be made on any recovery effected: (a) within 15 days after demand has been made by **us**; and (b) on any undisputed or unlitigated claim, insofar as covered, after the debtor has become **Insolvent**.

If any balance remains unpaid at the expiration of the 15 day free service period referred to in (1) (a) above, **we** will continue to handle the account subject to the following charges:

2. Whenever **we** effect recovery without the services of an attorney: 20% on the first \$300.00; 18% between \$300.00 and \$2,000.00; 13% on the excess over \$2,000.00.
3. Whenever **we** effect recovery through the services of an attorney, the attorney will be entitled to 20% on the first \$300.00; 18% from \$300.00 to \$2,000.00 and 13% of the excess over \$2,000.00. Such charges of the attorney shall be in addition to our service charges which are: 5% on the first \$2,000.00; 3% on the excess over \$2,000.00;

You will authorize suit or other proceedings and will promptly advance and pay suit fees, costs, and expenses required when **we** deem it necessary for the purpose of

enforcing recovery from a debtor, guarantor, surety, or endorser. Failure to do so within 7 days of written request by **us** shall be deemed a withdrawal of the claim by **you**. When there is any return of merchandise or direct payment to **you**, or when a claim is withdrawn by **you**, the costs and charges outlined above will be paid by **you** as if recovery had been effected through **us**. In the handling of a claim filed under this Policy, **we** have authority to: (a) endorse notes, checks or drafts on **your** behalf and in **your** name; (b) deposit said notes, checks or drafts, or the proceeds of recovery thereof, in **our** account or to **our** credit.

When litigation or other proceedings have been authorized by **you**, a non-contingent

attorney's fee shall be paid by **you**. Charges, when applicable, shall be in addition to such attorney's fee. The remittance to **you**, of amounts recovered,

shall not be construed as a determination of coverage, nor as a waiver of any of the terms or conditions of this Policy.

5- Final Statement of Claim

In order to make a claim for loss in excess of the **Primary Loss**, **you** will complete a Final Statement of Claim Form after the Policy Term. **We** will furnish **you** with such forms upon request. The completed form

must be received by **us** at the office shown in the Policy Declaration within 1 month after the Policy Term.

6- Claim Settlement

Any amounts due and owing **you** will be paid within 2 months after the receipt by **us** of the Final Statement of Claim. To ascertain the excess loss due **you** in any settlement under this Policy, there will be deducted from each **Gross Loss** covered, filed and proved hereunder:

- a) all amounts recovered from the debtor or obtained from any other source;
- b) the invoiced price of goods returned, reclaimed, repossessed or replevined;
- c) any discount to which the debtor would be entitled at the time of settlement;
- d) any legally sustainable set-off that the debtor may have against **you**.

If the entire indebtedness of a debtor to **you** at the date of **Insolvency** is in excess of the **Gross Loss** in respect to such debtor, then the above deductions shall be made pro rata, i.e., in the ratio which the **Gross Loss** in respect to such debtor bears to the entire indebtedness of such debtor. Having made the foregoing deductions from each **Gross Loss** covered, filed and proved under this Policy, the remainder shall be the Net Loss. From the aggregate amount of the Net Loss, there shall be deducted 10% thereof as Co-Insurance. Then, from the balance,

the **Primary Loss** shall be deducted. The remainder, not exceeding the Policy Amount, less any amount owing by **you** by **us**, shall be the excess loss payable to **you**.

If any covered claim of **yours** against a debtor is disputed in whole or in part, the same shall not be allowed in any settlement under this Policy until such disputed claim is finally determined by court order or other agreement acceptable to **us**, to be a valid and legally sustainable indebtedness against the debtor or the debtor's estate. At that time, such claim, so far as covered, and as calculated herein will be paid. **You** will: (a) assign to **us** all claims allowed in settlement together with all securities and guarantees relating thereto and will execute the documents provided to **you** by **us** for that purpose; (b) warrant the legal validity of the indebtedness for the amount of such claims; and (c) upon demand reimburse **us** for any amount paid by **us** to **you** on any indebtedness which has not been allowed against the debtor or the debtor's estate, together with the expense of any action thereon. Any claim assigned to **us**, which is not covered in full by this Policy, will be handled by **us** for the joint benefit of **you** and **us**.

7- Disposal of Assigned Claims

On any claim assigned to **us** in Claim Settlement, **we** will promptly remit to **you**, after deduction of recovery charges and expenses, **your** pro rata share, as calculated in Condition 6 of any amount realized. On each claim assigned to **us**, **you** will: (a) remit to **us** each payment received; and (b) remit **our** share of any credit allowed together with the charges applicable to **your** share of the credit.

In the event **we** deem it necessary to enforce recovery from a debtor, guarantor, surety or endorser on a claim assigned

under Claim Settlement, **we** and **you** shall share the expenses required as their interests appear.

If, after deduction of recovery charges and expenses, **we** realize a net amount in excess of the total amount paid to **you** in Claim Settlement, **we** will promptly remit the net excess to **you** as well as all net amounts realized thereafter less any amount owing to **us**. Upon **your** written request, **we** will reassign all claims assigned to **us** in Claim Settlement.

8- Assignment of Policy

This Policy is not assignable by **you**. Upon written request by **you**, **we** will pay any

amounts payable to **you** to such payee as designated by **you**.

9- Termination

If, during the Policy Term **you**: (a) become **Insolvent** (which term shall, for this purpose only, be construed as if **you** were a debtor); or (b) cease to carry on your business as described in the Policy Declaration; or (c) go into liquidation; or (d) seek a general

extension from **your** creditors; or (e) if **you** are a partnership, **you** are dissolved; this Policy shall terminate as to coverage on shipments made after any of the above events.

10- General Provisions

Premium-

The premium for this Policy shall be paid by cheque to **our** order and shall accompany the application. **We** may, at **our** option, accept premium notes or premium agreements. The terms of such premium notes or premium agreements shall be set forward in the Policy Declaration. If premium notes or premium agreements are paid before maturity, the premium for the Policy shall be construed as paid as of the date of such premium note or agreement. If any instrument, either cheque, bill of exchange, or promissory note is given by

you for all or part of the premium, and the instrument is not honored, **we** may cancel the policy by giving written notice to **you** by registered mail. The cancellation of the policy shall be effective 15 days after the receipt of notice of cancellation by **you**.

We will acknowledge the receipt of all Notification of Claim and Final Statement of Claim forms. Neither the acknowledgement nor the retention of Notifications of Claim or Final Settlement of Claim by **us**, shall be an admission of liability or a waiver by **us** of any terms or conditions of this Policy.

Representations & Warranties-

The representations and warranties made by **you** in the application for this Policy are the basis for this Policy and are a part thereof. Breach of warranty, material misrepresentation, or material inaccuracy in an application, concealment or fraud in obtaining this Policy, or in any Notification of Claim or Final Statement of Claim filed under this Policy, or in the proof or settlement of any claim for loss under this Policy, shall void this Policy from its beginning and the premium paid shall be forfeited to **us**. If, by the law of the State, Province or Territory named in the Policy Declaration as **your** address, warranties are prohibited, then in conformity therewith, whenever the words "warrant", "warranty", or "warranties" appear in this Policy, the references in this Policy and any other rider attached thereto are changed to "represent", "representation", or "representations".

Examination of Records-

You will permit **us** to examine and take extracts from **your** books, documents and records relevant to: (a) any Notification of Claim or Final Settlement of Claim filed pursuant to this Policy; (b) any settlement pursuant to this Policy; (c) any representation or warranty made in the application for this Policy; or (d) any claim made either by **you** or by **us** under this Policy. **You** will give such assistance and information as **we** require, but no such

examination, investigation or proceeding shall be an admission of liability or waiver of any terms or conditions of this Policy.

The rendering of any estimate or statement or the making of any settlement shall not bar: (a) the examination herein provided for; (b) our right to unpaid charges; (c) a refund of any amount overpaid **you** in any settlement by **us**; or (d) **your** right of any amount owed to **you**.

Suit Against Us-

No suit or action on this Policy shall be brought or be sustainable until after the full compliance by **you** with the Policy terms and conditions. An action must be commenced within 12 months after the expiration of the Policy Term. If the said limitation of time for the commencement of suit be prohibited by any specific law or statute in force in the State, Province or Territory named in the Policy Declaration as your address, the said limitation is hereby amended to conform with the minimum period of limitation permitted by said law or statute.

Conformance to Statute

Any provision of this Policy, which on its effective date, is in conflict with the statutes of the State, Province or Territory named in the Policy Declaration as your address, is hereby amended to conform to the minimum requirements of such statutes.

11- Policy Acceptance

This Policy shall not be binding upon **us** unless both it and the Policy Declaration are authenticated by the signature of an Officer or Assistant Officer for **us**.

This Policy sets forth the entire agreement and understanding of the parties in respect of the matters provided for herein and supersedes all prior agreements, arrangements and understandings relating to the subject matters hereof. No

representation, promise, inducement or statement of intention has been made by any party hereto relating to any subject matters which are not embodied in this Policy, and no party hereto shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth in this Policy.

If any term or provision of this Policy or the application thereof to any person or

circumstances is found to be invalid or unenforceable to any extent, the remainder of the Policy or the application of such term or provision to such person or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby and each term or provision of this Policy shall be valid and enforceable to the extent permitted by law.

Time is of the essence in this Policy and of each and every matter and thing hereto provided for.

This agreement is governed by the law of the State, Province or Territory named in the Policy Declaration as **your** address.

Any notice provided for or permitted in this Policy shall be in writing, personally delivered to an officer or other responsible employee of the addressee, or sent by telex, telecopy, e-mail or other like means of electronic transmission of written messages to the applicable address set forth below or to such other address as any party hereto may from time to time designate to the other.

Any notice personally delivered shall be deemed to have been validly and effectively given on the date of such delivery. Any notice sent by telex, telecopy or other like means of electronic transmission of written messages shall be deemed to have been validly and effectively given on the business day next following the day on which it is sent.

Notices shall be addressed as follows:

- i. If to **you**:
At the address set out in the Policy Declaration;
- ii. If to **us**:
At the address set out in the Policy Declaration.

**COMPAGNIE FRANÇAISE
D'ASSURANCE POUR LE COMMERCE
EXTERIEUR - BRANCH OF CANADA**

Authenticated:


Christopher Short, Chief Agent



COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#1 EXTRAORDINARY COVERAGE "A" RIDER SALES BASIS FORM

By this Rider made part of Policy No. D 930005292

It is agreed that any loss arising on shipments made by **you**, during the Policy Term, to a debtor named for coverage under this Rider, shall be subject to the conditions and premium charge outlined below in addition to the conditions set forth in this Policy.

COVERAGE

The gross amount to be covered on the account of any approved debtor shall be limited to the lesser of: (a) the amount owing **you** at the date of **Insolvency**; and (b) the amount set opposite the name of such debtor.

From the total amount of the net covered and proven losses coming within the provisions of this Rider, there shall be deducted **10%** thereof as Co-Insurance. The amount remaining shall be taken into account to compute the amount from which the Primary Loss shall be deducted in Claim Settlement under this Policy.

REPORTING AND PREMIUM

An agreed deposit premium shall be paid by **you** at the inception date of this policy. The actual premium shall be the total invoice price of goods and services sold and delivered to **insured buyers** during the policy term, multiplied by the premium rate of **.0021**. In no event shall the actual premium be less than the deposit premium. It is further agreed that **you** shall furnish **us** with a report of the amount of **your** gross sales and shipments (less allowances, returns or exclusions permitted by this policy) made during the preceding (**quarterly**). Such report is to be received by **us** within 30 days of the expiration of the reporting period. If, at any time during the Policy Term, the cumulative of the actual premium amounts exceed the deposit premium, **you** will remit payment for the balance.

We will acknowledge receipt of each additional premium paid. However: (a) **our** failure to verify the report of sales; (b) **our** rendering to **you** of a bill for additional premium; (c) **your** payment of such bill; (d) **our** acknowledgment of such payment; shall not be construed as a final determination of coverage under this Policy or be a waiver by either **you** or **us** of any of the terms or conditions of this Policy.



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

ADDITIONAL/INCREASED COVERAGE

You may, during the Policy Term, submit to us the insured buyers for the purpose of providing additional coverage in excess of the amount previously approved or for new coverage. Any increased/new coverage shall be: (a) subject to our approval; and (b) if granted, subject to cancellation as set forth hereafter. Confirmation of the increased/new coverage will be by Rider for attachment to this Policy. The increased/new coverage will be effective from the date of your request and thereafter during the Policy Term.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

CANCELLATION

Upon written notice to you, we may cancel the amount of coverage granted on any insured buyers for coverage under this Rider. In that event, the coverage applicable shall terminate as to any shipment made to such debtor after receipt by you of the notice of cancellation.

Authenticated:


Christopher Short, Chief Agent

Agent



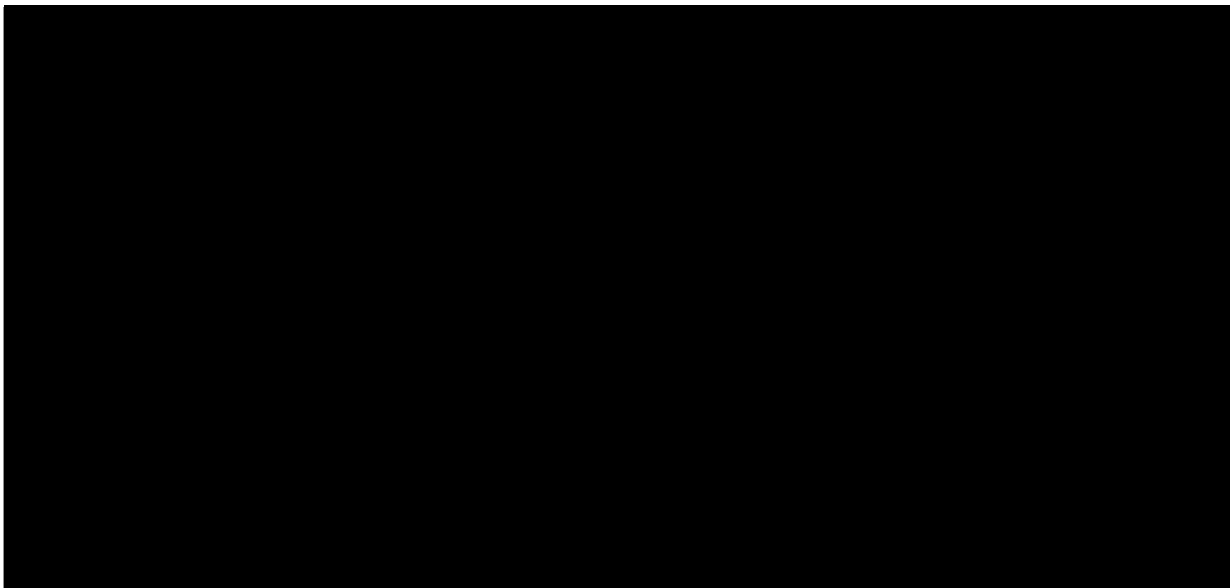
COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#1A
DEBTORS APPROVED FOR COVERAGE UNDER THE
EXTRAORDINARY COVERAGE "A" RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that a debtor named below is hereby approved for coverage for a gross amount not to exceed the amount set opposite such debtor's name below. The coverage provided is under and subject to all of the provisions of the EXTRAORDINARY COVERAGE "A" Rider.

(Note - Capital and Credit Ratings only indicated when **Agency** rating governs coverage.)



Nothing contained herein shall be held to vary, alter, waive or extend any of the terms and conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR008-1-CA
03/05 ED



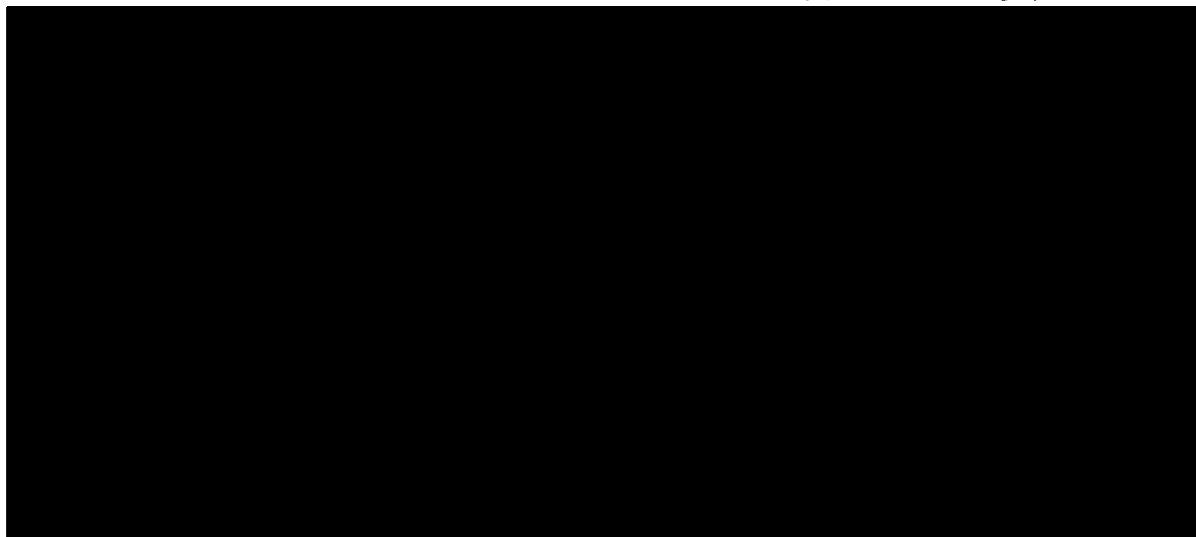
COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#1B
DEBTORS APPROVED FOR COVERAGE UNDER THE
EXTRAORDINARY COVERAGE "A" RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that a debtor named below is hereby approved for coverage for a gross amount not to exceed the amount set opposite such debtor's name below. The coverage provided is under and subject to all of the provisions of the EXTRAORDINARY COVERAGE "A" Rider.

(Note - Capital and Credit Ratings only indicated when Agency rating governs coverage.)



Nothing contained herein shall be held to vary, alter, waive or extend any of the terms and conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR008-1-CA
03/05 ED



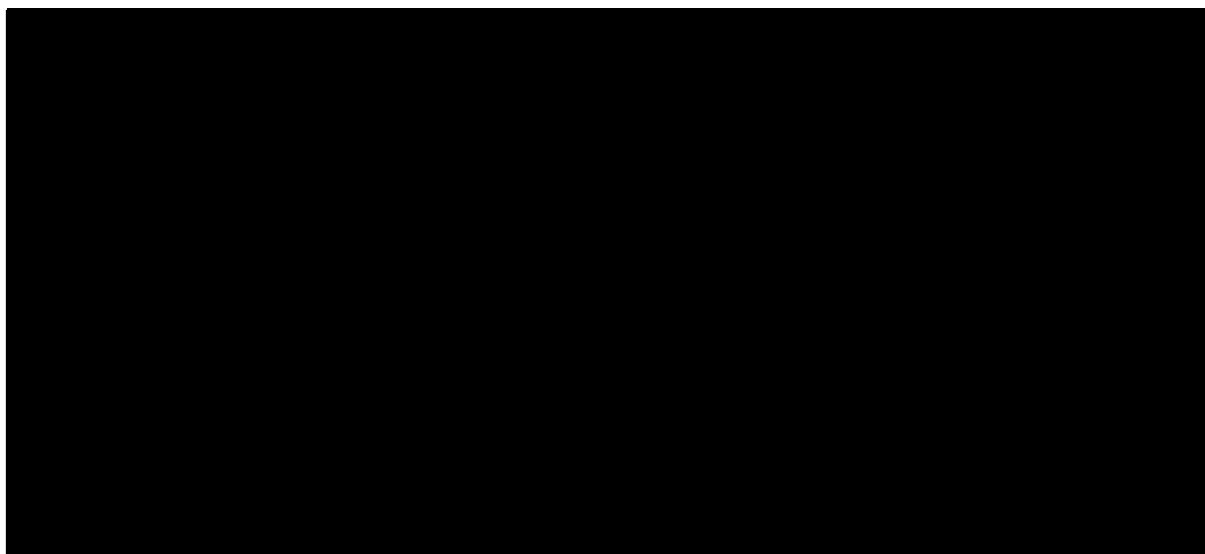
COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#1C
DEBTORS APPROVED FOR COVERAGE UNDER THE
EXTRAORDINARY COVERAGE "A" RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that a debtor named below is hereby approved for coverage for a gross amount not to exceed the amount set opposite such debtor's name below. The coverage provided is under and subject to all of the provisions of the EXTRAORDINARY COVERAGE "A" Rider.

(Note - Capital and Credit Ratings only indicated when **Agency** rating governs coverage.)



Nothing contained herein shall be held to vary, alter, waive or extend any of the terms and conditions of this Policy other than as stated above.

Authenticated:



Christopher Short, Chief Agent

Agent

CR008-1-CA
03/05 ED



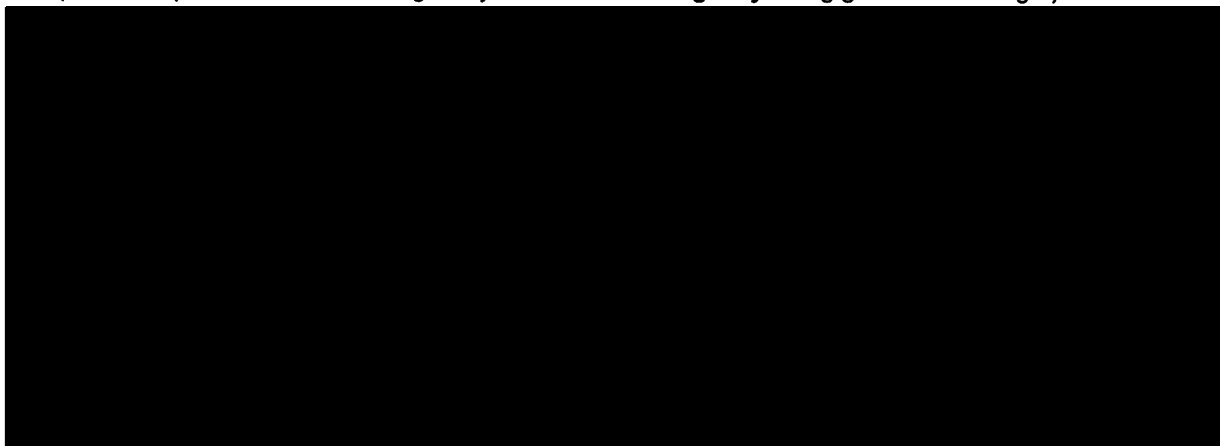
COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#1D
DEBTORS APPROVED FOR COVERAGE UNDER THE
EXTRAORDINARY COVERAGE "A" RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that a debtor named below is hereby approved for coverage for a gross amount not to exceed the amount set opposite such debtor's name below. The coverage provided is under and subject to all of the provisions of the EXTRAORDINARY COVERAGE "A" Rider.

(Note - Capital and Credit Ratings only indicated when **Agency** rating governs coverage.)



Nothing contained herein shall be held to vary, alter, waive or extend any of the terms and conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR008-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#2
CONFORMITY BACK SALES RIDER

By this Rider made part of Policy No. D 930005292
it is agreed that shipments made by **you** between Tuesday, July 15, 2008 and Tuesday, July 14, 2009 , both days inclusive, to debtors who shall have become **Insolvent** during this Policy Term and subject to the limits of coverage specified in this Policy, shall be admitted in claim settlement under this Policy. However, such shipments shall be subject to limits of coverage which have been applicable under a preceding Policy issued by **us** or any other company writing Credit Insurance had such **Insolvency** occurred during its term.

If a loss on such debtor be partly on shipments made between the dates above specified and partly on shipments made during this Policy Term, then such entire loss shall not be covered for more than if all shipments had been made during this Policy Term.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:



Christopher Short, Chief Agent

Agent

CR012-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#3
L RIDER

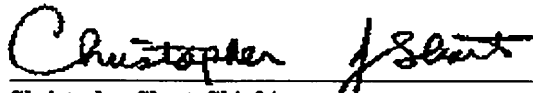
By this Rider made part of Policy No. D 930005292

it is agreed that shipments made by **you** to debtor, dealing in **your** merchandise or using it in connection with, or incident to, an established business who at the date of shipment: (a) has no **Governing Rating** to which coverage is assigned in the Policy Declaration; nor (b) is named for coverage under any other Rider attached to this Policy; shall be covered under this Policy, subject to its other terms and conditions but the gross amount to be covered on the account of any one such debtor shall be limited to the amount owing to **you** at the date of **Insolvency** and shall also be limited to \$25,000.00

From the total amount of the net covered and proven losses coming within the provisions of this Rider, there shall be first deducted 10 % thereof as Co-Insurance and the amount remaining, but in no event to exceed an aggregate coverage of \$ 50,000.00, shall be taken into account to compute the amount from which the **Primary Loss** shall be deducted in settlement of losses under this Policy.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:



Christopher Short, Chief Agent

Agent

CR028-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#4
CONSTRUED COVERAGE RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that if **you** accept a written order signed by a debtor or confirm to a debtor in writing an order for the shipment of merchandise, and if such merchandise is actually shipped within 30 days thereafter, the coverage on the debtor in effect at the date of such acceptance or confirmation shall be construed as the coverage in effect at the date of the shipment.

If the shipment of such merchandise be made more than 30 days after such acceptance or confirmation, then the actual coverage in effect at the date of the shipment shall apply.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:



Christopher Short, Chief Agent

Agent

CR017-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#5
CONSTRUED TERMS (RE) RIDER

By this Rider made part of Policy No. D 930005292

It is agreed that for the purpose of this Policy, where **your** invoices show terms of sale of less than 90 days, including dating; such terms of sales all be construed to be 90 days, including dating.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR019-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#6

INTERIM CLAIM SETTLEMENT "B" RIDER

By this Rider made part of Policy No. D 930005292

it is agreed that in order to receive claim settlements under this Policy prior to the final settlement, **you** may, at any time prior to the time fixed in this Policy for the filing of the Final Settlement of Claim, file with **us** 3 Preliminary Statements of Claim for excess loss. We shall furnish you with blank forms upon request.

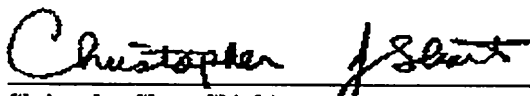
Within 60 days after we receive any such Preliminary Statements of Claim, we shall: (a) settle all accounts mentioned therein in accordance with the provisions of Condition 6 of this Policy; and (b) immediately pay to **you** the amount of excess loss, if any, then found due.

In no event shall the total net amount payable to **you** in all settlements made under this Policy exceed the Policy Amount.

If we pay **you**, in all interim settlements under this Policy, an amount in excess of the amount which would have been due if the actual **Primary Loss** had been ascertainable at the time of such payment, **you** will at once refund such excess to **us**.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR027-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#7

OPTIONAL HANDLING RIDER

By this Rider made part of Policy No. D 930005292

it is agreed that **you** have the option of handling accounts of **Insolvent** debtors and shall designate **your** intention to avail yourself of this option when filing Notification of Claim against a debtor who is **Insolvent**. When you exercise this option, **you**:

- (a) assume responsibility for the proper attention and proper collection of such accounts;
- (b) will obtain all amounts in salvage therefrom;
- (c) will not accept any settlement or plan of arrangement without first obtaining **our** authorization;
- (d) will furnish **us** with periodic status reports upon request; and
- (e) waive the provisions of Condition 4 of this Policy and will pay all costs and fees incurred in connection with these accounts.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:



Christopher Short, Chief Agent

Agent

CR030-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#8
EXCLUDED SALES RIDER

By this Rider made part of Policy No. D 930005292
it is agreed that sales, shipments and deliveries made by **you** to the following:

ALL RESIDENTIAL OR NON COMMERCIAL SALES

and losses arising therefrom, are to be excluded from the calculation of sales and losses in any settlement under this Policy.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent

CR020-1-CA
03/05 ED



COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE
COMMERCE EXTERIEUR – CANADA BRANCH

#9
MINIMUM RETAINED PREMIUM RIDER

By this Rider, made part of Policy No. D 930005292
Issued to OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC. of OAKVILLE, ON
it is agreed that:

If the policyholder shall at anytime during the period of the policy wish to cancel or reduce coverage hereunder, Compagnie Française d'Assurance pour le Commerce Extérieur – Branch of Canada shall have the right to retain a minimum premium of \$36,750.00 under this policy before any refund or premium shall be made payable to the insured.

Nothing contained herein shall be held to vary, alter, waive or extend any of the terms or conditions of this Policy other than as stated above.

Authenticated:


Christopher Short, Chief Agent

Agent



COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

#10 ONTARIO RIDER (DOMESTIC)

By this Rider made part of Policy No. D 930005292

It is agreed that to comply with the laws of the Province of Ontario, this Policy shall be amended as follows:

CONDITIONS: 3 – Notification and Filing of Claims-, is deleted and replaced by the following:

You will, within 20 days after acquiring knowledge of a debtor's **Insolvency** and within the Policy Term, file Notification of Claim with **us**, on a form furnished by **us** with the issuance of the Policy and assign the entire account to **us** for recovery. If knowledge of a debtor's **Insolvency** is received too late to file a claim with **us** during the Policy Term, then such claim may be filed within 20 days after the Policy Term.

Every Notification of Claim assigned hereunder or under Condition 2 shall be accompanied by: (a) an itemized statement of account including the dates of shipment, terms of sale and payments made, and records in support of the claim; (b) all documents; and (c) any guarantees, securities, or other documents. You will, upon request, promptly furnish all information and documents required by **us**. All Notifications of Claim must be received by **us** at the office shown in the Policy Declaration and shall be handled upon the terms provided for in Condition 4. The date of receipt of Notification of Claim shall be the date postmarked or otherwise delivered to **us**. No claim withdrawn by **you** may be refilled under this or any other Policy.

The receipt, retention or handling by **us** of any claim filed by **you** under this Policy shall not constitute a waiver of any terms or conditions of this Policy, nor an acceptance of such claim.

CONDITIONS: 5- Final Statement of Claims-, is deleted and replaced by the following:

In order to make a claim for loss in excess of the **Primary Loss**, **you** will complete a Final Statement of Claim Form after the Policy Term. **We** will furnish **you** with the Final Statement of Claim form not less than 60 days from **our** receipt of the Notification of Claim. The completed Final Statement of Claim form must be received by **us** at the office shown in the Policy Declaration within 1 month after the Policy Term.

CONDITIONS: 10- General Provisions, Premium-, is deleted and replaced by the following:

The premium for this Policy shall be paid by cheque to **our** order and shall accompany the application. If any instrument is given by **you** for all or part of the premium, and the instrument is not honored, **we** may cancel the policy immediately by giving written notice to **you** by registered mail. The cancellation of the policy shall be effective 15 days after the receipt of notice of cancellation by **you**.



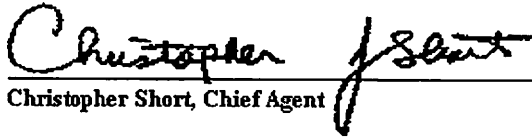
COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR – CANADA BRANCH

We will acknowledge the receipt of all Notification of Claim and Final Statement of Claim forms. Neither the acknowledgement nor the retention of Notifications of Claim or Final Settlement of Claim by us, shall be an admission of liability or a waiver by us of any terms or conditions of this Policy.

CONDITIONS: 10- General Provisions, Suits Against Us-, is deleted and replaced by the following:

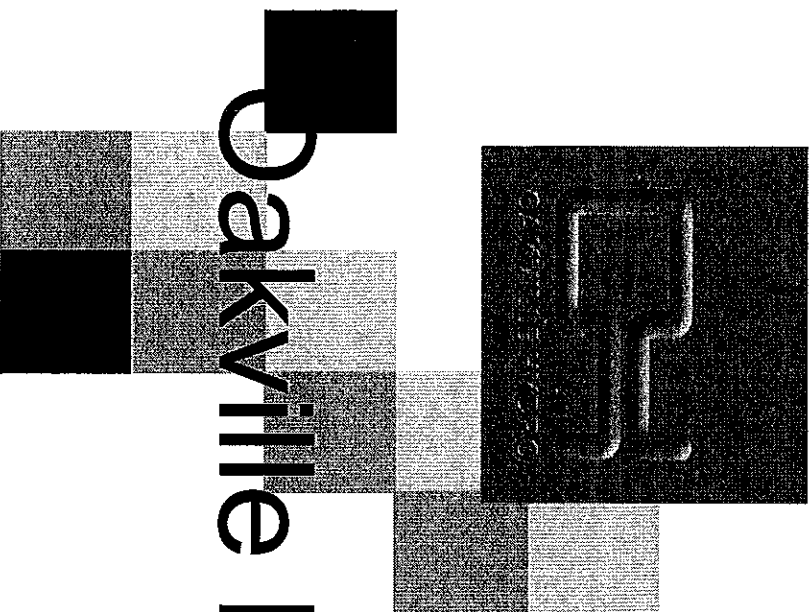
No suit or action on this Policy shall be brought or be sustainable until after the full compliance by **you** with the Policy terms and conditions. An action must be commenced within 24 months after the date of **your** discovery of the claim or 15 years after the date of the act or omission which gives rise to a claim, whichever date is sooner. If the said limitation of time for the commencement of suit be prohibited by any specific law or statute in force in the State, Province or Territory named in the Policy Declaration as your address, the said limitation is hereby amended to conform with the minimum period of limitation permitted by said law or statute.

Authenticated:


Christopher Short, Chief Agent

Agent

CR 001-1- CA(Ontario)
03/05 ED.



Oakville Hydro – IFRS Project

Audit and Finance Committee Update

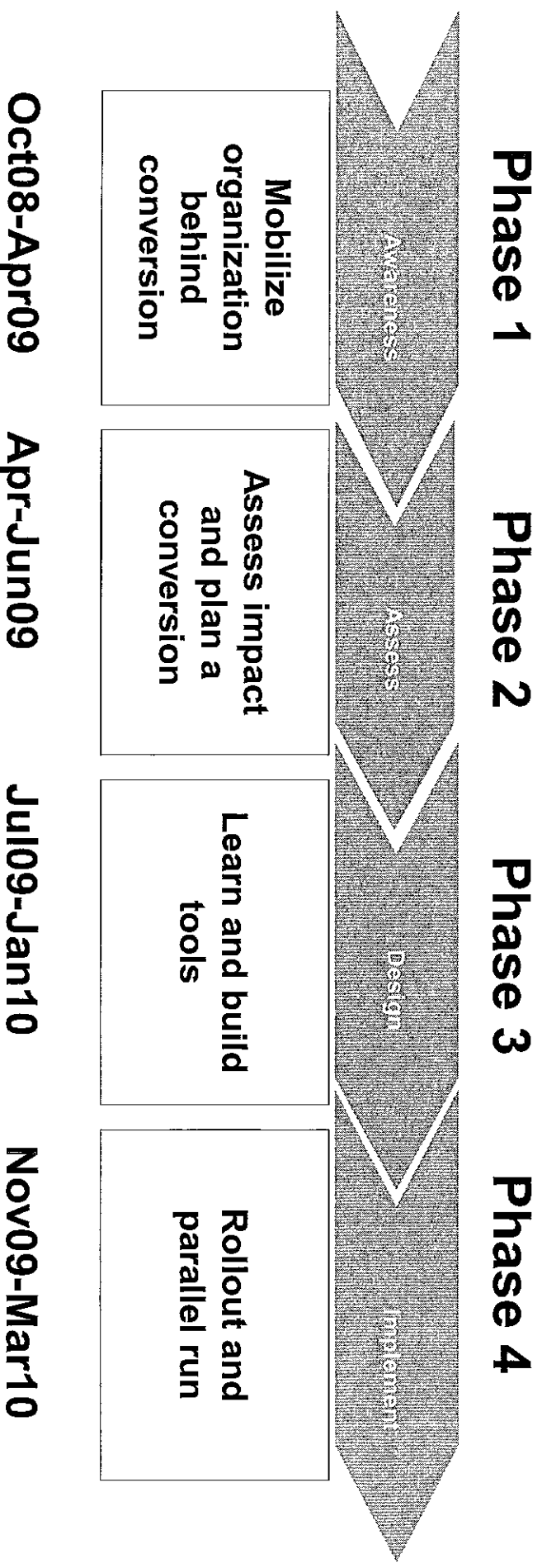
August 6th, 2009

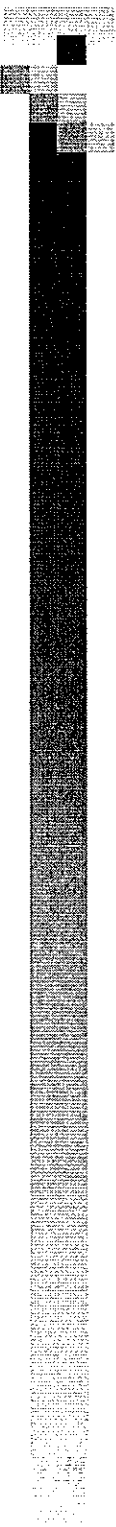


Completed to date

- Quick Scan
 - Select Advisory Partner
 - Project Kick Off Meeting
 - Establish Project Teams
 - Conducted Phase II Interviews
 - SharePoint Site Established
 - Phase II report Meeting
 - Developed Draft Project Plan
- Oct/08
 - Mar/09
 - Apr/09
 - Apr/09
 - Apr-May/09
 - Apr/09
 - Jun/09
 - Jul/09

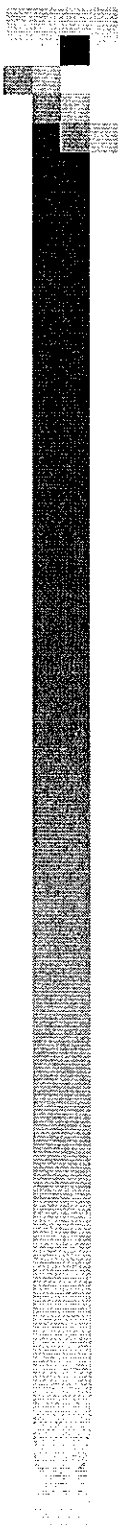
Phases of Conversion Project





Considerations for Project Plan

- Plan will constantly be evolving based on new information
- Goal is to be ready to collect relevant systems driven data starting Jan 1, 2010
- 2 year time horizon-standards may change
- Some standards still at exposure draft stage
- OEB position will impact project
- Resource demands/availability may change
- New Tools and solutions development may become available (i.e. GP11 - Q1 2010)



Development of Project Plan

- KPMG Phase 2 Report was used to prioritize sections, consideration given to:
 - Companies Impacted
 - Technical Effort
 - Urgency, sequence of events
 - Resource requirements/availability
 - Systems impact
 - KPMG Involvement



Major Project Components

- First Time adoption-IFRS1 Elections
- Property Plant and Equipment
- Remaining Sections: Regulatory Accounting, Revenue, Intangibles, Impairments, Contingent Assets/Liabilities Employee Benefits, General Financial Statement Topics



IFRS1 Elections

- Elections impact opening balances as at Jan1, 2010
- Recreating retrospective IFRS balances onerous task
- Elections provide opportunity to simplify transition process
- Objective is to utilize election to maximum benefit (resources and business impacts)
- Objective is to Audit opening numbers at end of 2009 GAAP audit (Mar/10) with priority focus on PP&E



IFRS 1 Exemptions

■ PP&E - Cost

Election – to have the fair value or revaluation amount as at Jan 1, 2010 become deemed as cost.

No Election – must reconstruct historical cost and NBV as if IFRS had always been in existence.

Rate Regulated – exposure draft to allow deemed cost = NBV

■ PP&E – Borrowing Costs

Election – prospectively capitalize interest for all projects commencing after Jan 1, 2010 (i.e. projects > 6-8 months of construction)

No Election – retroactively capitalize interest for all qualifying projects and adjust amortization to reflect increase in asset values



IFRS 1 Exemptions (continued)

■ PP&E – Contributed Assets

Election – no requirement to apply IFRIC 18 to account for assets contributed prior to Jan 1, 2010

No Election – retrospectively apply interpretation to all past customer contributions

■ PP&E – Decommissioning Liabilities

Election – Liability is measured at date of acquisition. Estimate amount when liability first arose by discounting to that date. Estimate accumulated amortization. Adjustment to retained earnings

No Election – Retroactively adjust liability, PP&E and amortization each period for any changes made.

IFRS 1 Exemptions (continued)

■ Employee Benefits - Actuarial Gains & Losses

Election – recognize in full, at transition, all unrecognized actuarial gains or losses through equity.

No Election – need to re-measure unrecognized gains and losses as if IFRS had always been applied

■ Employee Benefits – Disclosures

Permits an entity NOT to disclose historical/trend information regarding defined benefit plan arrangements.

Election – can choose to disclose such amounts from date of transition only (1st disclosure will be 2010 & 2011)

No Election – must disclose significant information for current annual period (2011) and the previous four annual periods.



IFRS 1 Elections (continued)

■ Investment in Subsidiaries

Election – for non-consolidated financial statements, investment in subsidiaries can be measured at deemed cost which is the fair value of the investment in the subsidiary at the date of transition

No Election – For non consolidated financial statements, investment in subsidiaries will continue to be carried at cost

■ Employee Benefits - Disclosures

Election – for non-consolidated financial statements, investment in subsidiaries can be measured at deemed cost which is the fair value of the investment in the subsidiary at the date of transition

No Election – For non consolidated financial statements, investment in subsidiaries will continue to be carried at cost.

Time line – IFRS 1 Elections

	2009					2010			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Beyond
Determine availability of information									
Initial determination of effort required									
Determine if 3rd party valuations required									
Assess financial impact on opening Balance Sheet									
Develop position papers									
Conclude on transition choice									
Determine System impact to opening balances									
Design system changes									
Present recommendation for approval									
Perform 3rd party valuations if required									
Obtain approval on elections									
Test/Implement system Changes									
Calculate Adjustments to 2009 GAAP Balances									
KMPG to Audit opening Balance sheet									
Integrate opening numbers into Parallel reporting									
Parallel data tracking and reporting, documentation									

Note: PPE election's will take first priority due to complexity and potential impact on Resources



Property Plant and Equipment

- Most significant section
- Complex issues
- High volume transactions
- Most Material Asset
- Detailed historical data not available
- Largest impact on resources, systems, people
- Section given highest priority
- Move from pooling to detailed sub-ledger



Example - Componentization

- IFRS requires different components of an asset that require different depreciation methods or rates to be accounted for separately
- Lack of detailed fixed asset subledger and historical records.
- Broad pooled asset categories need to be componentized for example: currently we have 1 account for transformers – components include:
 - Overhead – 3 phase, single phase
 - Underground – single phase mini pad, 3 phase padmount, 3 phase vaults, 3phase tx polemount, single phase submersibles & bushing style

Each transformer is further subdivided into 28kV, 15kV and 4kV

For each component consider major inspections or overhauls that entail major expenditures which occur at regular intervals over the life of an asset, as distinct from costs associated with routine repairs and maintenance. (i.e. - inspections costs)

Time line –PP&E

	2009					2010			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Beyond
Determine availability of information									
Initial determination of effort required									
Understand impact of exposure draft and OEB Position									
Monitor status of rate regulated exposure draft									
Make assumption on result of exposure draft									
Conduct preliminary analysis									
Attend KMPG workshops on PP&E									
Review results of external studies (Kinectrics)									
Quantity Gap analysis and business impact									
Determine level of information to track going forward									
Design system changes									
Design parallel reporting									
Prepare high level policy for approval									
Obtain high level policy approval									
Develop implementation plan									
Test/Implement system changes									
Conduct training session for parties impacted									
Implement new process									
Complete processes/policy documentation									
Parallel data tracking and reporting									
Obtain final approval on process/policy									
Develop notes to Financial Statements									

Note: PP&E Sections have higher priority due to heavy transaction volume and issue complexity



Other Sections

- Regulatory, Revenue, Employee Benefits, Intangibles, Impairments, Tax
- Less transaction oriented, more high level journal entry or note disclosure
- Lower impact on resources, systems, people
- Urgency deferred to December-March time

Time line –Other Sections

	2009					2010			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Beyond
Determine availability of information									
Initial determination of effort required									
Monitor status of changes to sections									
Conduct preliminary analysis									
Review results of external studies									
Quantity Gap analysis									
Determine level of information to track going forward									
Design system changes									
Design parallel reporting									
Prepare high level policy for approval									
Obtain high level policy approval									
Develop implementation plan									
Test/Implement system changes									
Conduct training session for parties impacted									
Implement new process									
Complete processes/policy documentation									
Parallel data tracking and reporting									
Re map Financial Statements									
Obtain final approval on process/policy									
IFRS plan disclosures (2009 statements)									
Understand Tax implications of IFRS									
Develop notes to Financial Statements									
Post Implementation Monitoring, Adjusting, Reconciling, Documentation									

Note: Other section are not transaction oriented, required analysis and journal entries

* Other Sections (Regulatory Acct, Revenue, Employee Benefits, Impairments etc)



Project Risks

- Resources
- Timing
- Mitigation



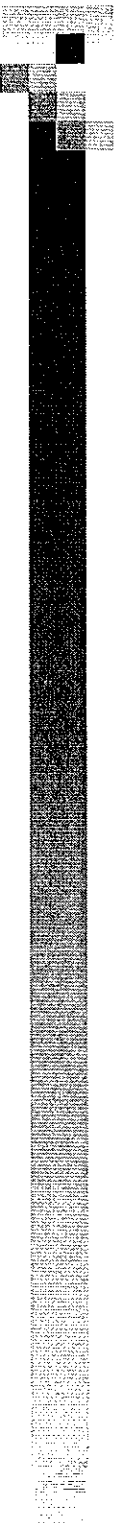
Resources Highlights

- Total hours approximately 3,500 (August/09-March/10)
- Deployment lead approx. 1,000 hours in same time frame (+75% utilization)
- Above does not include deployment lead transition time for existing work load, 2009 Audit etc.
- Temp help 350+ hours, Non Finance 300+hours (IT 130+)
- KPMG estimate 450 hours (Phase3/4)

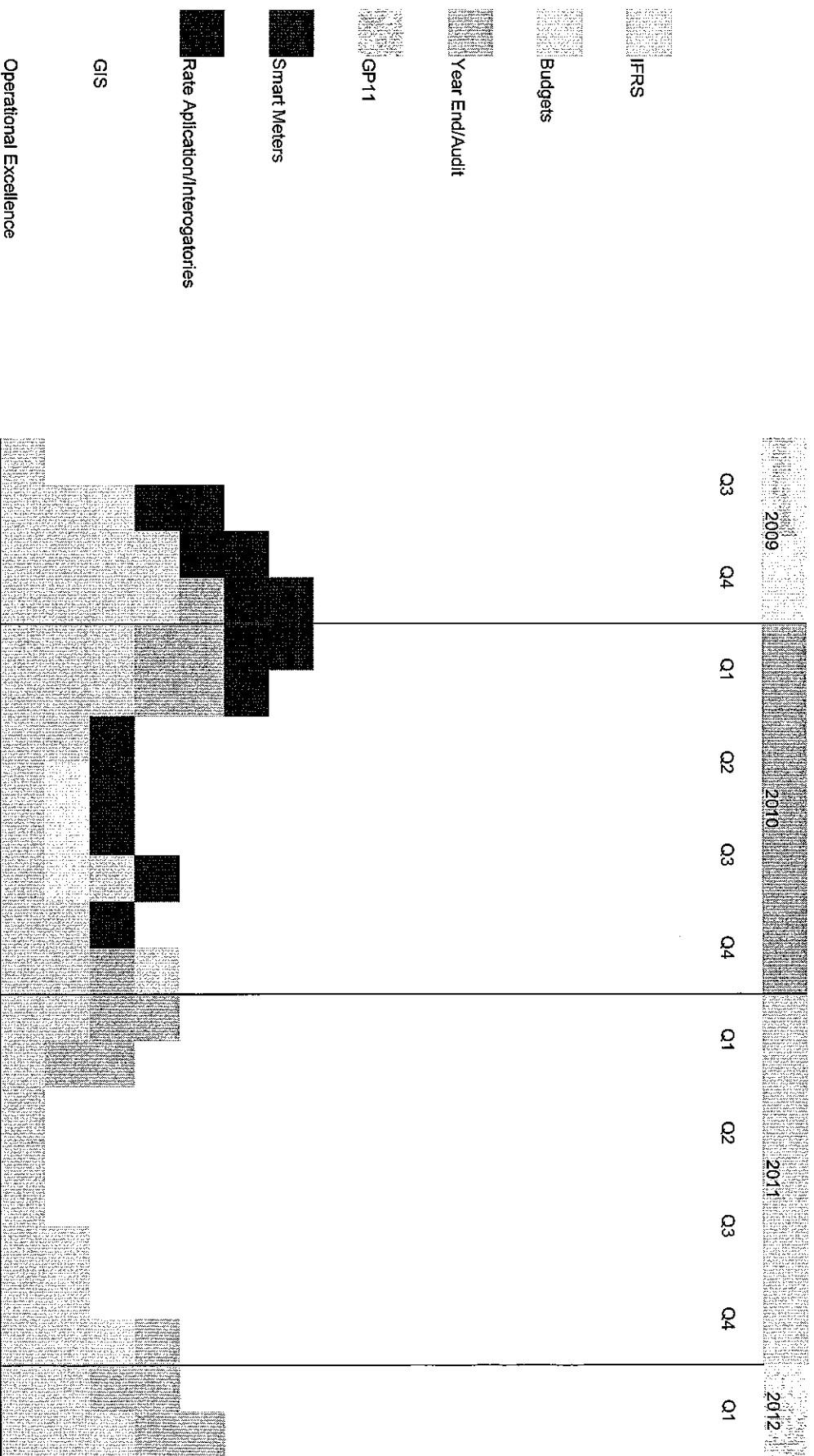


Timing

- Heavy workload takes place Aug-Dec
- Budget process also Aug-Nov
- A lot of work to be done in small window
- Plan is aggressive. Must be disciplined and focused.
- Strategy is to push other sections to Dec/09-Mar/10 time frame where possible
- May have some cushion pending outcome of exposure draft



Organizational Demand





Risk Mitigation

- Key position are being backfilled (controller Aug. 5th)
- Strategy is to push “other” sections to Dec/09-Mar/10 time frame where possible
- Significant KPMG time budgeted
- Currently developing strategy for IT resources
- Plan excludes potential positive effect of exposure draft

Project Budget

IFRS Project Cost Estimate \$(000's)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
External Advisory Fees	8	125	127	260
Backfill Controller (18 months)		95	155	250
Project Management		75	25	100
Contract clerical support		70	20	90
IT system changes and consulting		70	230	300
Total	<u>8</u>	<u>435</u>	<u>557</u>	<u>1,000</u>

IFRS Project Dashboard as at July, 31 2009

Status: ✓ Done / ◆ Ongoing / – To be undertaken / ✗ Canceled

STATUS OF WORK	
1.1 Overall	<div> <div></div> <div>✓</div> </div>
Phase 1 – Initial Assessment and Project Mobilization completed	✓
Phase 2 – Report completed and reviewed	✓
Phase 3 – On track and progressing as scheduled	<div> <div></div> <div>✓</div> </div>
1.2 Project Mobilization	<div> <div></div> <div>✓</div> </div>
<input type="checkbox"/> Kick-off meeting for core team and steering committee <input type="checkbox"/> Raise awareness session with Executive Committee <input type="checkbox"/> Phase 3 Kick-Off Meeting	<div> <div></div> <div>✓</div> </div>
1.3 Project Charter	<div> <div></div> <div>✓</div> </div>
<input type="checkbox"/> Project Charter completed <input type="checkbox"/> Project risk assessment in process, included as part of Phase II	<div> <div></div> <div>◆</div> </div>
1.4 Training and communication	<div> <div></div> <div>◆</div> </div>
<input type="checkbox"/> Trainings needs assessment for IFRS <input type="checkbox"/> Communications plan completed	<div> <div></div> <div>✓</div> </div>
1.5 Initial milestones/timeline have been agreed upon	<div> <div></div> <div>✓</div> </div>
1.6 SharePoint site established	<div> <div></div> <div>✓</div> </div>
1.7 Business impact assessment	<div> <div></div> <div>✓</div> </div>
1.8 Phase 3 activities:	<div> <div></div> <div>◆</div> </div>
<input type="checkbox"/> Prepare project plan <input type="checkbox"/> Present draft project plan to steering committee <input type="checkbox"/> Back fill Controller position <input type="checkbox"/> Obtain KPMG quote for phase 3/4	<div> <div></div> <div>✓</div> </div>
	<div> <div></div> <div>✓</div> </div>
	<div> <div></div> <div>✓</div> </div>



Impacts project timeline
No current impact - potential impact on future
On schedule

Key Accomplishments

- Phase 1 and 2 completed
- Phase 3 on target
- Draft project plan completed

Critical Issues

- Approval of project plan/resourcing
- Back fill positions in place
- Outcome of Exposure Draft

Next Steps

- Approval of project plan/resourcing
- KPMG workshops
- Phase 3 Kick-Off Meeting
- Begin work on IFRS1 Elections
- Begin work on PP&E and Dual reporting

Date: January 7, 2009

Oakville Hydro Corporation.

SUBJECT: PROPOSAL SUBMISSION RFP-09 -01 DIAGNOSTIC ASSESSMENT AND
PROJECT PLANNING PHASE OF IFRS IMPLEMENTATION

Dear Sir/ Madam:

On behalf Oakville Hydro Corporation., we invite your written Proposal on our DIAGNOSTIC ASSESSMENT AND PROJECT PLANNING PHASE OF IFRS IMPLEMENTATION for Oakville Hydro Corporation and its affiliates in conformance to our specifications enclosed.

The attached documentation sets out the procedural and technical requirements for the submission of Proposals, as well as the substantive contractual terms that govern the relationship between parties upon the award of the contract.

Please be sure that you fully complete the Proposal form contained in the section provided, upon acceptance of a Proposal by Oakville Hydro Corp., the Proposal documents will form the terms of the contract between parties.

Your sealed Proposal, clearly identifying the Proposal number, addressed to:

Corey Dowie: Manager, Purchasing and
Facilities, Oakville Hydro Corporation.,
861 Redwood Square.
Oakville, Ontario, L6L 6N3

Must be received at the address above on or before 3:00 PM local time on, **January 30, 2009.**
Proposals that are received after this date or delivered by fax will not be considered. Please review the enclosed instructions to Proponent and general contract conditions carefully in completing your Proposal.

Your Proposal will be received in confidence in this office, and note that there is no obligation on the Owner to accept the lowest or any proposal submitted.

Yours sincerely,

Corey Dowie, Manager Purchasing and
Facilities

Oakville Hydro Corporation
PROPOSAL DOCUMENTS
FOR
DIAGNOSTIC ASSESSMENT AND PROJECT PLANNING
PHASE OF IFRS IMPLEMENTATION WITHIN
OAKVILLE HYDRO.
RFP-09-01

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Instructions to Proponents

Introduction

Oakville Hydro Corporation serves the electrical energy, data communications and specialized construction needs of residential, commercial and industrial customers in one of the fastest growing and most prosperous regions of Ontario through its four well integrated and complementary divisions: Oakville Hydro Electricity Distribution Inc.; Oakville Hydro Energy Services Inc.; Blink Communications Inc.; and El-Con Construction Inc. Oakville Hydro is committed to providing its customers with safe, reliable and efficient service.

The attached documentation sets out the procedural and technical requirements for the submission of proposals for:

DIAGNOSTIC ASSESSMENT AND PROJECT PLANNING PHASE OF IFRS IMPLEMENTATION WITHIN OAKVILLE HYDRO CORP. ,

the Proposal requirements, as per the enclosed specifications; as well as the substantive contractual terms that govern the relationship between parties upon the award of the contract.

Please be sure that you fully complete the Proposal Form contained in the section provided, upon acceptance of a proposal by Oakville Hydro Corp., the proposal documents will form the terms of the contract between parties.

Key Dates

The following table describes the key delivery dates for the RFP. Oakville Hydro reserves the right to adjust these dates as needed. All proponents will be notified if any of the dates or times are altered.

Task	Date
Oakville Hydro issues the Request for Proposal	January 7, 2009
RFP Closes 3:00PM	January 30, 2009
Presentations scheduled for short listed proponents	February 9-13, 2009
Selection of successful bidder	February 20, 2009.

Submission Requirements

1. Each Proponent's submission shall consist of the required documents with the required number of copies of all commercial information, including pricing, terms and conditions and exceptions (if applicable). Faxed or late Proposals will not be accepted. Proposals must be sealed and quote the Proposal Number referred to on the cover sheet of the Proposal Documents. The use of any means of delivery of a Proposal shall be at the risk of the Proponent.
2. Any Proponent wishing to provide additional information other than what is requested in the Proposal Documents must place such additional information in a separate envelope marked Additional Information. Any Additional Information or any unsolicited, value added alternatives may, in Oakville Hydro's absolute discretion, be given due consideration or not.
3. Oakville Hydro shall not be liable for nor shall it reimburse any Proponent for costs incurred in the preparation of Proposals, or any other services or samples that may be requested as part of the evaluation process.
4. An original and three (3) copies of the Proposal Forms and the attendant Documents and attachments shall be provided in submission. The original shall be clearly identified as "ORIGINAL"; the remainder as "COPY". In the event of discrepancy between the copies of the Proposal Submission, the one marked "ORIGINAL" shall prevail.
5. In all cases, the following will be required:
 - **Signed Proposal Form**
 - **Proposal tabbed in accordance with the requirements of Section B – Opportunity Description**
6. The Proposal Forms shall be signed under the Corporate Seal of the Proponent, by the duly authorized signing officer(s).

Adjustments Alterations/ Substitutions

1. A Proposal may be altered by a Proponent only by submitting another Proposal at any time up to the Closing Time. Adjustments by telephone, facsimile or letter to a Proposal already submitted will not be considered. The last Proposal received by the Purchasing Manager of Oakville Hydro shall supersede and invalidate all Proposals previously submitted by the Proponent for the Work.
2. During the period prior to the Closing Time, changes made by Oakville Hydro to the Proposal Documents will be issued by Oakville Hydro to the Proponents as written Addenda. The Proponent shall list in its Proposal all Addenda that were considered in the preparation of its Proposal.
3. No substitutions or deviation from the Specifications, Proposal Form or General Conditions of Contract will be permitted without Oakville Hydro's approval in writing.

Clarifications

1. Any clarification of the Proposal Documents required by, or any communication to Oakville Hydro from a Proponent prior to the submission of its Proposal, shall be requested/communicated in writing to:

Lesley Gallinger
VP, Finance & Administration
Oakville Hydro Corp.
861 Redwood Square, Oakville, ON L6L 6N3

(905) 825-4444
lgallinger@oakvillehydro.com

Withdrawal of Proposal

1. Proponents will be permitted to withdraw their Proposal unopened after it has been submitted if such a request is received by the Purchasing Manager of the Oakville Hydro in writing, prior to the Closing Time.

Proposal Evaluation and Acceptance

1. All Proposals shall be opened after the Closing Time in the presence of the Purchasing Manager or another individual designated to open the Proposals by the Owner. The opening will not be public, but limited to the Owner.
2. In determining the Contract Award, the lowest or any Proposal will not necessarily be accepted, and the Owner reserves the right to accept or reject any or all Proposals in its absolute discretion. Further, Proposals may be accepted or rejected in total or in part. Quotations having any erasures or corrections therein may be rejected unless explained or noted over the signature of the company officer. Exclusion of any requested information on the Form of Quotation, may result in rejection of quotation.
3. The Selection Committee will review proposals and will then carry out interviews with selected proponents for clarification as required. Oakville Hydro expressly reserves the right to clarify, at its sole discretion, any quotation or part of any quotation by contacting the bidder without the obligation to contact any other bidder.
4. It is anticipated that a written contract will be negotiated immediately after the successful Proponent has been notified. If a contract cannot be negotiated within thirty days of notification, Oakville Hydro may, at its sole discretion at any time thereafter, terminate negotiations with that Proponent and either negotiate a contract with the next qualified Proponent or choose to terminate the Request for Proposal process and not enter into a Contract with any of the Proponents.
5. The selection of the successful proponent shall be based on an overall assessment of the respective merits of all proposals. The selection committee is free to select any proponent it deems to be in the best interest of Oakville Hydro.
6. Proposed pricing, while extremely important, is one of several criterion that will be used to assess proposals.

7. The Selection Committee reserves the right to accept or reject in whole or in part any or all Proposals submitted. Further, proposals may be accepted or rejected in total or in part on the basis that any acceptance or rejection is made to service the best interest of the corporation.

Award of Contract

1. The Proponent acknowledges that Oakville Hydro reserves the right, privilege, entitlement and absolute discretion, and for any reason whatsoever to:

- a) Cancel this Request for Proposal at any time, either before or after the Closing Time;
- b) Accept a Proposal which is not the lowest cost Proposal submission, or reject a Proposal that is the highest Proposal even if it is the only Proposal received;
- c) Accept the Proposal deemed most favourable to the interests of the Owner or that may provide the greatest value advantage and benefit to the Owner based upon, but not limited to price, ability, quality of work, service, past experience, past performance and qualification;
- d) Accept or reject any and all Proposals, whether in whole or in part;
- e) Award any part of any Proposal; or
- f) Accept or reject any unbalanced, irregular, or informal Proposals.

2. The Proponent acknowledges that the Owner may rely upon the criteria which they deem relevant, even though such criteria may not have been disclosed to the Proponent. By submitting a Proposal, the Proponent acknowledges the Owner's rights under this Section and absolutely waives any right, or cause of action against the Owner and its consultants, by reason of the Owner's failure to accept the Proposal submitted by the Proponent, whether such right or cause of action arises in contract, negligence, or otherwise.

3. Contract award, if any, will be communicated by written notification from Oakville Hydro to the successful Proponent.

4. Proponents whose Proposals have been rejected by Oakville Hydro will be notified within thirty (30) days of the Closing Time

5. The successful Proponent shall provide the Owner with a designated inside customer service representative. Any disputes and/or queries with respect to the Contract will be directed to the Owner's Representative, whose decisions with respect to any matter under dispute shall be final and binding.

Freedom of Information

1. Proposals submitted to Oakville Hydro become the property of Oakville Hydro and, as such, are subject to the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31, as amended.

Proponent's Statement of Understanding

1 The Proponent acknowledges that it has carefully examined, understands and accepts the Proposal Documents, has carefully examined the requirements contained in the Proposal Documents and hereby submits an offer according to the requirements set forth in this Proposal.

2 It is understood that this Proposal, if it has not been withdrawn in accordance with Section A "Withdrawal of Proposal" of the Proposal Instructions, is irrevocable and shall remain open for acceptance by the Owner for a period of ninety (90) days following the opening of the Proposals.

3 All firms are required to disclose to the Owner prior to accepting this assignment any potential conflict of interest. If, in the opinion of the Owner a conflict of interest does exist as referred to above, the Owner may, at its discretion, withhold the assignment from the Proponent.

4 While Oakville Hydro has used considerable efforts to ensure an accurate representation of information in this Request for Proposal, the information contained in this Request for Proposal is supplied solely as a guideline for Proponents. The information is not guaranteed or warranted to be accurate by Oakville Hydro, nor is it necessarily comprehensive or exhaustive. Nothing in this Request for Proposal is intended to relieve Proponents from forming their own opinions and conclusions with respect to the matters addressed in this Request for Proposal.

B Opportunity Description

Introduction

We are pleased to invite your firm to submit a written proposal to provide a diagnostic assessment outlining the impact to implement International Financial Reporting Standards, as well as a project plan to facilitate implementation within Oakville Hydro Corporation.

Background:

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will be required by 2011 for publicly accountable profit-oriented organizations. Oakville Hydro Corporation and its affiliate companies. ("OHC") are preparing to implement IFRS by the changeover date and needs to assess the impact of this change on the organization.

Overview:

Oakville Hydro Corporation serves the electrical energy, data communications and specialized construction needs of residential, commercial and industrial customers in one of the fastest growing and most prosperous regions of Ontario through its four well integrated and complementary divisions: Oakville Hydro Electricity Distribution Inc.; Oakville Hydro Energy Services Inc.; Blink Communications Inc.; and El-Con Construction Inc.

Oakville Hydro Electricity Distribution Inc. (OHEDI), regulated by the Ontario Energy Board, is the electricity distribution company. Using a sophisticated network of remotely switched power lines of approximately 1,400 km, OHEDI has reliably delivered energy to homes and businesses for over a century. OHEDI offers customer service to developers and consumers, as well as designs, builds and maintains Oakville's state-of-the-art power distribution system.

Oakville Hydro Energy Services Inc. (OHESI), offers a wide range of innovative products and services. For example, OHESI generates renewable electricity from landfill gas. It also enables condominium owners to achieve significant reduction in energy consumption through the conversion to in-suite Smart meters.

Blink Communications Inc., also a competitive company, connects Oakville, Mississauga, and Milton businesses to the world through its high-speed, high-volume fibre optic communications network. Blink's advanced fibre optic network is a secure, fast and cost-effective solution for transmitting voice, video and data throughout Oakville and around the world. Blink builds networking solutions designed to grow with the customer.

El-Con Construction Inc. is a full service underground utility construction company. The locating division employs the most up to date technology to provide customers with accurate and timely job locates. The construction division offers a wide variety of services to the excavating, directional drilling and civil construction industries. Whether installing new services to residential, commercial and industrial customers or replacing aging infrastructure for surrounding utilities, El-Con ensures that all its projects are executed in the safest most cost effective manner.

Requirement:

In preparation of the change to IFRS, OHC requires a diagnostic assessment of the impact that this change in reporting practice will have on the organization and in particular, on the financial reporting areas, the business functions (including business processes and internal controls) and the information technology systems.

The assessment will provide a detailed comparison of the company's current accounting practices to IFRS, outlining impacted areas within OHC. Relevant information needed to perform the assessment will be gathered utilizing the financial information provided by OHC and through a series of interviews and workshops to understand stakeholder's needs and to assess the current accounting practices within OHC.

A high level project plan should be developed which will outline the scope of the conversion project, the key phases, respective timeframes and key information required. It is expected that the deliverables from the diagnostic assessment will include the identification and documentation of the areas impacted by IFRS. The documentation provided will include:

- Impact on the financial reporting areas and the respective stakeholders as a result of the implementation of IFRS - including a needs assessment.
- Impact on the information technology areas to implement IFRS and the possible system changes.
- Impacts to the business functions to implement IFRS – i.e. how this project plan will integrate with other organizational initiatives underway.
- The identification of various options available under IFRS (if applicable), and key decisions required on selecting policies.
- Auditor involvement and concurrence with the adoption of IFRS changes
- The identification of the training and communication requirements organization and stakeholder wide – including development of the appropriate documentation and tools.
- The identification of the implementation and execution activities and staffing required including running systems in parallel prior to IFRS being effective.

As part of the final deliverable of this phase, we also request an outline of the activities required to execute the project plan. This outline will identify pre-conversion work-steps, activities around preparation of opening balance sheet on transition, high level steps to execute financial statement preparation, possible impacts to reconciliations, resources to assess staff IFRS knowledge, associated requirements within other impacted areas such as information technology, taxation, regulatory affairs, etc., and key revisions to accounting policies.

The assessment will be presented to Executive Management and impacted Senior Management.

Proponent Considerations:

In outlining your diagnostic assessment and project plan, please include the following:

- Proposed approach including reference to experiences from similar engagements;
- Preliminary timelines, information requirements, major milestones and deliverables within the diagnostic assessment;
- Your expertise and experience related to other local electricity distribution companies or organizations operating in a rate-regulated environment;
- Global knowledge and resources that can provide advice from conversions of rate-regulated companies in Europe;
- Other areas of expertise and experience that may bring to bear on the effectiveness of the engagement;

- Proposed professional fees including estimated hours and estimated reimbursable expenses to conduct the diagnostic assessment;
- Preliminary timelines, information requirements, major milestones and deliverables related to the project plan and the execution thereof;
- Proposed professional fees including estimated hours and estimated reimbursable expenses to prepare and execute the project plan.

The proponent should also outline the approach for the remaining phases and if selected, how they can assist in the IFRS conversion project.

Selection Process & Timeline:

January 7, 2009	Release of RFP
January 30, 2009	Submissions delivered by 3:00 pm
Feb 2 – Feb 6, 2009	Presentations made
Feb 16, 2009	Selection of successful bidder

Conflict of Interest

All firms are required to disclose in their RFP submission any potential conflict of interest.

If, in the opinion of the selection committee, a conflict of interest does exist as referred to above, the committee may, at its discretion, withhold the assignment from the Proponent.

Questions related to this request for proposal may be directed Lesley Gallinger at (905) 825-4444.

OAKVILLE HYDRO CORP.

PROPOSAL NO. RFP-09-01

SEALED PROPOSALS, in the envelope provided, clearly marked as to contents, will be received by the Manager, Purchasing & Facilities, Oakville Hydro Corp., 861 Redwood Square, Oakville, Ontario, L6L 6N3, until 3:00 PM local time January 30, 2009.

FOR: DIAGNOSTIC ASSESSMENT AND PROJECT PLANNING PHASE OF IFRS IMPLEMENTATION WITHIN OAKVILLE HYDRO CORP.

If further technical information is required, please contact:

Lesley Gallinger
VP, Finance and Administration
Oakville Hydro Corp.
861 Redwood Square
Oakville, ON L6L 6N3
(905) 825-4444
lgallinger@oakvillehydro.com

Additional documentation related to the RFP can only be obtained by formal request as specified. All responses will be forwarded to all proponents partaking in the RFP process.

Any inquiries relating to the Proposal Document and Procedures should be addressed to:

Corey Dowie, Manager, Purchasing and
Facilities Oakville Hydro Corp. 861
Redwood Square, Oakville, ON L6L 6N3

Telephone: 905-825-4456
cdowie@oakvillehydro.com

Oakville Hydro Corp. reserves the right to accept or reject all or part of any Proposal and also reserves the right to accept other than the lowest Proposal.

OAKVILLE HYDRO CORP.

Proposal Number: **RFP – 09 – 01**

FOR: DIAGNOSTIC ASSESSMENT AND PROJECT PLANNING PHASE OF IFRS
IMPLEMENTATION WITHIN OAKVILLE HYDRO CORP.

THIS PROPOSAL IS SUBMITTED BY:

ADDRESS:

TELEPHONE:

FAX NO.:

PROPONENT G.S.T. No.:

PERSON(S) SIGNING ON BEHALF: (print)

POSITION(S) OF THE PERSON(S): (print)

To Oakville Hydro Corp., Hereafter called "Owner":

I/WE the undersigned declare:

1. THAT no Person(s), Firm or Corporation other than the one whose signature(s) of whose proper officers and the seal is or are attached below has any interest in this Proposal or in the contract proposed to be taken.
2. THAT this Proposal is made without any connections, knowledge, comparison of figures or arrangements with any other company, firm or person making a Proposal for the same work and is in all respects fair and without collusion or fraud.

THE Proponent insures that no Owner and or employee of the Oakville Hydro Corp., is, or has become interested, directly or indirectly, as a Contracting Party, Partner, Stockholder, surety or otherwise howsoever in or on the performance of the said contract, or in the supplies, work or business in connection with the said contract, or in any portion of the profits thereof, or of any supplies to be used therein, or in any monies to be derived there-from.

3. THAT the several matters stated in the said Proposal are in all respects true.
4. THAT I/WE have carefully examined the requirement(s), as well as all the Instructions to Proponents, Project Definition, Proposal Form, and Appendices relating thereto, prepared, submitted and rendered available by the Owner and hereby acknowledge the same to be part and parcel of any contract to be let for the work therein described or defined.
5. THAT I/WE do hereby Propose and offer to enter into a contract to deliver all work as described or implied therein including in every case freight, duty, exchange, G.S.T. and P.S.T. in effect on the date of the acceptance of Proposal, and all other charges on the provisions therein set forth and to accept in full payment therefore, the sums calculated in accordance with the actual measured quantities and unit prices set forth in the Proposal herein.
6. THAT any and all Addendum/Addenda which relate to the said contract and Proponent hereby accepts and agrees to the same as forming part and parcel of the said contract.
7. THAT additions or alterations to or deductions from the said contract, if any, shall be made in accordance with the prices stated in the Schedule of Items of Unit Prices in strict conformity with the requirements of the Contract.

8. THAT this offer is irrevocable and open to acceptance until the formal contract is executed by the awarded Proponent for the said requirement(s) or ninety (90) working days, and unit prices for as long as stated elsewhere in the document, whichever event first occurs and that the Owner may at any time within that period without notice, accept this Proposal whether any other Proposal has been previously accepted or not.

9. THAT the awarding of the contract, by the Owner is based on this submission which shall be an acceptance of this Proposal.

10. THAT I/WE also understand that the Owner reserves the right to accept or reject all or part of this Proposal or any other and also reserves the right to accept other than the lowest Proposal.

The undersigned affirms that he/she is duly authorized to execute this Proposal.

PROPONENT'S SIGNATURE AND SEAL:

POSITION:

WITNESS:

POSITION:

(If Corporate Seal is not available, documentation should be witnessed)

DATED AT _____
(City/Town)

THIS _____ DAY OF _____ 20__ .



KPMG LLP
Chartered Accountants
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Fax (905) 523-2222
Internet www.kpmg.ca

PERSONAL AND CONFIDENTIAL

By Email: (dsweezie@oakvillehydro.com)

Mr. Dave Sweezie
Corporate Controller
Oakville Hydro Corporation
861 Redwood Square
Oakville, ON L6J 5E3

November 10, 2009

Dear Mr. Sweezie:

Disclosure of KPMG Information

We are writing in response to your email of November 9, 2009 to Ms. Lois Ouellette and Mr. Barry Frieday in which you requested a copy of KPMG's Bid and KPMG's Contract with Oakville Hydro Corporation ("OHC") (collectively referred to as the "Documents"). We have enclosed a copy of the Documents on which we have redacted certain information, as it is confidential and should not be available to the public for the reasons highlighted below.

The information KPMG objects to disclosure to as further detailed below is considered by KPMG to be trade secrets and financial and commercial information that was supplied in confidence to the OHC for the sole purpose of providing the professional services required by OHC.

A. Names of KPMG Personnel

The names of KPMG staff that will be assisting with the engagement are supplied on a confidential basis and are expected to remain confidential. Our commerce is our knowledge, especially our staff. Rendering this information public could be used by KPMG's competitors and headhunters who have been known to recruit professional staff in this way. Disclosure of this information could significantly prejudice KPMG's position and result in gains to competitors and headhunters.

B. Hourly Rates in Contract

KPMG does not object to the disclosure of our total fees charged to OHC; however we do object to disclosure of our hourly rates and detailed hours by position and activity as this would enable KPMG's competitors to having information on the amounts charged for the services provided by KPMG and could potentially enable them to have information regarding KPMG's profit per project, and profit per staff.



Disclosing such information would significantly prejudice KPMG's competitive position, which could be expected to significantly prejudice the economic interest of KPMG vis-à-vis our competitors on services provided to the OHC and in the market place generally. Disclosure of such information will provide a financial advantage to such competitors who could use this information in connection with future work with the OHC or other public sector entities and may also be used to target recruitment of KPMG's staff.

C. Detailed Terms and Conditions

KPMG objects to the disclosure of its detailed terms and conditions as disclosing such information would significantly prejudice KPMG's competitive position, which could be expected to significantly prejudice the economic interest of KPMG vis-à-vis our competitors on services provided to the OHC and in the market place generally. Disclosure of such information will provide a financial advantage to such competitors who could use this information to KPMG's disadvantage.

* * * * *

On the basis of the foregoing we request that the Corporation refuse to disclose the above portions of the Documents.

We request that this letter be kept confidential.

I trust the foregoing to be satisfactory; however, should you have any questions or concerns, please do not hesitate to contact me.

Yours truly

A handwritten signature in black ink, appearing to read "Frieday", with a large, sweeping flourish underneath.

Barry F. Frieday
Partner
905-523-2212

Enclosure



KPMG LLP
Chartered Accountants
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Fax (905) 523-2722
Internet www.kpmg.ca

Ms. Lesley Gallinger
VP, Finance and Administration
Oakville Hydro Corporation
861 Redwood Square
Oakville, ON L6L 6N3

March 23, 2009

RECEIVED
MAR 25 2009

OAKVILLE HYDRO
EXECUTIVE OFFICES

Dear Ms. Gallinger

RE: IFRS CONVERSION PROJECT

The purpose of this letter is to outline the terms of our engagement to provide professional services to assist management of Oakville Hydro Corporation ("OHC" or the "Company") with its International Financial Reporting Standards ("IFRS") conversion project.

The attached terms and conditions form an integral part of the terms of this engagement letter and are incorporated herein by reference.

BACKGROUND

The Canadian Accounting Standards Board ("AcSB") has announced that publicly accountable enterprises will be required to convert from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS for use in the preparation of their financial statements. The expected date for conversion is 2011. Accordingly, beginning with the Company's financial year ended December 31, 2011, OHC is likely to be required to prepare its consolidated financial statements in accordance with IFRS. Management of OHC has therefore decided to initiate a project to address the conversion from Canadian GAAP to IFRS.

The conversion project scope is based on the Company's consolidated group comprised of the following:

- Oakville Hydro Corporation
- Oakville Hydro Electricity Distribution Inc.;
- Oakville Hydro Energy Services Inc.;
- Golden Horseshoe Metering Systems Inc.;
- Blink Communications Inc.;
- Mississauga Oakville Telecom Inc.; and
- El-Con Construction Inc.

OBJECTIVES AND SCOPE

The scope of our engagement is outlined in Appendix A.

ENGAGEMENT TEAM

Engagement Partner: [REDACTED] will be responsible for the overall quality of service OHC receives during the conduct of this engagement.

Engagement Managers: [REDACTED] and [REDACTED] will be the primary resources for coordinating our services including all client work and deliverables.

IFRS Partner: [REDACTED] will be responsible for technical assistance and specialty advisory work, as well as quality control of deliverables.

Engagement Staff

We will also assign professionals with the necessary skills and experience to assist with on-site fieldwork as appropriate.

TIMING AND PROFESSIONAL FEES

We understand that this engagement is for Phase 2 - Detailed Assessment.

We are prepared to begin our work upon receipt of a signed copy of this engagement letter and at a time mutually determined by OHC and KPMG.

Our professional fees for Phase 2, as defined in Appendix B, are based upon the specified skill level of the professionals providing the services and the amount of time and materials required to complete each activity. The estimated fees for the engagement will be as follows;

	Estimated Hours	Quoted Fees
Phase 2 – Detailed Assessment	280	\$81,000

Our fees will be billed on a monthly basis based on the hourly rate of each professional working on this engagement and our invoices are due upon receipt.

We will notify you of any circumstance that may warrant additional time and expense, and we will obtain your approval for additional billings before proceeding. Should additional services be required, our rates would be applied as follows:

Level	Rate
Partner	
IFRS Partner	
Senior Manager	
Managers	

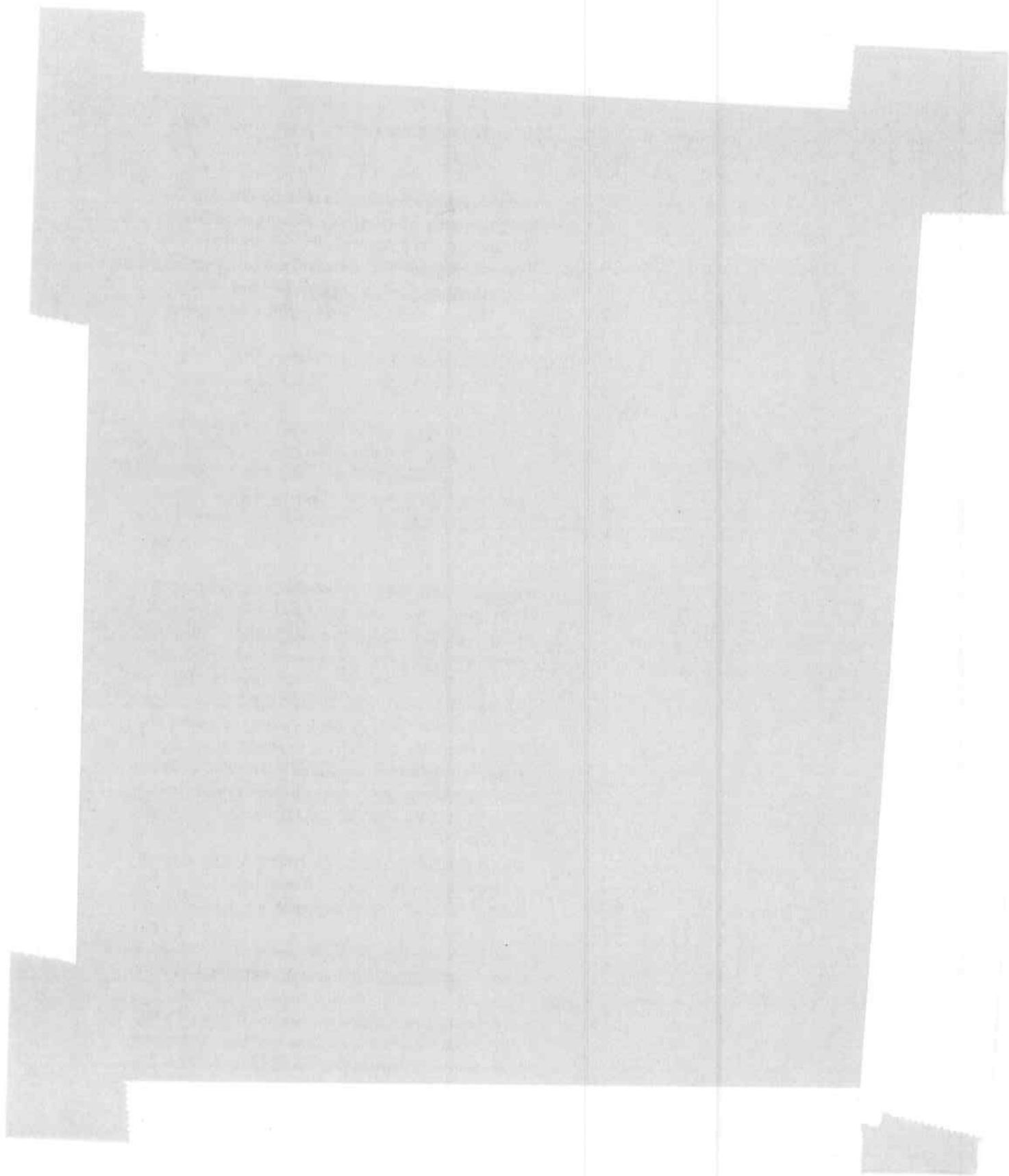
In addition to professional fees, KPMG will be reimbursed for out-of-pocket expenses. Out-of-pocket expenses include, but are not limited to, airfare, meals, accommodations, and administrative expenses. Our routine administrative expenses such as photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance will be incrementally charged on the basis of a flat rate of 5% of the engagement fee. Travel and out-of-pocket expenses will be billed at cost and not exceed \$7,000 for the duration of Phase 2.

Our professional fees are exclusive of GST. Accordingly, the appropriate amount of tax will be computed and shown separately on our invoices, together with our firm's GST registration number, so that you will have the information required to claim an input tax credit.

Our rates are subject to revision each year on October 1st for the subsequent twelve month period. Consequently, when available, we will notify you of the revised hourly rates for the twelve month period beginning October 1, 2009, through an addendum to our engagement letter.

TERMS AND CONDITIONS

The attached Terms and Condition are incorporated by reference (Appendix C).



* * * * *

If the terms of this engagement letter as set forth above are acceptable to you, please indicate your acceptance and authorization for KPMG to proceed with the related work by signing both copies of this letter in the appropriate space and returning one of the originals to us.

Very truly yours,

KPMG LLP


Partner


Enclosures:

Appendix A – Detailed IFRS Project
Activities

Appendix B - Detailed Project Budget
Appendix C- Terms and Conditions for
Advisory Services

The arrangements and terms set out are as agreed:

OAKVILLE HYDRO CORPORATION

By:

Lesley Gallinger
Lesley Gallinger, VP, Finance and Administration

Date:

3/30/2009

Appendix A: Detailed IFRS Project Activities:

Phase 2: Detailed Assessment Phase

The objectives of Phase 2 are to provide OHC with a detailed assessment of potential impacts by work stream (Accounting & Reporting, Systems & Processes, Business, and People) related to the conversion to IFRS based on the priorities identified under Phase 1 and to assist OHC in developing the detailed work plans, budgets and timelines, including the identification of required resources.

Additionally, part of our original Phase 1 plan was to present the Quick Scan and Complexity Meter to the Audit Committee. This will either be presented at the start of Phase 2, or KPMG will attend an equivalent time allotment of status update meetings – this is to be confirmed by OHC.

During this phase, the project team will make use of KPMG's available assessment tools to conduct a thorough assessment. The following is a summary of the key project activities within each work stream:

Accounting & Reporting Work Stream

The detailed assessment within the Accounting & Reporting work stream will involve focusing on:

- A gap analysis using the Accounting and Disclosure Matrix – This analysis will build on the initial diagnostic performed during Phase 1 and involves a systematic detailed analysis of the differences and gaps between OHC's current accounting treatment and IFRS relating to the areas of general issues, balance sheet items, income statement items, disclosure requirements and special topics grouped by GAAP reference, topic and subtopic within each relevant accounting section. The matrix is used for both accounting and disclosures requirements under IFRS.
- IFRS 1 analysis – IFRS 1 allows certain elective exemptions to reduce the burden of applying IFRS standards retroactively to past transactions. The IFRS 1 analysis will assess these available options, including the proposed new exemption for regulated industries, and the impact of these choices.
- IFRS accounting policy choices – A number of IFRS standards provide flexibility and choices in accounting treatments in addition to the transition considerations under IFRS 1. While carrying out the detailed accounting and reporting analysis, the impact on financial reporting based on the available accounting options will be analyzed. In performing this analysis, KPMG will work with OHC to also perform a directional financial impact assessment on the Company's balance sheet and income statement.
- We will also meet with management to discuss the gap analysis.

System & Process Work Stream

In parallel and close coordination with the Accounting & Reporting work stream activities, we will assist your team to conduct a high level assessment of the impact of IFRS conversion on OHC's systems, processes and controls. This will include performing:

- High level IT Systems Impact assessment – The key focus of this assessment will be on addressing the level of flexibility for changes in the current system's chart of accounts, mapping, functionality and suitability based on system requirements identified in the accounting, disclosure and business impact assessments as well as the impact that IFRS conversion will have on current data-gathering processes in terms of areas where additional data is required. Additionally, we will provide observations on where key controls are potentially at risk or will change with the implementation of IFRS.

Business Work Stream

This work stream considers the high level impact of IFRS conversion on other aspects of the business outside the finance and system departments including:

- Regulatory impact assessment – This assessment will consider the impact of IFRS will have on OHC's rate submission processes.
- Business and Financial Contract assessment – IFRS will impact a number of areas of the business which will be assessed (e.g. loans, notes and agreements with the City, leases)
- High level Budget Process Impact Assessment – This assessment will consider impact to OHC's budgeting process.
- High level Performance Metrics Impact Assessment – This assessment will consider impact to OHC's performance metrics.

People Work Stream

Alongside the other work streams, we will consider the impact of all changes on OHC's people by performing the following activities:

- Assist with the development of an initial training strategy that summarizes the type of training, delivery method, proposed audience, location and timing. The extent of training will encompass the team's assessment of the staff's knowledge of the accounting technical standards.
- Provide advice and guidance to management when considering the impact IFRS will have on management compensation plans.

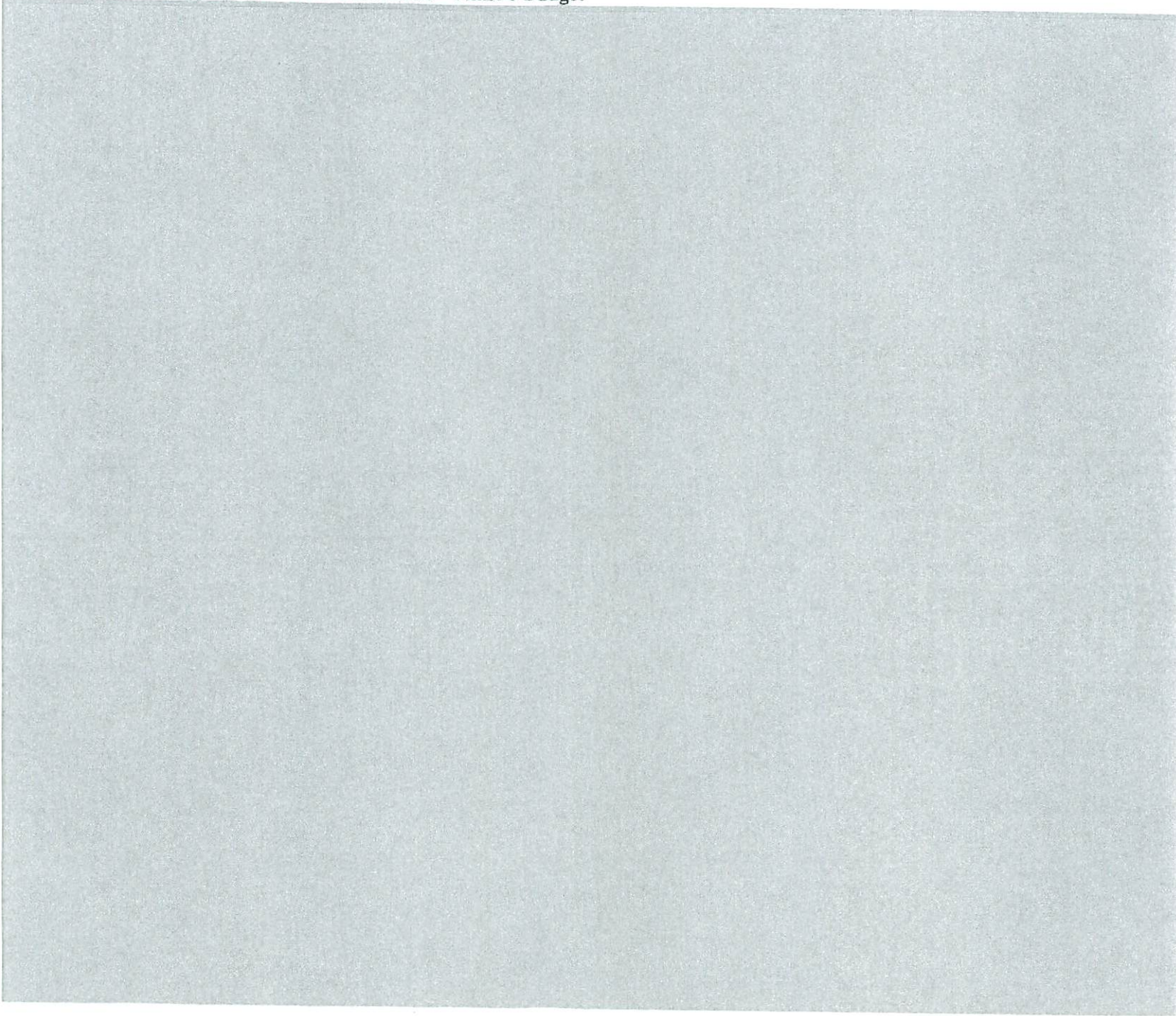
Project Management

- Assist management in the project planning and monitoring.
- Track project progress and maintain an issues log.
- At the conclusion of the detailed assessment phase the focus will be to prepare a high level plan and budget for Phases 3 and 4, the Design and Implementation phases.
- Meeting with management to discuss issues raised regarding Phase 3 and 4 plan and other issues.

Key deliverables for this phase will be:

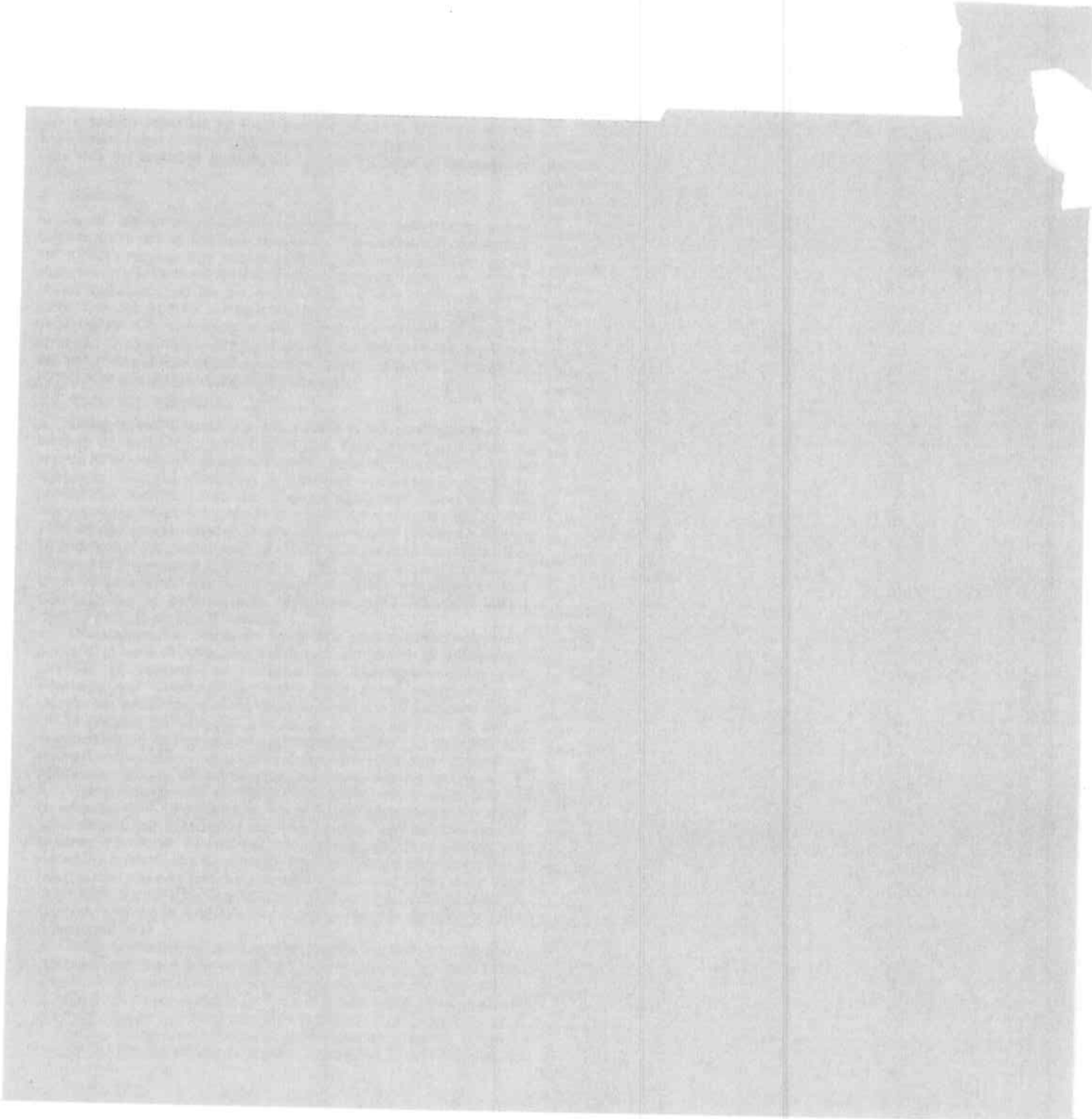
- Report summarizing the high level impact areas including:
 - Key accounting and disclosure differences
 - Assessment of IFRS 1 and accounting policy choices available
 - High-level IT impact assessment
 - Assessment of Business and Financial Contract impact, regulatory reporting and budgeting process
- Training strategy plan
- High level plan and budget for Phase 3 and 4 and meeting with management to discuss the plan.

Appendix B: IFRS Conversion – Phase 3 Budget



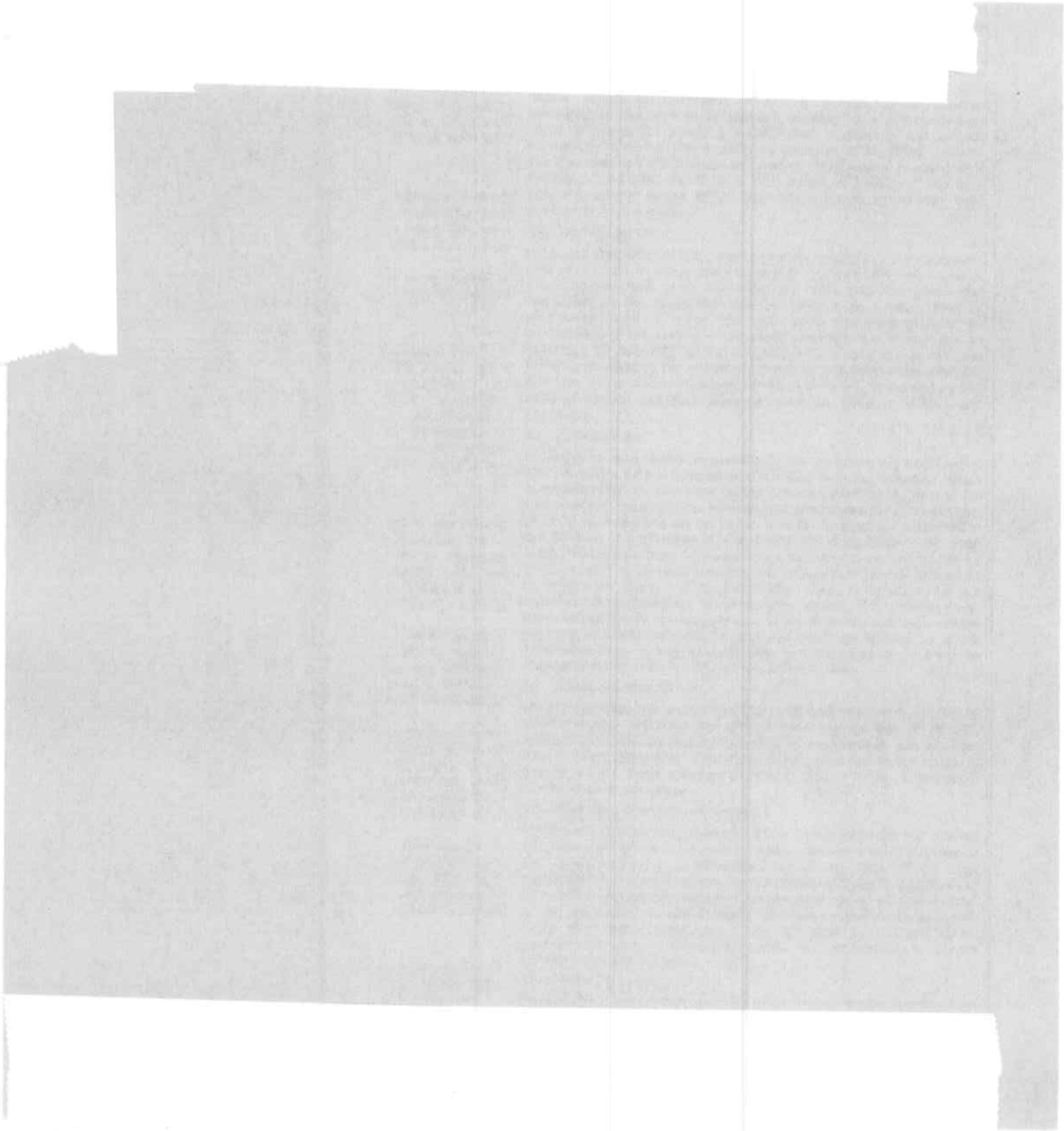


TERMS AND CONDITIONS FOR ADVISORY





TERMS AND CONDITIONS FOR ADVISORY





TERMS AND CONDITIONS FOR ADVISORY



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Fax: (905) 523-2222
Internet: www.kpmg.ca

Private and Confidential

Ms. Lesley Gallinger
VP, Finance and Administration
Oakville Hydro Corporation
861 Redwood Square
Oakville, ON L6L 6N3

September 11, 2009

Dear Ms. Gallinger

RE: IFRS CONVERSION PROJECT

The purpose of this letter is to outline the terms of our engagement to provide professional services to assist management of Oakville Hydro Corporation ("OHC" or the "Entity") with its International Financial Reporting Standards ("IFRS") conversion project.

The attached terms and conditions form an integral part of the terms of this engagement letter and are incorporated herein by reference.

BACKGROUND

The Canadian Accounting Standards Board ("AcSB") has announced that publicly accountable enterprises will be required to convert from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS for use in the preparation of their financial statements. The expected date for conversion is 2011. Accordingly, beginning with the Entity's financial year ended December 31, 2011, OHC will be required to prepare its consolidated financial statements in accordance with IFRS. Management of OHC has initiated a project to address the conversion from Canadian GAAP to IFRS.

The conversion project scope is based on the Company's consolidated group comprised of the following:

- Oakville Hydro Corporation
- Oakville Hydro Electricity Distribution Inc.;
- Oakville Hydro Energy Services Inc.;
- Golden Horseshoe Metering Systems Inc.;
- Blink Communications Inc.;
- Mississauga Oakville Telecom Inc.; and
- El-Con Construction Inc.

OBJECTIVES AND SCOPE

The scope of our engagement is outlined in Appendix A.

ENGAGEMENT TEAM

Engagement Partner: [REDACTED] will be responsible for the overall quality of service OHC receives during the conduct of this engagement.

Engagement Managers: [REDACTED] and [REDACTED] will be the primary resources for the technical IFRS accounting work stream for OHC and will participate in the training aspects of the engagement. [REDACTED] will be the IFRS Conversion Lead and will be responsible for the day-to-day delivery and coordinating our services, including all client work and deliverables. She will also have an integral role in the analysis of the business and process implications. [REDACTED] will assist [REDACTED] in the delivery of our services including client work, deliverables and the analysis of the business and process implications.

Advisory Partner: [REDACTED] will be responsible for technical assistance and specialty advisory work, as well as quality control of deliverables.

Engagement Staff: We will also assign professionals with the necessary skills and experience to assist with on-site fieldwork as appropriate.

TIMING AND PROFESSIONAL FEES

We understand that this engagement is for Phase 3 – Design and Phase 4 - Implementation.

We anticipate that our work will take place from August 2009 through to the crossover date to IFRS being January 1, 2011.

Our professional fees are based upon the specified skill level of the professionals providing the services and the amount of time and materials required to complete the engagement. The fee for this engagement is \$197,120 plus out of pocket expenses. Our fees will be billed on a monthly basis based on the hourly rate of each professional working on this engagement and our invoices are due upon receipt.

Our fees for these phases of the engagement are set out in Appendix B, are based on our estimate of hours required to complete each specified activity.

We will notify you of any circumstance that may warrant additional time and expense, and we will obtain your approval for additional billings before proceeding. Should additional services be required, our rates would be applied as follows:

Level	Hourly Rate
Partner	
IFRS Partner	
Senior Managers	
Staff	

In addition to professional fees, KPMG will be reimbursed for out-of-pocket expenses. Out-of-pocket expenses include, but are not limited to mileage and administrative expenses. Our routine administrative expenses such as photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance will be incrementally charged on the basis of a flat rate of 5% of the engagement fee.

Our professional fees are exclusive of GST. Accordingly, the appropriate amount of tax will be computed and shown separately on our invoices, together with our firm's GST registration number, so that you will have the information required to claim an input tax credit.

Our rates are subject to revision each year on October 1st for the subsequent twelve month period. Consequently, when available, we will notify you of the revised hourly rates for the twelve month period beginning October 1, 2009, through an addendum to our engagement letter. We will hold the current rates noted above until April 1, 2010. Revised hourly rates to be provided in the addendum to this engagement letter will take effect for work performed after April 1, 2010. The rate changes described in this paragraph will be applicable to billings related to work that is in addition to that described in Appendix A.

TERMS AND CONDITIONS

In addition to our Advisory Terms and Conditions set out in Appendix C, the following responsibilities and conditions are understood:

* * * * *

If the terms of this engagement letter as set forth above are acceptable to you, please indicate your acceptance and authorization for KPMG to proceed with the related work by signing both copies of this letter in the appropriate space and returning one of the originals to us.

Very truly yours,

KPMG LLP

[REDACTED]
KPMG LLP

Partner
[REDACTED]

Enclosures:

Appendix A - Detailed IFRS Project
Activities

Appendix B - Detailed Project Budget

Appendix C - Terms and Conditions for
Advisory and Tax Services

The arrangements and terms set out are as agreed:

Oakville Hydro Corporation

By: Lesley Gallinger

Lesley Gallinger, VP, Finance and Administration

Date: SEPT 21/09

Appendix A: Phases 3 & 4: Approach & Deliverables:

Phase 3 - Design Phase

The focus of the Design Phase is to build the tools required for the conversion based on management's decisions around accounting choices and the related disclosures. During this phase, the changes to be implemented relating to Accounting & Reporting, Systems & Processes, People and other affected Business aspects will also need to be designed, including but not limited to, changes to contracts, KPIs, internal reporting, etc.

The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational project plan for finalization of actions to be taken during the Implementation Phase.

The objectives of the Design Phase are to assist OHC in building the tools required for the conversion based on management's decisions made during this phase around changes to accounting, systems, processes, and other affected business aspects.

The following is a summary of the key project activities within each work stream:

Accounting and Reporting Work Stream

- Provide technical accounting advice and interpretation of accounting principles including information around experiences of others in the industry to support management's accounting policy decisions. This assistance will be provided through attendance at meetings or conference calls to discuss topic areas for approximately 130 hours. Most of this time will be provided at the senior manager level.
- Provide IT technical input for changes required for PP&E. Budgeted time 6 hours provided at the manager level.
- Review policy decisions and documents as conclusions are reached. The scope of the work includes an initial review as well as the review of one revision.
- Provide draft mock-up financial statements (shells). Numbers will be calculated and inserted by management.

System and Processes Work Stream

- Discussions regarding changes and enhancements to OHC's processes and systems. This will involve changes to the data gathering and reporting processes. Review changes to internal controls as a result of the impact of IFRS. This assistance will be provided through attendance at meetings or conference calls for approximately 28 hours. This time will be provided at the senior manager level.

Business Work Stream

- Review the design of planned changes to the contractual arrangements impacted by the conversion (e.g., reporting requirements, performance criteria, debt covenants, bonus plan).
- Review management's assessment of the regulatory matters impacted by the conversion (e.g. Distribution rate applications, regulatory reporting).

People Work Stream

- Provide 7 group training sessions on the following topics:
- Rate-regulated Activities Exposure Draft and OEB report
- Components and depreciation
- Burdens
- Decommissioning and dismantling liabilities
- Borrowing costs and pre-construction costs
- Leases, related party transactions, derecognition
- Other topic of interest/relevance

Project management

As these design activities progress, the engagement team will:

- Report budget to actual time and discuss progress against budget to identify areas where more or less KPMG involvement may be needed.
- Co-ordinate KPMG's involvement in accounting topic areas as described in the accounting and reporting workstream.
- Work with the project manager to revise and update the high level project conversion plan as necessary as a result of the design assistance.
- Carry out the relevant project management communications with the OHC project team, audit team, and other relevant stakeholders on a timely basis.

Key deliverables from this phase will be:

- Hold seven 2 hour training workshops
- Mock-up financial statements
- Budget to actual time analysis monthly
- Review comments on policy decisions, documents and conclusions
- Accounting technical assistance as described above
- IT technical assistance as described above

Phase 4 - Implementation Phase

The Implementation Phase is about execution. The roll-out of the designed changes takes place during this phase and we work with OHC to help facilitate that process and the complexities of dealing with multiple implementation dynamics.

The objectives of the Implementation Phase are to assist OHC in rolling out the conversion from Canadian GAAP to IFRS.

The following is a summary of the key project activities within each work stream that KPMG would assist OHC in the execution of IFRS implementation.

Accounting & Reporting Work Stream

- Assistance with format of Financial Statement.
- Assistance with drafting the required note disclosures to the 2011 Financial Statement with comparative figures.
- Review December 31, 2011 Financial Statement.
- Review retroactive restatement of 2010 Financial Statement.
- Review January 1, 2010 opening Balance Sheet.

System & Process Work Stream

- No assistance provided in this phase.

Business Work Stream

- Review designed changes to budget process to support IFRS.

People Work Stream

- Audit committee training on IFRS compliant Financial Statement – one session, 4 hours, 2 KPMG representatives.

Project Management

As the project progresses, the team will:

- Continue reporting of budget to actual time on the project.
- Co-ordinate KPMG's involvement in the review of draft Financial Statement.
- Work with the project manager to co-ordinate delivery of audit committee training.
- Carry out the relevant project management communications with the OHC project team, audit team, and other relevant stakeholders on a timely basis.

Key deliverables from this phase will be:

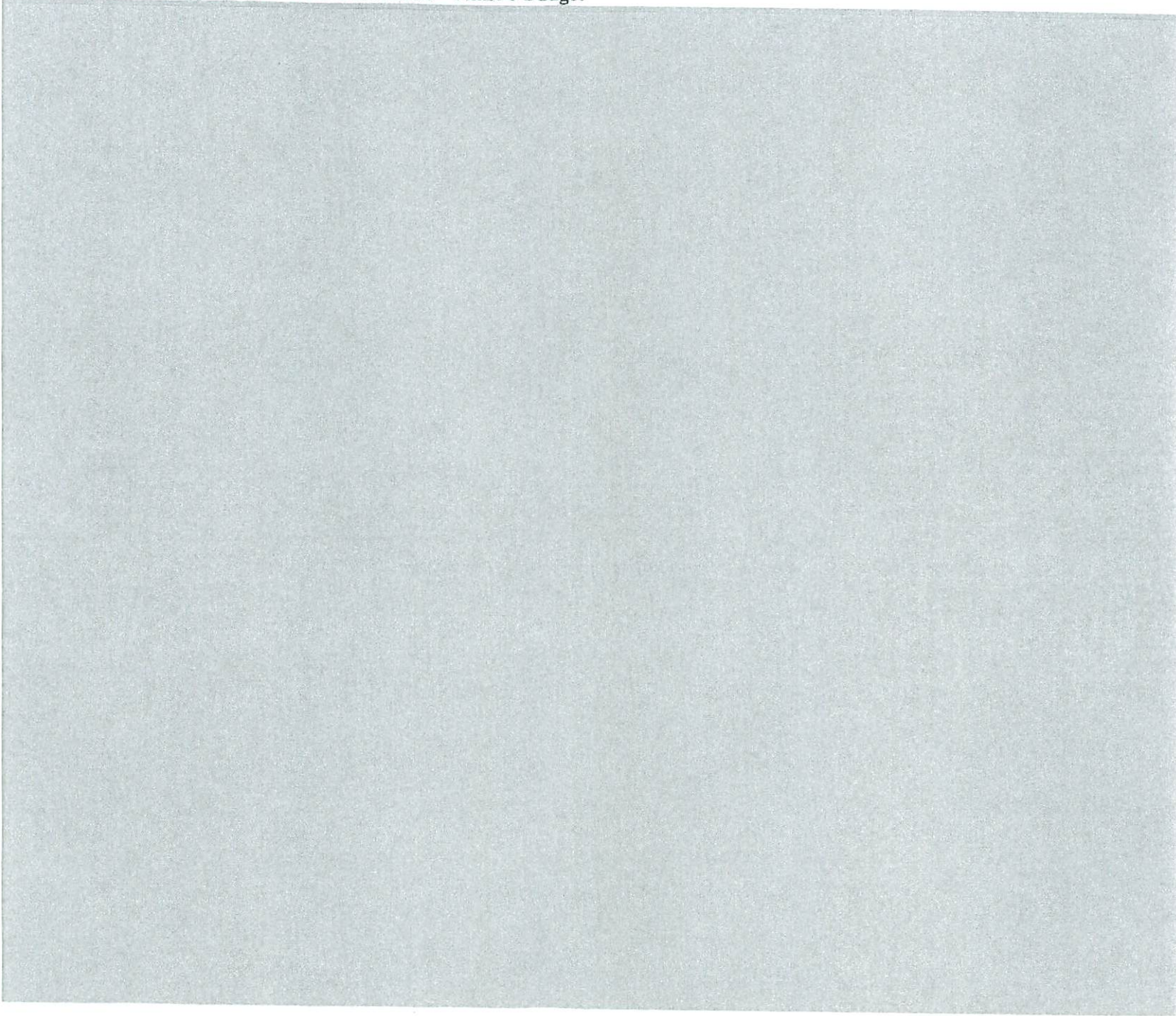
- Draft notes to the December 31, 2011 Financial Statement.
- Audit committee technical training on IFRS compliant Financial Statement.

- Review comments on the following:
- December 31, 2011 Financial Statement
- Retroactive restatement of December 31, 2010 Financial Statement
- January 1, 2010 opening Balance Sheet
- Periodic budget to actual time analysis

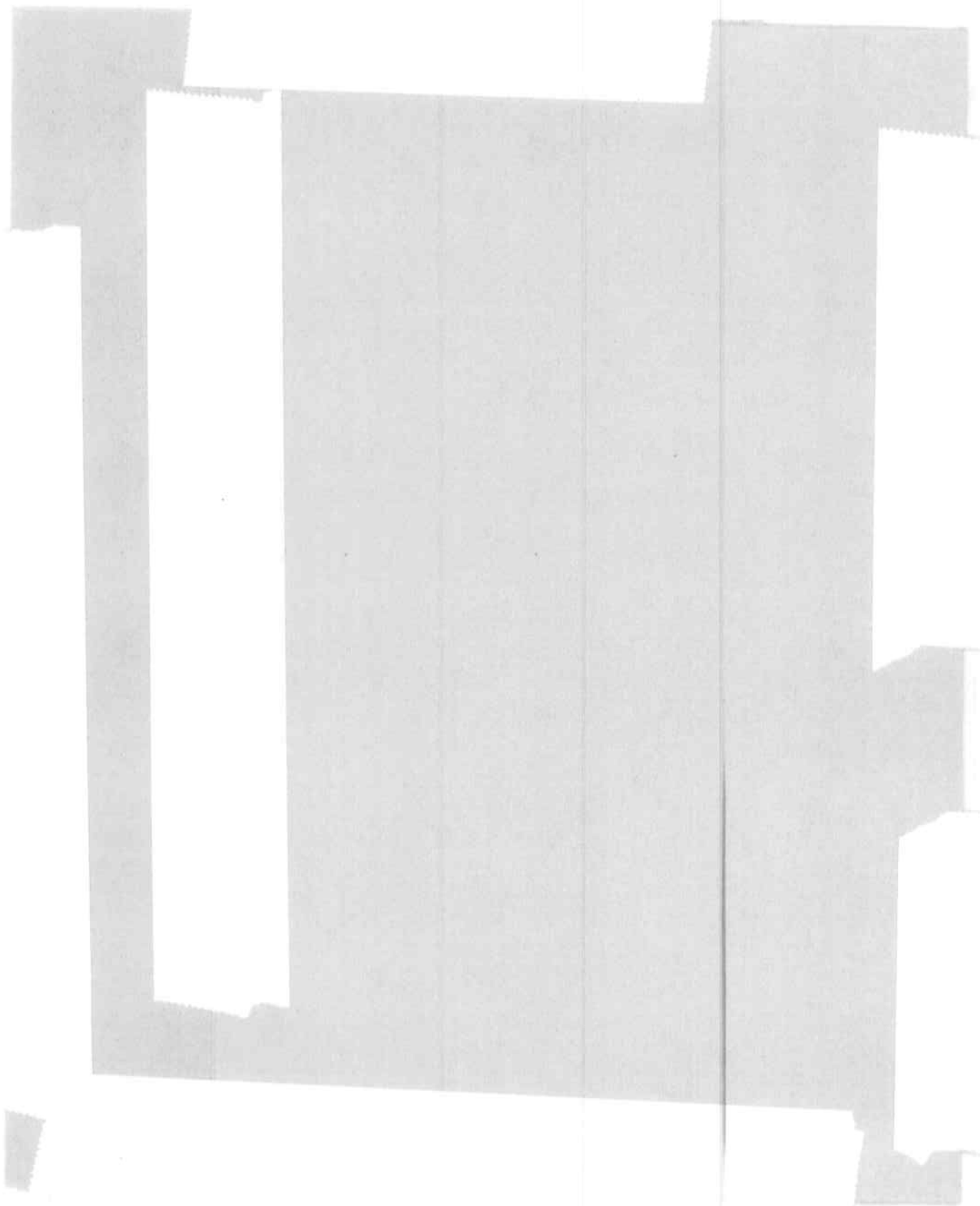
Tasks excluded from the scope of this engagement

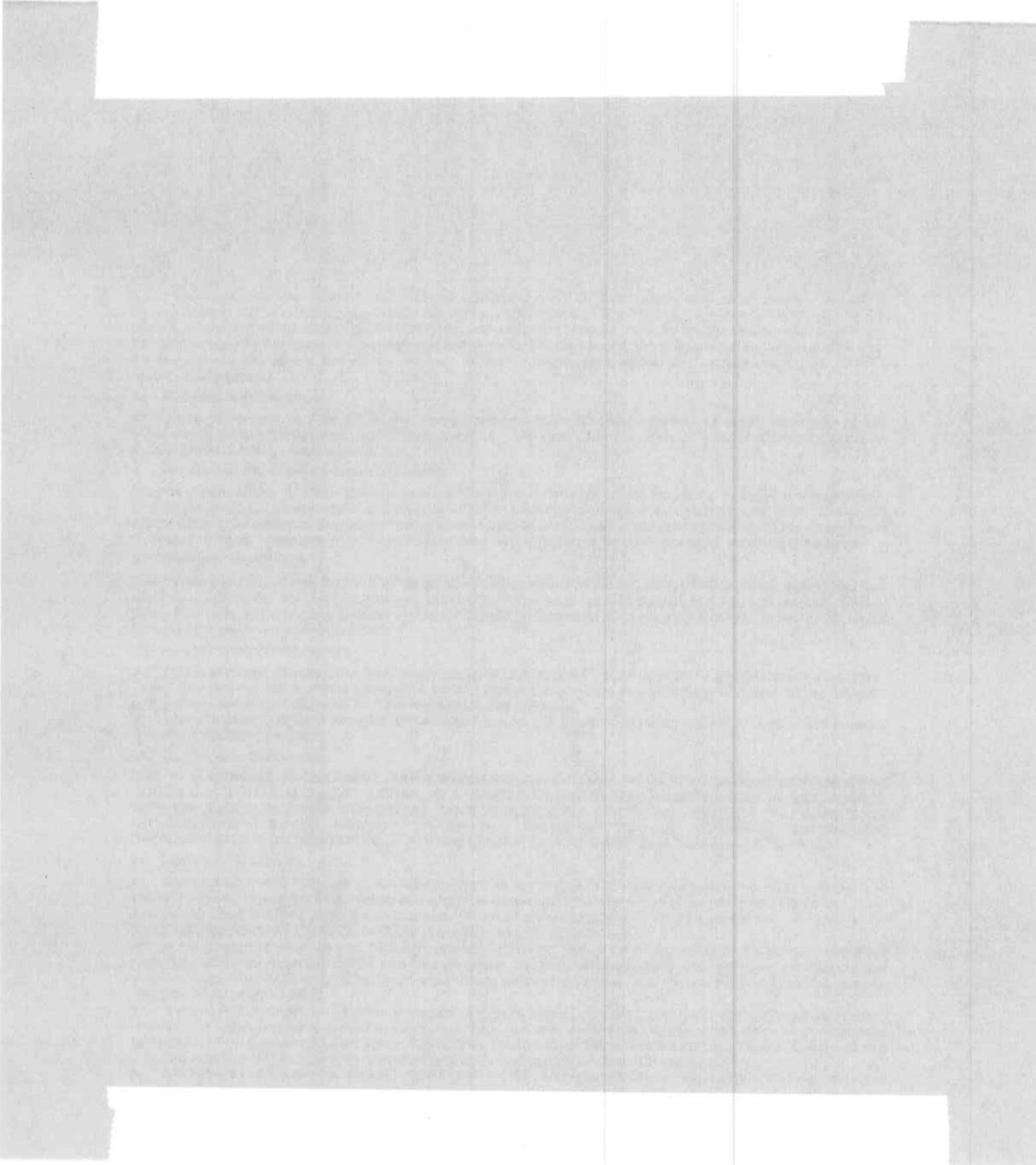
- Preparation of retroactive restatement of 2010 Financial Statement.
- Preparation of January 1, 2010 opening Balance Sheet.
- Preparation of December 31, 2011 Financial Statement (excluding assistance with drafting notes as noted above).
- IT systems impact assessment and implementation of IT changes.

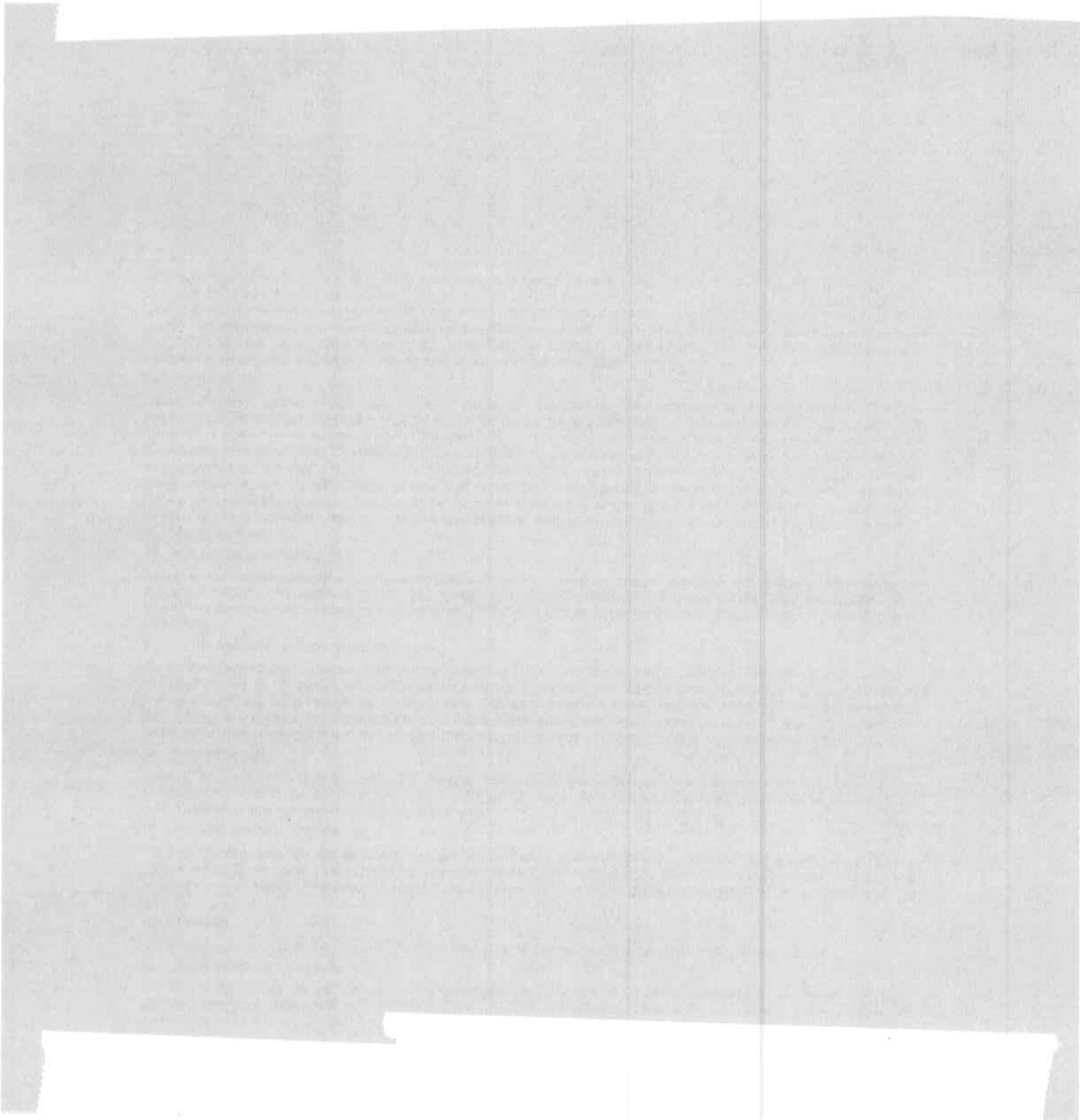
Appendix B: IFRS Conversion – Phase 3 Budget

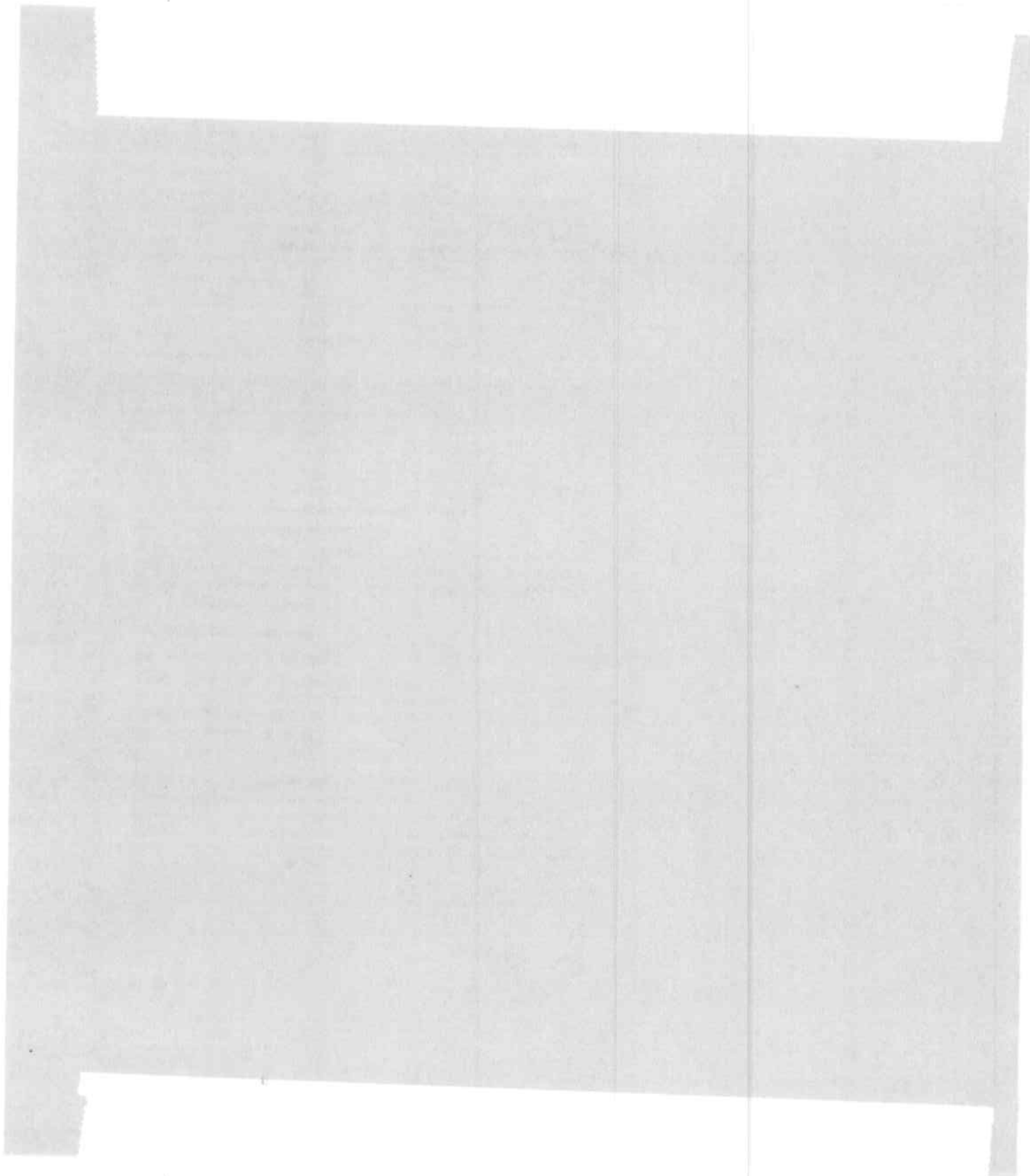


Appendix B: IFRS Conversion – Phase 4 Budget











ADVISORY

Our Proposal to Serve Oakville Hydro Corporation

COPY

January 29, 2009

POWER DISTRIBUTION



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Hamilton, ON L8P 4W7

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Fax (519) 523-2222
Internet www.kpmg.ca

January 29, 2009

Ms. Lesley Gallinger
VP, Finance and Administration
Oakville Hydro Corporation
861 Redwood Square
Oakville, ON L6L 6N3

Dear Ms. Gallinger:

We are pleased to submit KPMG's proposal to provide advisory services to Oakville Hydro Corporation (OHC) to assist with the transition to International Financial Reporting Standards (IFRS). Our unique qualifications for this critical project include:

- unsurpassed IFRS technical and conversion experience in your industry, based in Hamilton/Niagara
- the deep organizational knowledge of and relationships with OHC that are the result of being your current auditor
- a skilled and talented professional team with deep knowledge of the power and utilities business

KPMG has a well proven IFRS conversion methodology that combines a strong project management framework and effective communication. We will deliver to OHC the benefit of our IFRS experience that we have gained through working with other audit clients, and particularly those in the power and utilities sector.

In the course of providing audit services to OHC, we have developed strong relationships and communication channels throughout your organization. This positions us well to assist OHC through its diagnostic assessment and project planning phase of IFRS implementation.

We would be delighted to discuss our Proposal with you in more detail and answer any questions that you may have. We look forward to continuing to develop our business relationship.

Sincerely,



Partner

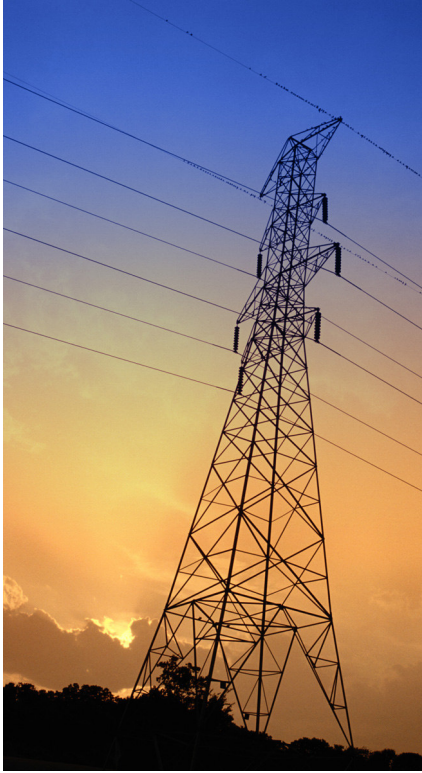



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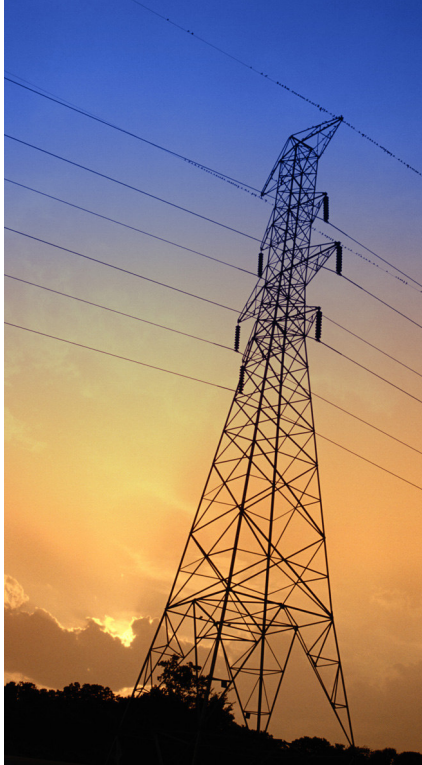
Disclaimer

This proposal is made by KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent firms affiliated with KPMG International, a Swiss cooperative, and is in all respects subject to the satisfactory completion of KPMG's client acceptance procedures, as well as negotiation, agreement, and signing of a specific engagement letter or contract. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.



Index of RFP Requirements

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Preliminary timelines, information requirements, major milestones and deliverables within the diagnostic assessment	<ul style="list-style-type: none"> • Preliminary timelines and milestones—8 • Information requirements—12 • Deliverables—9&11
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Executive Summary

While Canadian Generally Accepted Accounting Principles (GAAP) share some similarities with International Financial Reporting Standards (IFRS), significant differences in their details, interpretation and application will have far-reaching impact for Oakville Hydro Corporation (OHC). IFRSs will also be introduced incrementally until the changeover is complete in 2011, requiring your organization to include these new or amended standards in your conversion plans as they arise.

Our Understanding of Your Needs

You, as management of OHC, require a competitive, highly professional advisor with solid IFRS experience and in-depth knowledge of the regulated power distribution sector to guide the organisation through the transition process, in part or in full. KPMG meets each of these needs, and in exploring the various IFRS possibilities applicable to your situation will help you select the course most beneficial to OHC in the long term. In responding to your RFP, we understand that you are looking for an advisor that can efficiently assist you with a diagnostic assessment and high level project plan and that the following deliverables are particularly important:

- Impact on financial reporting areas and the respective stakeholders as a result of the implementation of IFRS – including a needs assessment
- Impact on the information technology areas to implement IFRS and the possible system changes
- Impacts to the business functions to implement IFRS – i.e. how this project plan will integrate with other organizational initiatives underway
- The identification of various options available under IFRS 1 and other Standards, and key decisions required on selecting policies
- The identification of training and communication requirements of the organization and stakeholder wide - including development of the appropriate documentation and tools
- The identification of the implementation and execution activities and staffing required including running systems in parallel prior to IFRS being effective
- An outline of the activities required to execute the project plan, including the identification of pre-conversion work-steps, activities around preparation of opening balance sheet on transition, high level steps to execute financial statement preparation, possible impacts to reconciliations, resources to assess staff IFRS knowledge, associated requirements within other impacted areas such as information technology, taxation, regulatory affairs, etc., and key revisions to accounting policies

OHC is an important client of KPMG and we look forward to assisting you in the transition from Canadian GAAP to IFRS. We present the following reasons why KPMG is best suited to provide IFRS assistance to OHC:

Local Resources, Experienced in the Industry

Your service team has unparalleled experience with IFRS transitions in the Power and Utilities sector. [REDACTED] and [REDACTED] have been involved with Phase 2 conversion projects that are already completed or nearing completion for organizations such as [REDACTED]. These team members are working on these engagements personally and therefore know and understand the possible issues that could impact OHC. Further, KPMG is assisting the Ontario Energy Board (OEB) concerning the impacts of IFRS to the Accounting Procedures Handbook for Electric Distribution Utilities, as well as to the rate setting process. We are also identifying the potential impacts of the options to address these conversion issues.

We are committed to making our best local and national resources available to OHC, whenever and wherever they are needed, to fulfill your IFRS requirements with the highest quality service. Our team has first-hand experience working with audit and other clients in both Canada and parts of the world that have already made the transition, with a number of key professionals having returned or moved to Canada recently to make this experience directly available to our clients.

Members of our proposed team possess a broad range of skills covering all aspects of IFRS conversion. We have already appointed these seasoned IFRS professionals to your engagement and they are ready to begin in accordance with your timelines.

A Proven Track Record and Strong Knowledge of OHC

Through our experience as external auditor of OHC, KPMG has a head start in anticipating the impact of IFRS on your organization. We are well-positioned to assist you in seizing any opportunities that arise and minimizing the risks associated with the transition. We understand your operations, and have a history of providing high quality services to OHC in a proactive and professional manner. We want to bring the benefits of this experience to your IFRS project.

With this knowledge, KPMG is in a unique position to provide the following IFRS services without impairing our independence:

- Advice on OHC's project management activities
- High level diagnostic (this is our Quick Scan document that we have already completed)
- Interpretation of IFRS
- Advice on alternatives
- Gap analysis

- “Quality assurance” on materials or recommendations drafted by OHC
- Develop and conduct accounting technical training

We assisted OHC in the past by providing training sessions and other insight related to the adoption of the new Canadian financial instruments standards. We found that this interaction and dialogue was very useful to us in effectively obtaining audit-level comfort on the correct implementation of the standards in carrying-out our role as external auditors of the OHC. We expect that the same benefit will be derived from our close connection to OHC as it makes decisions throughout the IFRS conversion process.

A Proven Project Management and IFRS Conversion Methodology

Our conversion methodology is designed to be modular and scalable, and can be tailored to your specific needs. Our methodology draws on our work with clients in parts of the world that have already adopted IFRS. It focuses on all major areas of an organization affected by the transition – accounting & reporting, IT systems, business and people – in four phases: raising awareness, assessment, design and implementation. Our approach is systematic and robust, and is designed to ensure that all relevant issues are effectively identified, resolved and communicated.

A Collaborative Relationship

We will foster a sense of collaboration in providing the deliverables and quality you expect. We will work with you to build a shared vision about how the IFRS project will develop, communicating regularly while mindful of your other commitments. Our work with you will be based on the following principles:

- Working with you in determining the extent to which you will require assistance with each phase of the engagement
- Adapting a pragmatic, flexible and supportive approach
- Transferring knowledge to your team, through our assistance.



Our Understanding of Your Needs

Overview

Getting the upfront assessment of the impact of IFRS and the “gap analysis” correct is critical to a successful transition, as is the ability to deepen and update the implementation plan on a real-time basis throughout the life of the project. Our methodology is designed to be modular and scalable so that it can be tailored to meet your requirements.

It is our understanding that OHC requires services to assist management in conducting a diagnostic assessment and a high level project conversion plan to serve as a roadmap for OHC’s conversion process. The diagnostic assessment will be required for all of the companies owned by OHC. We have completed an initial analysis of your financial statements to identify key areas of impact resulting from the IFRS conversion process using our Quick Scan and Complexity Meter tools. Our approach has been designed to build on this initial analysis.

How Our Proposed Approach Meets Your Needs

KPMG’s approach to IFRS conversion projects is summarized in the next section. How KPMG’s approach to IFRS conversion projects produces the deliverables that you have requested is summarized below:

1) Diagnostic Assessment

Your diagnostic assessment will flow out of KPMG’s Initial and Detailed Assessment phases (Phases 1 and 2). We will utilize KPMG’s **Quick Scan** and **Accounting and Disclosure Impact Matrix** tools to assist in the development of a diagnostic assessment for OHC which will identify and summarize the key areas of impact of IFRS on OHC’s financial reporting areas, business functions including processes and internal controls and information technology systems. A sample of these tools is provided in Appendix 2. To develop a diagnostic assessment that meets your needs at this stage of your IFRS transition process, we will commence the project by meeting with OHC representatives to kick-off the diagnostic assessment. We will draw upon the initial gap analysis that we have conducted for OHC as outlined in our Quick Scan tool to identify the key areas of focus for the diagnostic assessment.

We will conduct an analysis of your IFRS 1 implementation elections and exemptions and review the IFRS accounting policy choices available to you. Our IFRS 1 and IFRS Accounting Policy Choices Reports will identify the

various options available to you and the key decisions that will be required to select your accounting policies under IFRS.

The Quick Scan tool will be used as the basis for providing high level training to your Audit Committee and members of your project team. We will develop a training plan based upon the key areas of impact identified in the Accounting and Disclosure Impact Matrix tool.

The Accounting and Disclosure Impact Matrix tool will identify the accounting differences between current practice and IFRS and a high level identification of the conversion issues related thereto. This will form the basis for the development of a high level plan for your implementation (Design Phase 3) and execution (Implementation Phase 4) activities.

2) Develop High Level Project Conversion Plan

Using the results of the information gathered through the diagnostic assessment from the previous step, we will work with management to develop a high level IFRS project conversion plan. The plan is expected to include the following elements;

- Scope of the conversion project
- Key phases for the conversion
- High level project tasks, timetable, prioritization of key actions and next steps
- Key milestones and preliminary expected timing of key deliverables/completion timelines.
- Budget estimates for Phases 3 and 4

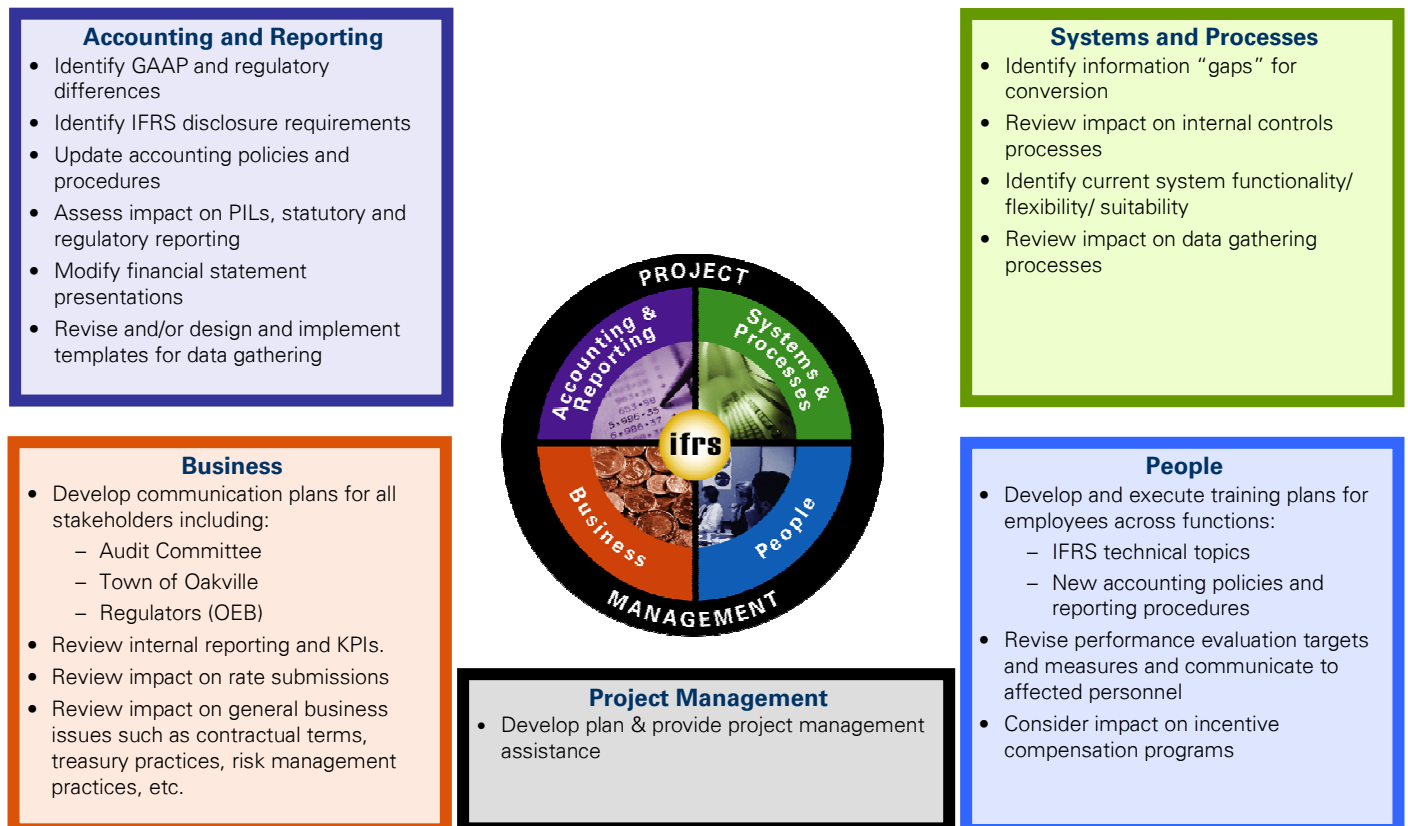
It is important to note that the high level project conversion plan will represent the initial high-level roadmap for OHC's conversion implementation and is based on output from the Quick Scan and Accounting and Disclosure Impact Matrix tools. More detailed plans that specify level of effort and resource requirements and more specific timelines and milestones will be required to be developed in subsequent phases of your conversion implementation once detailed assessments have been completed and corresponding accounting policy choices have been made.



KPMG's Approach to IFRS Conversions

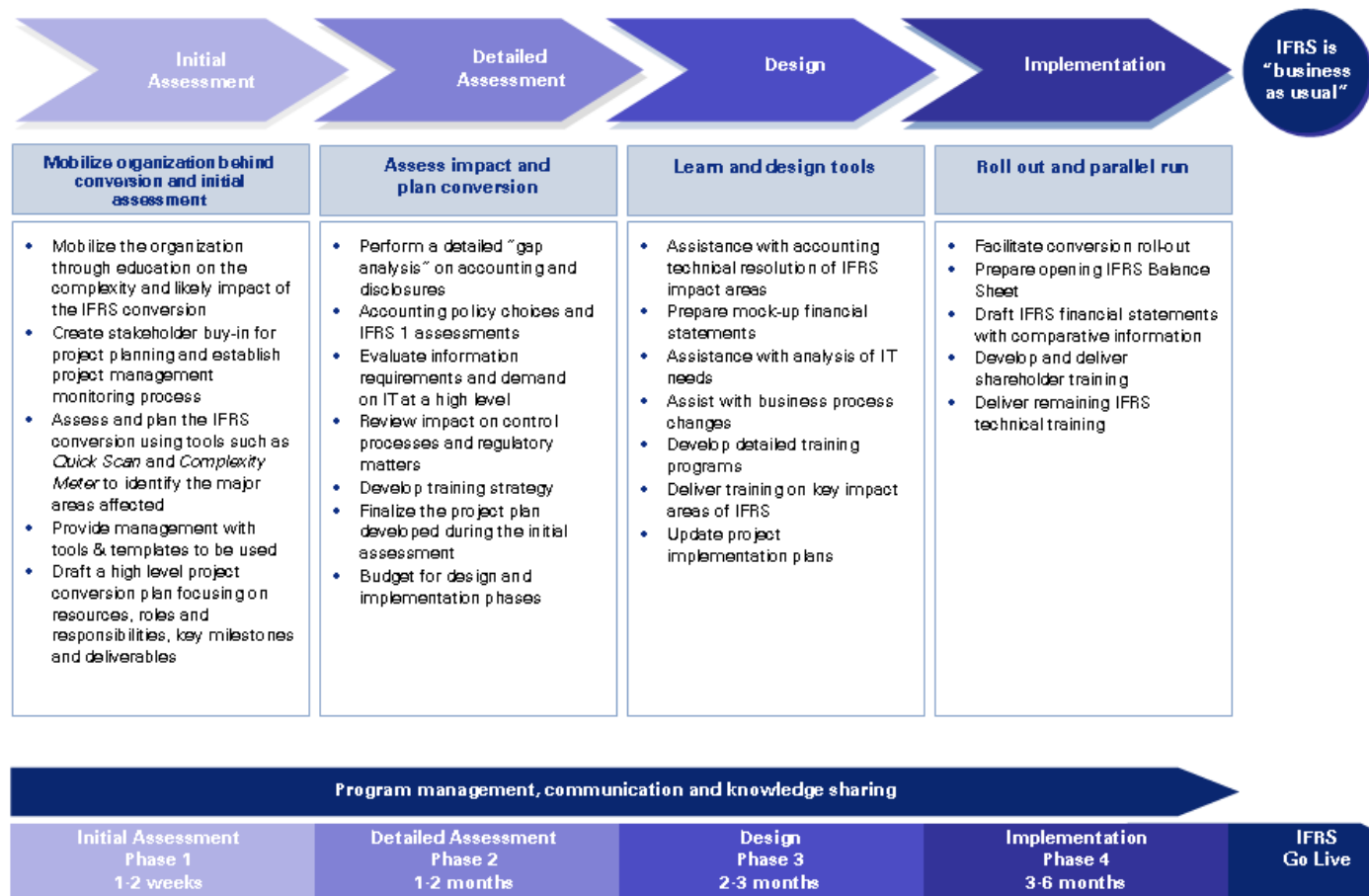
KPMG has developed an overall IFRS conversion methodology that incorporates a number of disciplines crucial to a well-planned, successful implementation. It is designed to ensure all major impact areas of the IFRS conversion are covered – accounting and reporting, systems and processes, people and overall business operations – enabling your team and ours to systematically focus together on the key challenges. Phase 1 and 2 of our conversion methodology is outlined below. Phase 3 and 4 of our conversion methodology is outlined in Appendix 1.

The figure below provides some insight into the breadth and complexity of IFRS conversions.



Our approach to conducting IFRS conversions follows the four separate phases shown below: raising awareness in the organization, assessing the impact of the new accounting standards, designing new tools and processes, and implementing the changes. KPMG will provide conversion and integration support without time-consuming preparation work.

From initial gap analysis to development of your individual implementation strategy, we will quickly do for you as we have for others in the Power and Utilities sector: enable you to achieve the end result of “IFRS – business as usual”.



The Design and Implementation phases will assist the organization in its journey towards implementing IFRS. We have provided some of the key activities that would be undertaken during these phases in Appendix 1. Our initial and detailed assessment phases are described below.

Phase 1: Initial Assessment Phase

The objectives of Phase 1 are to support the mobilization of OHC behind this conversion project, provide OHC with an initial assessment of the key areas where conversion to IFRS may have a significant impact or present a significant challenge.

The following is a summary of the project approach and scope:

- Mobilize the project:
 - Review the team organization and identify the key central project resources and the critical resources from each of the impacted areas of the organization.
 - Establish a protocol for project communication and status reporting.
- Create stakeholder buy-in for project planning and establish project management monitoring process.
- Conduct a high level diagnostic of OHC's business and accounting and disclosure policies, and identify primary differences between OHC and IFRS using the following KPMG tools:
 - Quick Scan – To identify and document preliminary significant differences.
 - Complexity Meter – Use of a questionnaire to assess the complexity of OHC's Accounting & Reporting, Systems & Processes, Business activities and People issues in the context of the conversion and in relation to current internal capabilities.
- Present the Quick Scan and Complexity Meter tools to management, key executives, the Board of Directors and the Audit Committee. The Quick Scan and Complexity Meter tools have already been prepared and presented to management as part of our initial phase 1 engagement.
- Develop a high level project conversion plan which will set out the scope of the project conversion plan, key phases, high level project tasks, timetable, prioritization of key actions, milestones and next steps by work stream (Accounting & Reporting, Systems & Processes, Business and People) and milestones plan.

Key deliverables for this phase will be:

- High level diagnostic report (Quick Scan)- already completed
- High level impact assessment of complexity (Complexity Meter) – already completed
- Presentation of Quick Scan and Complexity Meter tools to management and Audit Committee – presented to management

This phase is critical to your IFRS conversion project and will be performed mainly by senior members of the proposed team.

Phase 2: Detailed Assessment Phase

The objectives of Phase 2 are to provide OHC with a detailed assessment of potential impacts by work stream (Accounting & Reporting, Systems & Processes, Business and People) related to the conversion to IFRS based on the priorities identified under Phase 1 and to assist OHC in developing the high level work plans for phases 3 and 4, budgets and timelines.

During this phase, the project team will make use of KPMG's available assessment tools in order to conduct a more thorough assessment. The following is a summary of the key project activities within each work stream:

Accounting & Reporting Work Stream

The detailed assessment within the Accounting & Reporting work stream will involve focusing on:

- A gap analysis using the accounting matrix – This analysis will build on the initial diagnostic performed during Phase 1 and involves a systematic detailed analysis of the differences and gaps between OHC's current accounting treatment and IFRS relating to the areas of general issues, balance sheet items, income statement items and special topics grouped by IFRS reference, topic and subtopic within each relevant accounting section.
- A gap analysis using the disclosure matrix – Similar to the accounting matrix, this analysis will systematically summarize the differences and gaps between OHC's current disclosures and required IFRS disclosures.
- Accounting policy choices – A number of IFRS standards provide flexibility and choices in accounting treatments in addition to the transition considerations under IFRS 1. While carrying out the detailed accounting and reporting analysis, the directional impact on financial reporting based on the available accounting options will be analyzed.
- IFRS 1 analysis – IFRS 1 allows 15 elective exemptions to reduce the burden of applying IFRS standards retroactively to past transactions. The IFRS 1 analysis will assess these available options and the impact of these choices.

System & Process Work Stream

In parallel and close co-ordination with the Accounting & Reporting work stream, the team will review the impact of IFRS conversion on OHC's systems, processes and controls. This will include performing:

- High level review of IT Impacts– The key focus of this review will be on addressing the level of flexibility for changes in the current system's chart of accounts, mapping, functionality and suitability based on system requirements identified in the accounting, disclosure and business impact assessments. This will include a review of planned projects that should be deferred or revised based on the possible impact of IFRS on IT.
- Review impact on data gathering processes – This review will consider the impact that IFRS conversion will have on current data gathering processes in terms of areas where additional data is required under IFRS or will change.

- Review impact on internal control – This review is intended to identify where key controls are potentially at risk or will change with the implementation of IFRS.

Business Work Stream

This stream assists you with the consideration of the impact of IFRS conversion on other aspects of the business outside the finance and system departments including:

- Assistance with assessment of business impacts– IFRS will impact a number of areas of the business which will need to be assessed such as changes to normal business and financial contracts, budgeting and performance management metrics to name a few.
- Regulatory impact assessment – This assessment will consider the impact of IFRS will have on OHC's rate submission.

People Work Stream

- Develop an initial training strategy that summarizes the type of training, delivery method, proposed audience, location and timing. The extent of training will encompass the team's assessment of the staff's knowledge of the accounting technical standards.
- We will assist with the assessment of the impact IFRS will have on management compensation plans.

Project Management

As these activities progress, the project team will:

- Execute on any training planned during this period based on the established training strategy;
- Revise and update the high level project conversion plan as necessary based on new findings; and
- At the conclusion of the detailed assessment, the focus will be to prepare a budget for Phases 3 and 4, the Design and Implementation phases.

Key deliverables for this phase will be:

- Completed accounting and disclosure impact matrix
- Report on assessment of IFRS 1
- Report on IFRS accounting policy choices
- High level IT impact assessment report
- Advice on business impacts
- Training strategy plan
- Updated high level project conversion plan
- Budget estimates for Phases 3 and 4,
- Meeting to discuss deliverables

Information Requirements for Phases 1 & 2

As requested in the RFP, we have summarized below the specific information that the project team would require to complete Phases 1 and 2. As your auditors, we already have most of the information required to complete Phases 1 and 2 in our audit working papers. The following is a list of additional information that we anticipate will be required:

Accounting & Reporting Work Stream

- Detailed calculation for the labour and stores burden rates including the overhead accounts included in the calculation
- Information on internal metrics used to evaluate the businesses
- Copies of OHC's impairment testing calculations and available information about asset values for the landfill gas project
- Communication with regulators on accounting/inspection issues

Systems & Processes Work Stream

- Technical and other documentation available about significant property, plant and equipment, in particular network assets

Business Work Stream

- Access to copies of significant contracts and agreements, including those related to debt, and leases

People Work Stream

- Bonus structures and information about employee benefit plans, restructuring programs

The above list is not exhaustive, but indicative of the type of documentation that will be required.

Our Tools

Our Global Conversion Methodology is supported by a number of proprietary tools and resources such as:

- Quick Scan
- Complexity meter
- Accounting and disclosure impact matrix
- Training / communication plans
- Conversion Plan Database

We have already provided our preliminary high level diagnostic report using KPMG's Quick Scan tool to you. This Quick Scan provides our preliminary assessment of the impact IFRS conversion will have on OHC's financial statements, including our views on rate regulated accounting under IFRS. An overview of the other tools is included in Appendix 2.

Project Governance and Roles of OHC Team

Your IFRS Implementation Project will be ongoing until at least January 1, 2011, the confirmed adoption date for IFRS in Canada. However, as OHC has already identified, your project will be most successful if you start the process early.

Given the complexity of the conversion project, many constituents of OHC will have particular roles in ensuring a successful conversion. The following table highlights some key activities:

Constituency	Activity
Board	<ul style="list-style-type: none">• Mobilize resources• Understand impact of IFRS Conversion on bottom-line results - earnings, equity and balance sheet
Management	<ul style="list-style-type: none">• Sponsorship• Resource mobilization• Realign financial performance measures with IFRS-based measures• Negotiate necessary changes to third-party business relationships (e.g., contractual or regulatory) as required
Finance Function	<ul style="list-style-type: none">• Understand IFRS principles• Modify accounting policies to conform to IFRS• Revise financial statements• Support the ongoing information gathering and consolidation of the IFRS numbers
Business Operations	<ul style="list-style-type: none">• Provide information to meet additional disclosure requirements and new valuation principles• Understand IFRS Conversion impact of transaction structures
IT	<ul style="list-style-type: none">• Plan and execute both “quick fixes” and major system modifications to enable reporting under IFRS
All	<ul style="list-style-type: none">• Implement process changes for reporting under the new accounting standard

Issues Resolution, Ongoing Communications

Ongoing communications is essential to establishing protocols for informing and updating key stakeholders. It is also critical that the implementation phase address how issues that arise during the project will be resolved in a timely and effective manner. As your conversion advisor, we will work with OHC to determine the communication protocols and processes for issues resolution best suited to your organizational structure and corporate culture. We will also schedule on-site meetings at key milestones of the project, and arrange conference calls between your key personnel and members of our team to address specific interpretive issues as they arise.



Our IFRS Experience

In the Power and Utilities Sector

KPMG is a leader in helping organizations around the world convert to IFRS. Clients we have helped make the transition to IFRS represent a wide range of business sectors, including those in the Power and Utilities sector with operations similar to yours. We have in-depth experience working on IFRS conversions, and wide-ranging experience advising organizations on the associated challenges they face. Our KPMG Global Conversion Services methodology offers a proven approach and practice-tested tools applied consistently by KPMG people around the world.

We have significant IFRS conversion experience in Europe and Australia, where IFRS was adopted in 2005. In performing this engagement for OHC, we will be leveraging leading experiences and lessons learned from prestigious organizations that have operations similar to yours. We have also started a number of conversion projects in your sector in Canada. Here are a few examples of our international and Canadian IFRS conversions projects including those in the Power and Utilities sector:

International IFRS Clients	Canadian IFRS Clients
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

I

Over the past three years we have also assisted a number of Canadian companies in assessing the impact of adopting IFRS and performing gap analysis, which has added to the development of our IFRS resources here in Canada. Such work has largely been either in connection with contemplated global transactions or foreign securities offerings. These engagements have required in-depth knowledge and research of IFRS – not only of the standards themselves, but more importantly how such standards are interpreted and applied in practice. We have first hand experience in Canada of researching complex IFRS issues and have developed strong relationships with senior technical partners in other IFRS jurisdictions. We will bring this experience to bear on your engagement.

In addition, the adoption of IFRS in the European Union in 2005 has resulted in IFRS becoming the reporting framework for almost 200 of our Canadian clients. Since 2004, IFRS training has been rolled out to over 500 partners and managers from across our Canadian offices. A National IFRS Services team has been established in Toronto to facilitate the resolution of IFRS reporting issues here in Canada.

Depth of Industry Experience

We pledge to deliver our deep Power and Utilities sector knowledge and experience to you – directly – on this engagement. In assembling our team we have drawn on our experience in auditing and advising some of Canada's leading Power and Utilities businesses. Our portfolio of prominent clients is the testament to the confidence the industry places in KPMG. The following illustration outlines a selection of our Canadian Power and Utilities clients:



Global Knowledge

From prior conversion projects in Europe and Australia

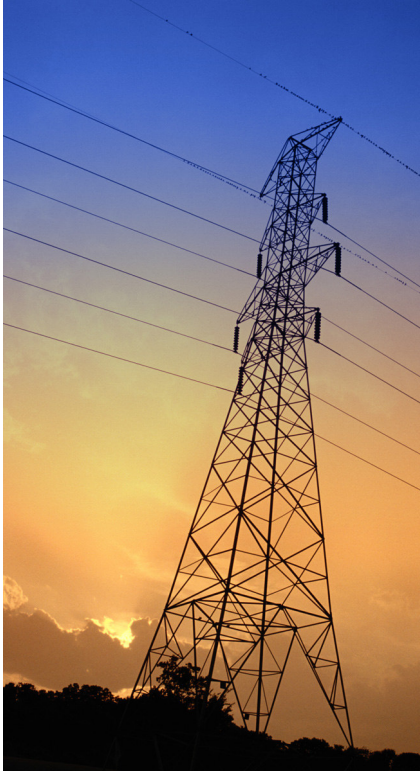
A major benefit of KPMG's extensive global experience with IFRS conversion is that it has led us to recognize the practices that contribute most effectively to the success of an engagement. To us, these are the leading practices that together with our select team of professionals and comprehensive methodology bring our clients the exceptional results for which we are known. Still, we are always open to improvement and will refine them to reflect developments in the IFRS initiative as they occur or the challenges of a client's particular circumstances.

Section	Common Leading Practices
Project Planning	<ul style="list-style-type: none"> • Develop the project plan in a format that is familiar to the reporting entity • Revisit the plan at least bi-weekly or it will quickly become redundant • Ensure all activities have someone accountable for them or things often don't get done • Front-end load the plan but build in time for slippage towards the end • Clearly display a large-scale physical representation of the plan for project team, indicating when activities are completed
Project Structure and Governance	<ul style="list-style-type: none"> • If possible, ring fence at least one resource to focus exclusively on the project • The existence of a steering committee is invaluable on larger projects to ensure good governance and the timely resolution of key issues • Establish a core team comprising project lead and key work stream leads who meet regularly to discuss progress • Hold regular progress meetings (bi-weekly) to challenge progress being made and address key issues • Ensure audit representation within governance process, ideally at steering committee level • Clearly define roles with performance metrics built into goal-setting process to ensure appropriate project behavior

Section	Common Leading Practices
Gap Analysis	<ul style="list-style-type: none"> • <i>The most critical phase of the project to get right; undertaken in detail from the outset avoids having to go back later and adjusting for anything that might have been missed</i> • <i>Disclosure checklists provide a secondary check that all GAAP differences and additional disclosure information requirements are collected</i> • <i>A mock-up of pro forma accounts (format not content) under IFRS also often serves as a secondary check for capturing additional information requirements, while a most useful exercise in itself</i> • <i>Applying robust methods at this juncture is as important as the output of the gap analysis:</i> • <i>Informs remapping of chart of accounts</i> • <i>Guides training content</i> • <i>Identifies key systems changes</i> • <i>Feeds directly into revised accounting policy and group accounting manual</i>
Training and Training Strategy	<ul style="list-style-type: none"> • <i>Schedule training close to first restatement of the balance sheet to mitigate against knowledge attrition</i> • <i>Ensure an appropriate support structure is on hand in real time during restatement</i> • <i>More complex areas such as financial instruments are best conveyed through workshop training approaches where company-specific issues can be tackled</i> • <i>Modular training programs work most effectively; on different elements depending on the audience</i> • <i>An up-front training needs analysis increases the likelihood of appropriately tailored courses; be very specific about who is trained in what</i> • <i>Invest time in developing a structured training program; distinguish between audiences and the nature of the content</i>
Stakeholder Management	<ul style="list-style-type: none"> • <i>Ensure Stakeholder meetings are acknowledged on the project plan as they will drive key deliverables and provide incentive for timely delivery</i> • <i>Early identification of site level representatives ensures appropriate level of local accountability</i> • <i>Incorporate project-related deliverables into key stakeholder objectives to ensure their successful achievement</i> • <i>Develop a comprehensive communications strategy early in the conversion process to</i>

Section	Common Leading Practices
	<p><i>encourage consideration of all key stakeholder groups</i></p> <ul style="list-style-type: none"> • <i>Tailor training and communication plans to suit knowledge requirements of each stakeholder group</i>
IT and Systems Issues	<ul style="list-style-type: none"> • <i>Use the gap analysis as a platform from which to test whether current systems, particularly at a local level, adequately capture all required accounting and disclosure information</i> • <i>Engage the systems team early (if such a team exists) to ensure appropriate modification of data collection processes</i> • <i>Have a contingency plan in place if your initial strategy for collecting data is not feasible</i> • <i>Embed and automate data collection as soon as possible</i> • <i>Dry run your data collection process to check for integrity of the numbers</i>
Budgeting and Management Accounting	<ul style="list-style-type: none"> • <i>Ensure the Board have clear and early sight of what, if anything, will change in their management and regulatory reporting packs as a result of the conversion to IFRS</i> • <i>Minimize the amount of change to your management reporting packs resulting from the conversion to IFRS</i> • <i>Decide on when you will convert your budget from local GAAP to IFRS early on in the process and sequence this into the project plan</i>
Issues Management	<ul style="list-style-type: none"> • <i>Develop a format and protocol that is no more complex than necessary to make the process work</i> • <i>Ensure all issues go through appropriate levels of sign-off by both the company and the auditor</i> • <i>Actively disseminate the issues log with all open and closed issues around to all project team members and relevant stakeholders on a weekly basis to have visibility of progress on key issues</i> • <i>Categorize issues so that specific topics can be easily found</i> • <i>An issues resolution process is only effective if people are prepared to use it</i>
External Disclosure – Patterns and Trends	<ul style="list-style-type: none"> • <i>Regardless of the stage you are at in the process, always have a “party line” on your IFRS project that those interacting with internal stakeholders are clear on</i> • <i>Develop high-level Stakeholder Relations strategy early in the planning process, working back from final deliverables to ensure appropriate sequencing of preceding activities</i>

Section	Common Leading Practices
	<ul style="list-style-type: none"> • Consider getting together with other companies in your sector to proactively ensure external stakeholders understand what IFRS will do to your numbers – do not surprise them • Keep current on other companies' publications so you have a clear idea on levels of disclosure and are not out of step with your peers • Ensure the Board is engaged in appropriate training so they can explain the numbers to external stakeholders
Central vs. Subsidiary and Site Activity	<ul style="list-style-type: none"> • Do not wait too long in the process to engage individual reporting entities • First key involvement of individual entities is completion of the reporting entity level questionnaire on how they account for certain key issues under existing GAAP • Communicate frequently with individual entities on project progress • Fully manage the expectations of individual entities as to what will be required from them and when • Ensure there is clear accountability for who will be delivering the restated numbers from the client; nominate IFRS champions and ensure delivery is clearly incorporated into their Key Performance Indicators (KPIs)
Secondary Opportunities	<ul style="list-style-type: none"> • Leading practice depends on which approach (compliance vs. full value-added conversion) the client adopts • Many of these can be addressed through the training (e.g., consistent adherence to accounting policies, clarifying issues that sites or subsidiaries have historically misinterpreted)



Your Core Conversion Team

KPMG has selected a team of professionals that will help ensure OHC's IFRS conversion is as thorough and efficient as possible, mitigates risks, and makes the most of any significant opportunities. Members of our hand-picked team have extensive experience in project management, conversions and dealing with complex accounting standards under IFRS, are knowledgeable about the electricity industry, and have direct access to KPMG's considerable IFRS resources here and abroad.

A brief description of each team member's role and experience is given in the following pages.

Client Service Partner

Role: As your Client Service Partner, [REDACTED] will be overseeing the progress of the project. He will work to ensure that there is consistent communication between various members of the project team, will monitor progress of the project against the plan and will bring additional resources to bear to assist you where necessary.

Why Chosen: [REDACTED] is the KPMG lead assurance partner on the OHC audit engagement and has experience in working with the corporation. He has clients presently reporting under IFRS. In addition, he is presently overseeing the IFRS conversion projects for a number of his clients, including some in your industry.


IFRS Reviewing Partner

Role: [REDACTED] will lead the technical IFRS accounting work stream for OHC. He will ensure that we have strong IFRS technical resources on the team from day one of the project.

Why Chosen: [REDACTED] has more than 12 years of IFRS audit experience in the Middle East and Western & Eastern Europe and is an accredited IFRS reviewing partner. He has provided financial advisory services, including IFRS accounting advisory, in various industries such as electricity and gas distribution, gas and oil international transportation pipelines, and gas storage.

[REDACTED] is currently the technical accounting lead partner on selected IFRS conversion projects, including [REDACTED]

Senior Manager

Role:  will assist you in performing the detailed gap analyses, research and analysis of various IFRS differences and other project steps.

Why Chosen: [REDACTED] has been extensively involved in KPMG's Hydro Utility practice providing a variety of audit and advisory services to her clients. As the assurance senior manager on the OHC audit, she brings strong experience with your personnel, your accounting policies and your processing methodologies. Her current IFRS assignments include _____

[REDACTED], Senior Manager

Role: ██████ will assist ██████ with performing the detailed gap analyses and research of IFRS differences.

Why Chosen: [REDACTED] brings strong IFRS experience to the team. Her IFRS clients include [REDACTED]

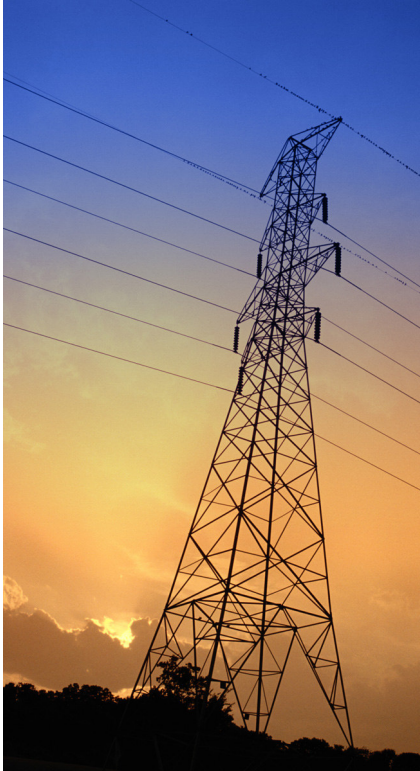
██████████. ██████████ is the audit senior manager for a number of clients that currently report their financial statements under IFRS.

It Advisory Senior Manager

Role: [REDACTED] will perform a high level assessment of the impact of the conversion on OHC's systems and control processes.

Why Chosen: [REDACTED] has over seven years of public accounting experience and five years of information technology advisory experience. His background includes financial statement audit, review and compilation, tax work, information technology environment general review and strategic assessment, system conversion review, testing of controls over security and change management, and testing of application and data conversion controls.

██████████ has also performed detailed procedures including: information security risk and control identification, application control testing, system process flow documentation, system conversion and regulatory compliance implementation as part of engagements for a number of clients in the power generation, transmission and distribution industry. His IFRS clients include ENAMX Power, Kingston Hydro and BC Hydro.



Competitive Fees And Conflicts of Interests Disclosure

In our experience, the best way to build a sound and lasting business relationship with clients is to provide high-quality service at a price that is fair to both parties. We are proud of the role we have played in OHC's critical initiatives, and trust that the value you have received from us in the past will encourage you to make the most of our insights for your conversion to IFRS.

With projects of the nature, length and size of an IFRS conversion, our involvement as your advisor can vary significantly according to your evolving needs. At the beginning of each phase, we will work with you to develop expectations regarding estimated costs. In such cases it is our practice to quote hourly rates that we would charge for the professionals you engage on the various project phases. We set out these rates below:

Level	Hourly Rate
Partners	\$ [REDACTED]
Senior Managers	\$ [REDACTED]
Technical Resources	\$ [REDACTED]
Managers	\$ [REDACTED]

The hourly rates quoted above represent a substantial discount from our standard hourly rates in anticipation of maintaining a lasting relationship with OHC. These rates are based on our standard rates effective October 1, 2008. Given the duration of an IFRS conversion project we would expect that our billing rates will increase each year on October 1st. We will review the new rates with you each September, but we commit to continue with our discount from our standard hourly rates such that any increase will approximate the rate of inflation.

Administrative charges will be calculated based on a percentage of our professional costs (5%) and include such expenses as photocopies, fax charges, printing of statements and reports, postage and delivery and administrative and word processing assistance. Travel and out-of-pocket expenses will be billed at cost and not exceed \$7,000 for the duration of Phase 2. Estimated fees and expenses do not include GST.

We have already completed most of the Phase 1 deliverables as described in our engagement letter for Phase 1. The following table represents the estimated hours and fees to complete Phase 2 of the engagement:

	<i>Estimated Hours</i>	<i>Estimated Fees</i>
<i>Phase 2 – Detailed Assessment</i>	280	\$125,570
<i>KPMG investment</i>		\$44,570
<i>Proposed fees for Phase 2</i>		<i>\$81,000</i>

A detailed analysis of the hours, charge out rates and fees is outlined in Appendix 3.

The estimated hours for Phase 2 are based on our expected involvement in the project as described in the section entitled KPMG’s Approach to IFRS Conversion. Our estimated hours include the time to conduct the accounting impact matrix tool for Oakville Hydro Electricity Distribution Inc., as well as the relevant portions of the tool applicable to the other companies owned by OHC.

Our estimated fees are subject to unanticipated variations in project scope and workload depending on accounting choices made and implementation challenges encountered. We recommend that OHC budget an additional 15% of the estimated fees to allow for such contingencies. We will notify you when such circumstances arise, and obtain your approval before proceeding with any additional work. In the event our actual work is less than the estimated input, we will adjust our fees accordingly.

We have prepared the Phase 2 fee estimate based on the knowledge of your business, systems and processes that we obtained from our audit engagement with you, from conducting the preliminary high level diagnostic, and from our current IFRS conversion projects in the Power and Utilities sector in Canada. Our fee also covers the work needed to be performed by us, as your auditors, to provide our approval on the decisions and choices you will make throughout the project.


Pending completion of Phase 2 – Detailed Assessment Phase, we anticipate being able to provide a detailed estimate of the time requirements for Phases 3 and 4. However, based on our experience with similar engagements, an initial indicative assessment of the estimated fee for Phases 3 and 4 is approximately \$175,000. The completion of a budgeting analysis as part of Phase 2 will allow OHC to assess the required mix of in-house and advisory resources.

We are confident that the project team we have assembled and our commitment to providing outstanding service represents excellent value for OHC. We want very much to continue a solid, long-term relationship with OHC, we wouldn't wish to lose your business over a difference in fees. To that end, we welcome any questions you might have about our fees or other matters concerning this proposal.

Conflict of Interest Disclosure

KPMG does not currently have any conflict of interest in respect of the proposed IFRS conversion services provided to OHC.

As your auditors, there are some limited restrictions on the provision of services during the IFRS conversion project. Appendix 4 sets out the services that we can perform as your auditors.



Appendix



Appendix 1: Approach & Deliverables - Phases 3 & 4

Phase 3 - Design Phase

Following completion of the Assessment Phase, the focus of the Design Phase is to build the tools required for the conversion based on management's decisions around accounting choices and the related disclosures. During this phase, the project team will also design the changes to be implemented relating to Accounting & Reporting, Systems & Processes, People and other affected Business aspects, including but not limited to, changes to contracts, KPIs, internal reporting, etc.

The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational project plan for finalization of actions to be taken during the Implementation Phase.

The objectives of the Design Phase are to assist OHC in building the tools required for the conversion based on management's decisions made during this phase around changes to accounting, systems, processes, and other affected business aspects.

The following is a summary of the key project activities within each work stream:

Accounting and Reporting Work Stream

- Provide technical accounting advice and interpretation of accounting principles including information around experiences of others in the industry to support management's accounting policy decisions.
- Identify the implementation requirements that will need to be executed to adopt management's accounting choices.
- Draft mock-up financial statements.

System and Processes Work Stream

- Discussions regarding changes and enhancements to OHC's processes and systems. This will involve changes to the data gathering and reporting processes.
- Review changes to internal controls as a result of the impact of IFRS.

Business Work Stream

- Address the design of planned changes to the contractual arrangements impacted by the conversion (e.g., reporting requirements, performance criteria, debt covenants).
- Address the regulatory matters impacted by the conversion (e.g. Distribution rate applications, regulatory reporting).

People Work Stream

- Revisit the communication and training strategies to be carried out during the roll-out of implementing IFRS
- Refine the detailed technical training programs to be rolled out during implementation.

Project management

As these design activities progress, the project team will:

- Appropriately track, categorize and address IFRS implementation issues being raised;
- Revise and update the high level project conversion plan as necessary as a result of the design assistance;
- Carry out the relevant project management communications with the project team, Steering Committee, auditors, and other relevant stakeholders on a timely basis; and
- Prepare and present draft deliverables to the process owners and project sponsor for concurrence.

Key deliverables from this phase will be:

- Hold full day training workshop
- Sample financial statements
- Assistance with analysis of IT needs
- Updated high level project conversion plan; and
- Prepare shareholder communication plan

Phase 4 - Implementation Phase

The Implementation Phase is about execution. The roll-out of the designed changes takes place during this phase and we work with OHC to help facilitate that process and the complexities of dealing with multiple implementation dynamics.

During this phase KPMG will also assist with the following activities:

- Prepare the IFRS financial statements and related disclosures
- Work with IT department to test the effectiveness of the changes that are made during this phase
- Throughout this phase, deliver the required detailed training and knowledge transfer at the appropriate points leading up to the cut over to IFRS as business as usual.

The objectives of the Implementation Phase are to assist OHC in rolling out the conversion from Canadian GAAP to IFRS.

The following is a summary of the key project activities within each work stream that KPMG would assist OHC in the execution of IFRS implementation.

Accounting & Reporting Work Stream

- Draft opening balance sheet, 2011 IFRS financial statements with comparative figures.

System & Process Work Stream

- Assistance with budget process to support IFRS.

Business Work Stream

- Review regulatory reporting changes implemented.
- Review changes to internal performance measures, contracts, business processes as needed for appropriate incorporation of the IFRS impacts.

People Work Stream

- Provide IFRS training to OHC staff.

Project Management

As the project progresses, the team will:

- Provide preliminary observations and recommendations identified in each work stream as a result of our implementation assistance.
- Prepare draft deliverables and present to management for concurrence.

Key deliverables from this phase will be:

- Conversion roll-out matrix
- Draft of the following including our final observations and recommendations
 - Opening IFRS balance sheet
 - IFRS financial statements and disclosures
 - Changes to internal performance measures, contracts, business processes as needed for appropriate incorporation of the IFRS impacts.
- IFRS accounting technical training
- Related management presentations



Appendix 2: Selected KPMG Conversion Tools

Given the scope of IFRS conversion, OHC's stakeholders must have timely communications detailing project status, key findings, issues and plans going forward. KPMG has designed a number of tools for just such a purpose, and which have proven to be highly effective on IFRS conversion projects with which we have been involved worldwide.

Accounting and Disclosure Impact Matrix, to help your project team apply a systematic process that identifies in detail the differences between OHC's current accounting treatment and IFRS. It consists of four worksheets dealing with general issues, balance sheet items, income statement items and special topics, and can accommodate changes to IFRS that occur throughout the project. Output will be a detailed summary of the accounting gaps and the system and process impacts, as shown in the following example:

State	Gap Ref	Topic	Subtopic
●	1.1	Form and components of financial statements	
●	1.2	Statement of changes in equity	
●	1.3	Statement of cash flows	
●	1.4	Basis of accounting	
●	1.5	Consolidations	
●	1.6	Business combinations	
●	1.7	Foreign currency translation	
●	1.8	Prior period adjustments and other accounting changes	
●	1.9	Events after the balance sheet date	

Pro Forma Financial Statements, a key development of the implementation plan to help OHC with first-time adoption of IFRS. They include sample note disclosures concerning requirements under the standards, and templates to help you draft the numerous reconciliations that are required in your IFRS financial statements (such as equity and net income) but which can often be difficult to complete.

Policy Selection Survey, *The Application of IFRS: Choices in Practice*, will be used to help OHC determine its IFRS accounting policies. It looks at how almost 200 companies from 16 countries have dealt with several IFRS options and serves as a companion to our publication *The Application of IFRS: Disclosures in Practice*, which provides disclosure examples from the financial statements of companies that already report under IFRS.

Appendix 3: Summary of Hours

Oakville Hydro Corporation								
IFRS Conversion - Phase 2								
Estimated Hours								
		IFRS Partner	Assurance Partner	Senior Manager	IT	Project Management	Senior	Total
1.0	PHASE 2: DETAILED ASSESSMENT							
1.1	PHASE 2 KICK OFF							
1.2	ACCOUNTING AND REPORTING IMPACT ASSESSMENT							
1.2.1	Gap analysis - customize accounting & disclosure matrix	■		■			■	■
1.2.2	IFRS 1 assessment	■		■				■
1.2.3	IFRS accounting choices	■		■				■
1.2.4	Two meetings with management to discuss gap analysis		■	■			■	■
1.3	IT SYSTEMS AND PROCESS IMPACT ASSESSMENT							
1.3.1	High level IT Systems Impact Assessment - high level	■			■			■
1.3.2	Initial control impact assessment			■				■
1.4	BUSINESS IMPACTS							
1.4.1	Assess impact on regulatory reporting			■				■
1.4.2	Assess PILs reporting impacts							
1.4.3	Business and Financial Contracts Assessment (e.g. loans, notes & agreements with the City, leases)	■		■		■		■
1.4.4	Stakeholders relations - Audit Committee			■				■
1.4.5	Budget Process Impact Assessment - high level			■				■
1.5	PEOPLE IMPACT ASSESSMENT							
1.5.1	Human Resources			■				■
1.5.2	Develop training strategy			■				■
1.6	HIGH LEVEL PLAN AND BUDGET FOR PHASES 3 & 4	■				■		■
2.0	ONGOING PROJECT MANAGEMENT AND COMMUNICATION							
2.1	PROJECT SCOPING							
2.1.1	Project scoping, initiation, determine project roles and assign responsibilities					■		■
2.1.2	Track project progress and maintain issues log					■		■
2.1.3	Meeting with management re phase 3/4 plan, issues		■	■				■
2.2								
	Phase 2 - total hours	■	■	■	■	■	■	■



Appendix 4: Independence Letter

Permissible Services

If one analyzes the IFRS conversion service which KPMG will deliver, which have been presented to you and which I assume you are familiar with, it is very useful to summarize the permissible sub-tasks of such a project as follows:

Phase 1:

Provide advice and assist you with:

- Establishing a project charter;
- Team organization;
- Development of project structure;
- Project management communication;
- Internal communication strategy; and
- Initial operational and milestone plan.

In addition, we can prepare the following:

- Risk assessment;
- External communication plan;
- Awareness training sessions;
- Training strategy;
- High level diagnostic;
- High level impact assessment of complexity;
- Initial IT impact assessment;
- Issues log; and
- Project status reports and steering committee reports.

Phase 2:

The following aspects of the project can be classified as permissible:

- Prepare a gap analysis between IFRS and Oakville's accounting policies and disclosures;
- Analyze and report on the assessment of IFRS 1;
- Prepare the accounting strategy analysis;
- Perform an IT impact assessment;
- Provide an advice on business impacts and summarize in a report;
- Conduct a financial impact analysis;
- Update the issues log;
- Provide input into the revised operational and milestone plans;
- Prepare the budget analysis for the design and implementation phases of the plan; and
- Advise on project management communication

Phase 3:

The following aspects are permissible:

- Provide advice and recommendations on accounting policies based upon assessments;
- Draft sample financial statements;
- Provide training;
- Develop or provide disclosure checklists;
- Update external communications strategy and advice on internal communications strategy;
- Summarize issues log;
- Advise on updates to the operational and milestone plans; and
- Prepare project status reports and steering committee reports.

Phase 4:

The following aspects are permissible:

- Facilitate the conversion roll out matrix;
- Draft accounting manual and guidelines;
- Draft IFRS financial statements and disclosures;
- Review changes to internal control processes;
- Assess effectiveness of IT changes;
- IFRS accounting technical training; and
- Project status reports and steering committee reports

Benefits of using KPMG as the IFRS project advisors

In summary of the above, it is clear that KPMG can be of great assistance to the management team in the successful completion of an IFRS conversion project. There are definite benefits in involving KPMG as both the external auditors and the IFRS Conversion specialist, which can be summarized as follows:

- The involvement of a single advisor will save you the time and effort at the end of the project to convince your audit team of the merit of all the decisions taken; and
- A significant amount of time can be saved in that your team advising you will already understand and will have exposure to all the significant business issues that impact your company and industry.

Potential threats

Potential threats to independence when providing IFRS Advisory Services do, however, occur when the auditor acts in a management role, performs Information Technology systems design work or when the outputs of our IFRS

Advisory Services become the subject of our subsequent audit of the financial statements (Self Review Threat).

Management Role

Activities that constitute a management function and which potentially may impact our independence include:

- Authorizing, approving, executing or consummating a transaction;
- Preparing source documents or originating data or making changes to such documents or data;
- Having or exercising authority on your behalf;
- Determining which KPMG recommendation should be implemented; or
- Reporting in a management role to the Audit Committee

As your project advisors, we can however provide advice, consultation and facilitation. Our advice can include identifying considerations for the development of a conversion plan, advice on your project management plans, participation in meetings to facilitate discussions based on our technical knowledge of IFRS, systems design and implementation and project management. We may also provide observations and recommendations in connection with our attendance at these meetings. We can provide feedback on your plans including your prioritization of activities.

In summary, you accept ownership of the project and we advise on the project.

Information Technology Systems Services

Services that involve the design or implementation of financial information technology systems that will be used to generate information forming part of the audit client's financial statements may impair our independence. We can, however, provide assistance with systems design and implementation provided that adequate safeguards are put in place.

Self Review Threat

A self review threat occurs when any product or judgment from a previous engagement needs to be re-evaluated in reaching conclusions on the audit. An example of a circumstance that might create a self-review threat includes the preparation of original data used to generate financial statements.

The entire conversion project undertaken by management is designed to implement policies and procedures to generate the information necessary to compile financial statements and related disclosures prepared in accordance

with IFRS. Ultimately, we will be responsible for auditing these financial statements in an objective manner.

KPMG's IFRS conversion approach has safeguards built in to ensure that this self-review risk does not occur. Each phase of our conversion approach has the project team meet with management to validate the findings resulting from the work.

Conclusion

Remaining independent is achieved not only by our action but also by the perceptions around our actions towards client. Independence is something that KPMG takes very seriously and we have made significant investment in research and tools to ensure we remain independent of our audit base of client at all time. Our approach to this is one of zero tolerance.

For the reasons described above, we strongly feel that the proposed IFRS conversion services do not pose an independence issue for us as your auditors. We trust that the above provides you with the necessary information to reach a conclusion on this matter and will be quite prepared to verbally or in writing address any further queries you may have.

We appreciate the opportunity to have a frank debate around this topic and to continue to be of service to your company.

Yours very truly

Barry F. Frieday
Partner
(905) 523-2212



Appendix 5: IFRS Publications

KPMG has published many publications on International Financial Reporting Standards. Some that may help Canadian entities understand the standards and plan for their adoption are now available at <http://www.kpmg.ca/ifrs/>. Examples include:

- **IFRS: An Overview** – an executive summary of the key requirements of IFRS
- **IFRS in Brief/Briefing Sheets** – A KPMG monthly newsletter and supplements providing ongoing insights into developments in IFRS
- **IFRS: Views On a Financial Reporting Revolution** – Senior accounting, regulatory and industry figures from around the world address a number of key issues they believe must still be resolved to confirm the success of the IFRS project
- **A Work in Progress** – Insights into the views of Australian financial analysts in relation to Australian IFRS
- **Illustrative Financial Statements** – A series intended to assist entities in preparing financial statements in accordance with IFRS
- **IFRS 7 For Corporates** – A supplement to the August 2006 edition of *Illustrative Financial Statements* that illustrates how disclosures would have differed with the application of *IFRS 7 Financial Instruments: Disclosures*, an IFRS standard similar to a recently issued Canadian standard that will be effective in 2008
- **Insights into IFRS: Practical Guide to International Financial Reporting Standards (Fourth edition, 2007/08)** – A discussion of the application of the standards in practice and KPMG's views on many interpretive issues
- **The Application of IFRS: Power and Utilities** – A look at the approaches taken by 25 Power and Utilities companies from 16 countries in dealing with industry specific accounting issues and the type of disclosures made by these companies in their financial statements
- **The Application of IFRS: Disclosures in Practice** – A look at the type of disclosures made by almost 200 companies from 16 countries in their consolidated financial statements, as well as the formats and methods of disclosure
- **The Application of IFRS: Choices in Practice** – A survey that considers how almost 200 companies dealt with 26 explicit options offered by IFRS, and a companion to the publication *Application of IFRS: Disclosures in Practice*
- **Checklists** – Disclosure checklists intended to assist entities involved in general business in preparing financial statements in accordance with IFRS.

More specific to Canadian companies are:

- Managing the Transition to IFRS: The Journey to 2011
- The Transition to IFRS: Implications for the Audit Committee
- IFRS compared to Canadian GAAP: An overview (December 2008)

CONFIDENTIAL

2008 Oakville Hydro Corporation Bonus Plan

August 13, 2008

1

Bonus Plan Purpose

- To provide a means of paying incentive compensation to employees who contribute materially to the success of the Corporation by their ability, ingenuity, drive and leadership.

2

Philosophy

- OHC's compensation philosophy must be aligned with the strategic objectives of the Corporation and with Shareholder needs – business and profitability growth.

3

Philosophy cont'd

- Plan redesign for 2008 aligns with shareholder objectives by encouraging employee performance that support the achievement of financial targets.
- Solid financial opportunity for exceptional results
- Manager has additional flexibility to reward exceptional employees impacted by uncontrollable environmental events

4

2008 Re-Design

- Incentive dollars payable when maximum Company Performance is achieved has increased from **150% to 200% of target bonus**
- Maximum level of Company Performance, for which incentive payment will be paid, increased from **105% to 110% of the financial target**
- Minimum level of Company Performance, at which incentive payment will be paid changes from **90% to 95% of the financial target**

5

Elements of Redesign - Company Performance

- Payout on Company Financial Performance generated from business results against Income Target
 - 95% achievement = 50% of Target Payout
 - 100% achievement = 100% of Target Payout
 - 105% achievement = 150% of Target Payout
 - 110% achievement = 200% of Target Payout

6

2008 Re-Design

- Maximum level of Employee Performance payout increases from **150% to 200% of the personal target**
- Minimum level of Employee Performance payout remains unchanged at **0% of the personal target**
- Employee Performance Rating scale has been increased from **4 to 5 levels**.

7

Elements of Redesign- Employee Performance

Each employee's personal performance is evaluated by their Manager based on personal objectives established and signed off by March 31 and rated using the following grid.

Achievement Against Personal Objectives	5	Exceptional	150-200%
	4	Commendable	100-150%
	3	Satisfactory	50%-100%
	2	Developing	0%-50%
	1	Unsatisfactory	0%

8

Payout Formula

- Base Salary at December 31 x Incentive Bonus Target % x (Weighted Financial Multiplier + Weighted Personal Multiplier)

Payout Formula Example

$$\begin{aligned} & \$100,000 \times 20\% \times ((50\% \times 150\%) + (50\% \times 110\%)) \\ & = \$26,000 \text{ bonus} \end{aligned}$$

9

2008 Income Targets

Company	2008 Income Target
CORP	
EDI	16,804
ESI (incl. GHMS)	
BLINK	
EL-CON	
CONSOLIDATED	

10

Elements as in Previous Years

11

Bonus Targets

- The Incentive Bonus Target [at 100%] is determined by Position.
- The weighting between Company and Personal Performance is also determined by Position.

12

Weighting of Company Performance

- Employees in positions that perform work across Companies will be measured on "Consolidated".
- Positions working within a single Company will be measured on that Company's Income Target.

13

Weighting Exception

- Employees who work in positions measured on Consolidated, and who spend significant amounts of time in one business during the year, may have the financial results portion of their bonus weighted according to the time spent working in each business.

14

Next Steps

- Questions & Answers
- Department Meetings

15

CONFIDENTIAL

OAKVILLE HYDRO CORPORATION

2009

INCENTIVE COMPENSATION PLAN

2009 O H Incentive Plan - final 'SEC version with LDC positions only'

1. Purpose

- 1.1 The purpose of this Plan is to provide a means of paying incentive compensation to employees of Oakville Hydro who contribute materially to the success of the Corporation by their ability, ingenuity, drive and leadership.

2. Eligibility

- 2.1 All regular full time union free salaried employees of Oakville Hydro Corporation are eligible to participate in the Incentive Plan.
- 2.2 Eligible positions and levels of participation shall be recommended by the President and CEO and approved by the Board of Directors.
- 2.3 Participants, in eligible positions, will not qualify for any payment unless they have six months of continuous service in any position covered by this Plan.
- 2.4 An employee receiving an unsatisfactory performance rating for the year will be ineligible for any Incentive Plan payment based either on the corporate or individual components of the Plan.

3. Definitions

- 3.1 "**Plan**" is the Incentive Compensation Plan as approved by the Board of Directors.
- 3.2 **Base Salary**" is the annualized base rate of pay of each of the participants at December 31 of the Plan year. If a participant becomes eligible during the course of the year, the participant would receive a prorated award payout based on full months worked in the fiscal year divided by 12.
- 3.3 "**Income Target**", for Incentive Plan purposes, will be the **approved 2009 budget objectives "Earnings Before Interest, Taxes, Depreciation, and Amortization , (EBITDA)"**, after adjusting for costs allocated to Capital and after making provision for payments arising from the Incentive Plan as set out for each segment of the business or the Corporation as a whole as applicable. The financial objectives of the Corporation will be applicable to all employees.
- Sale of assets will be excluded from performance figures and OHEDI actual regulated rate changes in year may result in the target being adjusted up or down.

4. Principal Provisions

- 4.1 The term of this Plan is January 1, 2009 to December 31, 2009 that reflects the fiscal calendar year reported by the Company in its annual filings.
- 4.2 The President and CEO retains the right to amend, suspend or cancel the whole or any part of this plan, subject to the prior approval of the Board of Directors.
- 4.3 The Plan shall provide incentive compensation payouts, if any, to be paid in accordance with the attached Bonus Tables reflecting the Income Target attained.
- 4.4 No payment may be made from the Incentive Compensation Plan unless the Corporation has a positive EBITDA. No payout from the Income Target component will be made unless 95% of the "Income Target" is achieved.

5. Payment

- 5.1 Incentive Compensation payments to participants under this plan will be made as soon as possible after the audited statements of the Corporation have been finalized and the Incentive Compensation Plan recommendations, as prepared by the President and CEO have been approved by the Board of Directors. If financial statements are delayed, consideration will be given to making a partial payout.
- 5.2 Participants must be active regular employees (or regular employees on approved leaves of absence) of the Company as of December 31st of the Plan year to be eligible for payment under the plan except in the event of death or retirement or the President and CEO, with the approval of the Board of Directors, makes an exception for any other reason.
- 5.3 Participants who have retired, and the estates of those who may have died during the Plan year will be entitled on a pro rata basis to the payment which the participant would have been otherwise entitled to.
- 5.4 Participants who become eligible during the Plan year or employees on approved leave of absence will have their payments calculated on a pro rata basis.
- 5.5 Participants who are promoted or transferred within the Company and who qualify for payments under a different Table will have their payments calculated proportionately based on service in each position during the year.
- 5.6 Award amounts paid under this plan will be subject to all legislated statutory deductions, such as those required under the Income Tax Act, and will be subject to any contributory earnings definition as per OMERS legislation.

6. **Responsibilities**

- 6.1 The President and CEO shall have responsibility to interpret the Plan, and may amend or cancel the Plan, subject to the approval of the Board of Directors.
- 6.2 The President and CEO and Human Resources Manager shall be responsible to administer the Plan.
- 6.3 The recommendation for individual payments under the Plan shall be the responsibility of the President and CEO and approved by the Board of Directors except in the case of payments to the President and CEO which are recommended by the Chair and approved by the Board of Directors.
- 6.4 The Human Resources Manager is responsible to recommend modifications to the Plan consistent with the strategic needs of the business.
- 6.5 The Chief Financial Officer is responsible to ensure the accuracy of the financial calculations and that individual payments are made as soon as possible after the approvals are given.
- 6.6 The President and CEO will provide monthly updates on the Plan to eligible employees and to the Board.

PLAN DETAILS

1. COMPANY PERFORMANCE (FINANCIAL RESULTS) PAYOUT

Payout on company performance generated from business results against Income Target (or other financial measures) will be made on the following basis:

95% achievement = 50% of Target Payout

100% achievement = 100% of Target Payout

105% achievement = 150% of Target Payout

110% achievement = 200% of Target Payout

Payout will include incremental achievement between full percentage points.

2. EMPLOYEE PERFORMANCE (PERSONAL RESULTS) PAYOUT

Each employee's personal performance is evaluated by their Manager based on personal objectives established and signed off by March 31 and rated using the following grid.

Achievement Against Personal Objectives	5	Exceptional	150-200%
	4	Commendable	100-150%
	3	Satisfactory	50%-100%
	2	Developing	0%-50%
	1	Unsatisfactory	0%

The Board will approve the personal objectives of the President and CEO and all management direct reports.

3. PAYOUT FORMULA

The following factors are used to calculate bonus payments:

Base Salary at December 31 x Incentive Bonus Target % x (Weighted Financial Multiplier + Weighted Personal Multiplier)

4. 2009 INCOME TARGETS

Company	2009 Income Target
CORP	
EDI	15,723
ESI (incl. GHMS)	
BLINK	
EL-CON	
CONSOLIDATED	

5. BONUS TARGETS BY POSITION –AT 100% OF TARGET

Refer to 'Table A' for specific positions and applicable bonus target percentages

6. BONUS TARGET WEIGHTING BETWEEN COMPANY PERFORMANCE (FINANCIAL RESULTS) AND PERSONAL PERFORMANCE (PERSONAL RESULTS)

The base percentage of employee bonus at 100% is split into 'Company performance (financial results)' and 'personal performance (personal results)'. The weighting of these two measures is determined by position.

Refer to 'Table B' for specific positions and the applicable Financial Results and Personal Results weighting.

7. WEIGHTING OF COMPANY PERFORMANCE (FINANCIAL RESULTS) BY POSITION

Positions that perform work across Companies will be measured on Consolidated. Positions that perform work within a single Company will be measured on the Income Target for that specific Company.

Employees who work in positions measured on Consolidated, and who spend significant amounts of time in one business during the year, may have the financial results portion of their bonus weighted according to the time spent working in each business.

Payout Formula Example

Base Salary Incentive
Bonus
Target

\$100,000.00 20%

Weighting		Achievement	
Personal Results	Financial Results - Company X	Personal Results	Financial Results- Company X
50%	50%	110%	150%

Result Bonus Payout
\$
26,000.00

THIS LEASE made as of the 1st day of January, 2001.

B E T W E E N:

THE CORPORATION OF THE TOWN OF OAKVILLE

hereinafter called “the Lessor”

OF THE FIRST PART

and

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

hereinafter called “the Lessee”

OF THE SECOND PART

PREMISES

That in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Lessee to be paid, observed and performed, the Lessor doth demise and lease unto the Lessee those lands and premises, and including the building thereon, comprising approximately 107,170 square feet situate, lying and being in the Town of Oakville, in the Regional Municipality of Halton and being composed of Block 4 according to a plan registered in the Land Registry Office for the Land Registry Division of Halton as No. 20M-476 and known municipally as 861 Redwood Square which lands are hereinafter referred to as “the Premises” and are shown on the plan which is annexed as Schedule A hereto.

TERM

1.

- (a) TO HAVE AND TO HOLD the Premises for the term of ten (10) years commencing the 1st day of February, 2000, and terminating on the 31st day of December, 2009 (the “Term”).
- (b) Provided further that the Lessor has the right, privilege and option of initiating one (1) additional ten (10) year renewal (the “Renewal Term”) upon the Lessee receiving eight (8) months written notice in advance from the Lessor of its intention to renew this Lease Agreement. The Renewal Terms shall be governed by the same terms and conditions of this Lease Agreement, with the exception of no further renewals, Rent and Insurance, which shall be re-negotiated by the parties not later than 120 days prior to the expiration of the initial Term or any subsequent Renewal Term. If the parties are unable to determine the Rent payable during the Renewal Terms, matter shall be determined by arbitration in

accordance with the *Arbitration Act, 1991, S.O. 1991, c.17*, as amended from time to time.

RENT

2. Rent at the commencement of the Term shall be based upon an annualized rent of \$857,360.00 (\$8.00 per gross rentable square foot; the parties hereto agreeing that the gross rentable area is 107,170 square feet) or \$71,446.67 per month.

Accordingly, Rent for the Term shall be as follows:

- a) For the eleven month period commencing February 1, 2000 it is intended by the parties hereto that a pro rated share of one third of the Rent of \$285,786.66, shall be paid in eleven equal monthly instalments of \$23,815.56 (\$857,360.00 divided by 3 divided by 12 months) on the first day of each month, in advance, and the remaining two thirds of the Rent shall be deferred (the “Deferred Rent”) and paid as hereinafter provided;
- b) For the year commencing January 1, 2001 two thirds of the Rent, being the sum of \$571,573.33, (plus CPI increase as hereinafter provided) shall be paid in twelve equal monthly instalments of \$47,631.11 on the first day of each month, in advance, and the remaining one third of the Rent shall be deferred and paid as hereinafter provided;
- c) For the remainder of the Term Rent shall consist of the total of the following:
 - i) Annual Rent of \$857,360.00 shall be paid, in advance, in twelve equal monthly instalments of \$71,446.67 on the first day of each month; plus
 - ii) An increase in each twelve month period by a percentage equal to the increase in the Consumer Price Index, or similar replacement index, for Metropolitan Toronto as reported by Statistics Canada or its successor; plus
 - iii) The total of the Deferred Rent owing on the twenty fourth month of the Term, shall be divided by the number of months remaining in the Term and paid as Additional Rent on the first day of each month for the remainder of the Term. In addition, interest shall be paid on such portion of the Deferred Rent as shall be outstanding from time to time, calculated at a rate equal to the prime lending rate announced from time to time by Royal Bank of Canada for loans to its most credit-worthy customers plus five percent; provided, however, that the Treasurer of the Lessor may, in consultation with its Director of Finance,

postpone repayment of the Deferred Rent to a later date, in his sole discretion, plus

- iv) Federal Goods and Services tax, or any replacement thereof and any similar tax imposed by other levels of government from time to time.

3. The Lessee shall pay the Lessor as Additional Rent the monies and other charges, costs and expenses provided to be paid in this Lease Agreement by the Lessee at the times when they become payable.
4. All payments required to be made by the Lessee under or in respect of this Lease shall be made to the Lessor's office, at 1225 Trafalgar Road in the Town of Oakville or at such other place as the Lessor may hereafter from time to time direct in writing to the Lessee.

INSURANCE

5. The Lessee covenants and agrees at all times during the Term and any Renewal Terms hereof, at its own expense, to insure and keep insured the building erected on the Premises against loss or damage by fire and by extended coverage for its then full insurable value.

The parties hereto agree that at lease inception date full insurable value of the building is \$11,441,800.00. The policy of insurance in effect shall at all times provide that:

- (a) Maximum deductible is not more than \$5,000.00.
 - (b) The Lessor shall be named as owner/co-insured.
 - (c) The Insurer will provide the Lessor a minimum of thirty (30) days written notice of cancellation.
6. The Lessee will insure at its own expense its liability as occupier and user of the Premises and provide and keep such insurance in force during the Term or Renewal Term hereof for the benefit of both the Lessor and the Lessee and furnish to the Lessor upon execution of this Lease Agreement a complete copy of such insurance policy. Such policy shall name the Lessor as an additional insured and the policy shall include a cross liability clause endorsement and shall be in an amount of not less than Twenty Million Dollars (\$20,000,000.00) with not more than \$5,000.00

deductible. As a term of the aforementioned policy, the insurer will provide the Lessor a minimum of thirty (30) days notice of cancellation.

LESSEES COVENANT

7. The Lessee covenants with the Lessor:

- (a) This lease shall be fully net and carefree to Lessor. Without limiting the generality of the foregoing Lessee covenants and agrees to pay rent in the manner and at the times provided in this Lease Agreement, without deduction, abatement or set-off. Except as otherwise provided for herein, the Rent and Additional Rent herein provided to be paid shall be net/net to the Lessor and clear of all taxes, costs and charges arising from or relating to the Premises or their use including land, building, and personal and other property and that the Lessee covenants to pay all charges, impositions, expenses of every nature and kind relating to the Premises;
- (b) To pay Additional Rent when due;
- (c) To pay the insurance premiums as set out in this Lease Agreement and to discharge and pay when due any fine, penalty, interest or cost may be added to them;
- (d) In each and every year during the Term or any Renewal Term hereof, to pay and discharge as and when the same become due, save and except development charges, all taxes (including local improvement rates), rates, duties, assessments and other charges that may be levied, rated, charged or assessed against the Premises, including land, building, personal property or any property of any nature or kind whatsoever in or about the Premises, without limiting the generality of the foregoing, every other tax, charge rate, assessment or payment which may become a charge or encumbrance upon or levied or collected upon or in respect of the Premises or any part thereof, as the same become due respectively, whether charged by any municipal, parliamentary or other body during the Term or any Renewal Term hereby demised;
The Lessee shall have the right to contest by appropriate legal proceedings the validity of any tax, rate, including local improvement rates, assessment or other charges referred to in this

section; and if the payment of any such tax, rate, local improvement rates, assessment or other charges may legally be held in abeyance without subjecting the Lessor to any liability of whatsoever nature for failure to so pay, the Lessee may postpone such payment until the final determination of any such proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch;

The Lessee shall pay the same as they become due respectively, all charges for public utilities, including water, gas, sewer, electrical power or energy, steam or hot water, cable and telephone used upon or in respect of the Premises and for fittings, machines, apparatus, metres or other things leased in respect thereof, and for all work or services performed by any corporation or commission in connection with such charges;

- (e) That in the event of the Lessee failing to pay any taxes, rates, insurance premiums or charges which it has herein covenanted to pay, the Lessor may pay the same and shall be entitled to charge the sums so paid to the Lessee who shall pay them, together with interest, as Additional Rent, due on the next ensuing rent day; and the Lessor, in addition to any other rights, shall have the same remedies and may take the same steps for the recovery of all such sums as it might have and take for the recovery of rent in arrears under the terms of this Lease Agreement;
- (f) To, at its own expense, maintain and keep the interior and exterior of the Premises and every part thereof (except structural elements) in good order and condition and promptly make all needed repairs and replacements except structural repairs and replacements, (reasonable wear and tear and damage by fire, lightning and tempest only excepted);
- (g) To heat the Premises in a reasonable manner at its own expense;
- (h) That it shall be lawful for the Lessor and its agents, at all reasonable times, upon notice, during the Term and any Renewal Term hereof, to enter the Premises to inspect the condition thereof. Where an inspection reveals repairs and/or replacements are necessary, which are properly the responsibility of the Lessee, the Lessor shall give

the Lessee notice in writing and thereupon the Lessee will, within thirty (30) days from the date of delivery of the notice, make the necessary repairs in a good and workmanlike manner. If the Lessee fails to make the requisite repairs and /or replacements to the Premises, the Lessor may make them, and the Lessee shall remit the cost of them, together with interest, as Additional Rent due on the next ensuing rent day;

- (i) Further, that the Lessee will, at the expiration or sooner determination of the Term or any Renewal Term hereof, peaceably surrender and yield up unto the Lessor the Premises hereby demised with the appurtenances, together with all buildings or erections which at any time during the Term or any Renewal Term hereof shall be made therein or thereon subject to the provisions of the herein Lease Agreement, in good and substantial repair and condition, reasonable wear and tear and damage by fire, lightning and tempest only excepted;
- (j) That the Lessee will, in the maintenance, use and occupation of the Premises promptly comply with all requirements of the local Board of Health, Police or Fire Departments, Department of labour and Municipal and other requisite authorities. The Lessee shall comply with all provisions of law including, without limitation, all federal and provincial legislative enactments, municipal zoning and building by-laws and any other federal, provincial or municipal regulations which relate to the Premises or to the use, maintenance or occupation thereof or to the making of any repairs, replacements, additions, changes, substitutions or improvements of or to the Premises or any part thereof;
- (k) Not to use the Premises otherwise than in connection with its present business and not to use or permit the Premises or any part thereof to be used for any dangerous, noxious or offensive purpose or cause or permit any nuisance to be caused on the Premises. The foregoing shall not be interpreted to prevent the Lessee from storing and repairing vehicles on the premises;
- (l) Not to erect any building, structure or sign other than what exists today, on the Premises without the prior written consent of the

Lessor and as provided pursuant to paragraph 10 of this Lease Agreement with respect to signs. The Lessor shall have regard, in its written consent to the lawful requirements of municipal and governmental authorities.

- (m) Not to suffer or permit during the Term or any Renewal Term hereof any construction liens or other liens for work, labour, services or materials ordered by it for the cost of which it may be in any way obligated to attach to the Premises or to the buildings, structures and equipment and that whenever and so often as any such liens shall attach or claims therefore shall be filed, the Lessee shall within thirty (30) days after the Lessee has notice of the claim or lien procure the discharge thereof by payment or by giving security or in such other manner as is or may be required or permitted by law; and the Lessee further covenants that whenever and so often as a certificate of action is registered, the Lessee shall within thirty (30) days after the Lessee has notice of the registration of such certificate of action have the same vacated;
- (n) Other than the contract for the building addition under construction as of the date of this agreement, to discharge all liabilities incurred by it in respect of the Premises or arising out of the construction of any building, structure, improvement, or service constructed, placed, made to, or provided upon the Premises at the instance or request of the Lessee on the date upon which each becomes due and payable, and to cause any contractor or subcontractor engaged in construction to discharge all liabilities incurred by the contractor or subcontractor so arising; provided that if any contractor or subcontractor defaults, the Lessee is responsible for the default and shall pay any liability not paid by reason thereof. Nothing herein shall prevent the Lessee from exercising any rights or remedies against any contractor, subcontractor, or other party who may be responsible for the default and shall pay any liability not paid by reason thereof. Nothing herein shall prevent the Lessee from exercising any rights or remedies against any contractor, subcontractor, or other party who may be responsible for any such liabilities;
- (o) Not to assign or transfer this Lease Agreement or any part thereof without first obtaining the consent in writing of the Lessor, which

consent shall not be unreasonably withheld or delayed. It shall not be considered unreasonable for the Lessor to withhold consent in the event that Lessor, in good faith, believes that the activities to be carried on at the Leased Premises by a proposed assignee or the nature of its business are such that they may have a harmful health or environmental impact on the Leased Premises, or that such proposed assignee is not as credit-worthy as the Lessee.

- (p) That the Lessor shall not in any event whatsoever, except for the negligent acts or omissions of the Lessor or any person for whom the Lessor is at law responsible, be liable or responsible in any way for any personal injury or death that may be suffered or sustained by the Lessee or any employee of the Lessee or any other person who may be upon the Premises or for any loss or damage or injury to any property belonging to the Lessee or to its employees or to any other person while such property is on the Premises and, in particular, (but without limiting the generality of the foregoing) the Lessor shall not be liable for any damage to any such property caused by steam, water, rain or snow which may leak into, issue or flow from any part of the Premises or adjoining premises or from the water, steam, sprinkler or drainage pipes or plumbing works of the same or from any other place or quarter or for any damage caused by or attributable to the condition or arrangement of any electrical or other wiring or for any damage caused by anything done or omitted to be done by any Lessee; and
- (q) That the Lessee will indemnify and save harmless the Lessor of and from all liabilities, fines, suits, claims, demands and actions of any kind or nature, and all expenses incident thereto, to which the Lessor shall or may become liable for or suffer by reason of any breach, violation or non-performance by the Lessee of any covenant, term or provisions hereof or by reason of any injury or death resulting from occasioned to or suffered by any person or persons or damage or loss of any property by reason of any act, neglect or default on the part of the Lessee or any of their agents, invitees employees, or others on the property with or without the knowledge or consent of the Lessee, it being agreed that the Lessor is in no way responsible or able to control access to the Leased Premises while same are in the

possession of Lessee; such indemnification in respect of any such breach, violation or non-performance, damage to property, injury or death occurring during the Term or any Renewal Term hereof, shall survive any termination of this Lease Agreement, anything in this Lease Agreement to the contrary notwithstanding.

LESSOR'S COVENANTS

8. The Lessor covenants with the Lessee:

- (a) That the Lessee, if in compliance with this Lease Agreement, shall peaceably enjoy and possess the Premises for the Term and any Renewal Term hereof without any interruption or disturbance by the Lessor or any other person or persons claiming under it; provided, however, that nothing contained in this Lease Agreement shall be construed as a warranty by the Lessor to the Lessee against any adverse claims, encumbrances or defects in title to the Premises existing before the Lessor acquired title, or asserted by persons claiming by, from or under a predecessor in title to the Lessor; and
- (b) That the Lessee, provided it is not in default in the performance of its obligations under this Lease Agreement, shall have the right, subject to the provisions of the herein Lease Agreement, to make, at its own expense, such alterations in or additions and improvements to the Premises as it may deem advisable; provided that no such alternation, addition, or improvement shall reduce the value or character of the Premises or weaken their structural safety or be detrimental to their use, and any such alternation, addition or improvement so made, excluding Lessee's chattels, shall become and remain the property of the Lessor. At the option of Lessor, at the end of the Term or Renewal Term, Lessee shall remove such alteration, improvements or additions in a good and workmanlike manner and restore the Leased Premises to their original condition. Prior to making any structural alterations, additions or improvements, the Lessee must receive the prior written consent of the Lessor, which consent shall not be unreasonably withheld or delayed.

PROVISOS

9. Provided always and it is hereby agreed:

- (a) That in the case without the written consent of the Lessor, the Premises shall become and remain vacant or not used for a period of thirty (30) days while the same are suitable for use by the Lessee, or in case the Term or any Renewal Term hereby granted or any of the goods and chattels of the Lessee be at any time seized or taken in execution or in attachment by any creditor of the Lessee or the Lessee shall make any assignment for the benefit of creditors or become bankrupt or insolvent or take the benefit of any Act now or hereafter in force for bankrupt or insolvent debtors or any order shall be made for the winding-up of the Lessee, then and in every such case, the Lessee shall be in default. Should the foregoing default occur, the then current month's rent and the next ensuing three months' rent shall immediately become due and payable, and the taxes for the current year (to be calculated at the rate of the previous year if the rate shall not have been fixed for the current year) shall immediately become due and payable. The Lessor, at any time after it has notified the Lessee of the default and the Lessee has failed to cure the default within thirty (30) days, may re-enter the Premises, and repossess the Premises in its former state as though the Lessee were holding over after the expiration of the Term or any Renewal Term hereof, and the Term or any Renewal Term hereof shall, at the option of the Lessee, become forfeited, and accelerated rent and taxes shall be recoverable by the Lessor as rent in arrears, but the Lessee shall remain liable under this Lease Agreement;
- (b) That notwithstanding the benefit of any present or future statute taking away or limiting the Lessor's right of distress, none of the goods and chattels of the Lessee on the Premises at any time during the Term or any Renewal Terms hereof shall be exempt from levy by distress for Rent and/or Additional Rent in arrears;
- (c) Major repairs of the building structure, roof, heating and air conditioning systems shall be the Lessor's responsibility and done at the Lessor's sole cost. For greater clarity, the Lessor shall be responsible for any repairs and replacement to the footings, foundations, structural columns and beams, structural subfloors, bearing walls, exterior walls, roof and roof membrane;
- (d) That the Lessee will not bring upon the Premises or any part thereof any machinery, equipment, article or thing that by reason of its weight,

size or use might damage the floors of the Premises and that if any damage is caused to the Premises by any machinery, equipment, article or thing or by overloading or by any act, neglect, misuse, or omission on the part of the Lessee or any of its servants, agents or employees or any person having business with the Lessee, the Lessee will forthwith repair the same or pay to the Lessor the cost of making good the same;

- (e) Whenever in this Lease Agreement reference is made to the Premises, it shall include all structures, improvements and erections in or upon the Premises or any part thereof from time to time;
- (f) The Lessee shall from time to time at the request of the Lessor produce to the Lessor satisfactory evidence of the due payment by the Lessee of all payments (other than Rent or Additional Rent) required to be made by the Lessee, under this Lease Agreement;
- (g) That the Lessee may remove their chattels, and provided further that the Lessee shall not remove or carry away from the Premises anything that constitutes a permanent fixture within the building and that the Lessee will make good any and all damage caused by removal of any or all chattels;
- (h) If the Lessee defaults in the payment of Rent or Additional Rent, and the default continues for thirty (30) days after written notice of it to the Lessee by the Lessor, or if the Lessee defaults in the observance or performance of any covenant or agreement in this Lease Agreement and the default continues for thirty (30) days after written notice of it, or in the case of a default not involving the payment of money which cannot with due diligence be cured within such thirty (30) day period, if the Lessee fails promptly to cure the default, the Term or any Renewal Term hereof, shall at the option of the Lessor, terminate and the Lessee shall quit and terminate the Premises to the Lessor, but the Lessee shall remain liable under this Lease Agreement;
- (i) Upon termination of the Term or any Renewal Term hereof, the Lessor may immediately or at any time thereafter reenter the Premises and remove all persons and property using any means permitted by law, and repossess the Premises;

- (j) That if and whenever during the Term or any Renewal Term hereby demised the Premises shall be destroyed or damaged by fire, lightning or tempest, or any of the perils insured against under the provisions of paragraphs 5 & 6 hereof, then and in every such event:
- (i) If the damage or destruction is such that the whole or any part of the Premises is rendered wholly unfit for occupancy or it is impossible or unsafe to use and occupy it and if in either event in the reasonable opinion of the Lessor the damage cannot be repaired with reasonable diligence within one hundred and twenty (120) days from the happening of such damage or destruction, then either the Lessor or the Lessee may terminate this Lease Agreement by giving to the other notice in writing of such termination, in which event this Lease Agreement and the Term or any Renewal Term hereby demised shall cease and be at an end as of the date of such destruction or damage and the Rent and Additional Rent and all other payments for which the Lessee is liable under the terms of the Lease Agreement shall be apportioned and paid in full to the date of such destruction or damage; in the event that neither the Lessor nor the Lessee so terminate this Lease Agreement, then the building shall be repaired with all reasonable speed and the rent hereby reserved shall abate from the date of the happening of the damage until the damage shall be made good to the extent of enabling the Lessee to use and occupy the Premises;
- (ii) If the damage in the reasonable opinion of the Lessor be such that the whole or any part of the Premises is wholly unfit for occupancy, or impossible or unsafe to use or occupy, if in either event in the reasonable opinion of the Lessor, the damage can be repaired with reasonable diligence within one hundred and twenty (120) days from the happening of such damage, then the rent hereby reserved shall abate from the date of the happening of such damage until the damage shall be made good to the extent of enabling the Lessee to use and occupy the Premises and the Lessor shall repair the damage with all reasonable speed; and

- (iii) Notwithstanding the foregoing, if the damage in the reasonable opinion of the Lessor can be made good as aforesaid within one hundred and twenty (120) days of the happening of such destruction or damage and the damage is such that the whole or any part of the Premises is capable of being partially used for the purposes for which it is hereby demised, then until such damage has been repaired the rent shall abate in the proportion that the part of the portion of the building demised is rendered unfit for occupancy bears to the whole of the said portion of the building demised and the Lessor shall repair the damage with all reasonable speed.
10. That the Lessee shall have the right from time to time during the Term or any Renewal Term hereby granted to erect, paint, display, maintain, alter, change or remove signs on the exterior and interior of the walls of the Premises. All such signs shall be dignified in appearance and must obtain prior approval in writing by the Lessor acting reasonably (and the Lessor in approving such signs shall have regard to the aesthetic appeal of the building, the signs to serve as identification purposes and not advertising) and shall comply with the lawful requirements of municipal and governmental authorities. They shall remain the property of the Lessee and shall be removed by them upon the termination of the Term or any Renewal Term hereby granted. Upon the removal of any such signs, the Premises shall be restored to their original condition except for reasonable wear and tear. The Lessee shall indemnify and save harmless the Lessor against any loss, damage or injury caused to any person or thing as a result of the placing or use of any sign on the Premises;
11. That the failure of the Lessor or Lessee to insist upon a strict performance of any of the agreements, terms, covenants and conditions hereof shall not be deemed a waiver of any rights or remedies that the Lessor or Lessee may have and shall not be deemed a waiver of any subsequent breach or default in any of such agreements, terms, covenants and conditions and the rights and remedies of the Lessor under this Lease Agreement, or otherwise available to it under law, may be exercised and enforced either concurrently or successively;
12. Any notice, letter, request or demand herein provided for or given hereunder shall be sufficiently given if delivered addressed in the case of the Lessor, to: the Town Solicitor, 1225 Trafalgar Road, Oakville, Ontario, L6J 5A6, or if mailed by registered mail, postage prepaid, addressed in the case of the Lessee to: the President, P.O. Box 1900, 861 Redwood Square, Oakville, Ontario, L6J 5E3. Any

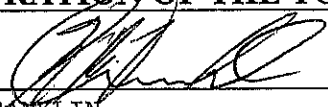
notice mailed as aforesaid shall be conclusively deemed to have been given on three (3) business days following the day on which such notice is mailed as aforesaid.

Either Lessor or Lessee may at any time give notice in writing to the other or others of any change of address of the party giving such notice from and after the giving of such notice and address therein specified shall be deemed to be the address of such party for the giving of such notices thereafter;

13. Provided further that should the Lessee remain in possession of the Property after the End of the Term or Renewal Term hereby created without other special agreement, it shall be as a monthly tenant at a monthly rent equal to one-twelfth of the annual Rent payable for the last month of the Term or Renewal Term, hereby created payable in advance on the first day of each month and otherwise subject to all terms of this Agreement insofar as they may be applicable to a monthly tenancy;
14. This Lease Agreement shall be read with such changes in gender and number as the context may require and all schedules attached hereto shall form part of this Agreement as if set out fully and contained within the body of this Agreement;
15. All covenants, terms and conditions contained in this Lease Agreement shall be severable, and should any covenant, term or condition be declared invalid or unenforceable, the validity and enforceability of the remaining covenants, terms and conditions shall not terminate thereby;
16. This Lease Agreement shall extend to, enure to the benefit of, and be binding upon, the parties to it and their successors and assigns.

IN WITNESS WHEREOF the parties hereby have hereunto executed these presents.

THE CORPORATION OF THE TOWN OF OAKVILLE


KURT FRANKLIN

ACTING/ MAYOR


CHRISTINE SHEWCHUK

CLERK

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

 Name and Title

 PRESIDENT and C.E.O. Name and Title

We have authority to bind the Corporation

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT

QUOTATION Q-08-03

PROJECT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

DESCRIPTION: **Duct Bank and Cable Installation**

FILE NO.: 07-170

JOB NO.: 20814-1 & 2

Daniel P. Steele, P.Eng., M.B.A.
Director of Engineering
P. O. Box 1900
861 Redwood Square
OAKVILLE, Ontario L6J 5E3

905-825-9400

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

CONTRACT and SPECIFICATIONS for

LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT

I N D E X

SUMMARY SHEET

STATUTORY DECLARATION

AGREEMENT to PERFORMANCE and LABOUR
MATERIAL PAYMENT BOND

LIST of DRAWINGS

INFORMATION for BIDDERS SECTION 1.0

QUOTATION FORM SECTION 2.0

GENERAL CONDITIONS SECTION 3.0

SPECIFICATIONS SECTION 4.0

FORM of AGREEMENT SECTION 5.0

PERFORMANCE BOND SECTION 6.0

STANDARD DRAWINGS SECTION 7.0

TOWN OF OAKVILLE TREE PROTECTION POLICY SECTION 8.0

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

To be completed by Contractor - **SUMMARY SHEET**

**CONTRACT: LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT**

QUOTATION No.: Q-08-03 FILE No.: 07-170

QUOTATION CLOSING: Thursday June 12, 2008
at 2:00 p.m. local time.

CONTRACT INFORMATION

Name of Contractor: ELCON CONSTRUCTION INC.

Address of Contractor: P.O. BOX 1900 / 861 REDWOOD SQUARE
OAKVILLE / ON L6J 5E3

Telephone: 905-825-4461 / 905-483-1691

Name of Person Signing
for Contractor: RENATO MEDEIROS

Office of Person Signing
for Contractor: 2176 SPEERS RD / OAKVILLE, ONT

Name of Bonding Company
Proposed: THE MEARIE GROUP

Address of Bonding
Company: _____

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

To be completed by Contractor - **SUMMARY SHEET**

**CONTRACT: LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT**

CALCULATION of TOTAL CONTRACT QUOTATION PRICE
[Information transferred from Quotation Form]

QUOTATION PRICE

Section 'A' - Total of Unit Prices = \$ 53,571.12

Section 'B' - Total of Extra Work = \$ 7,013.94

TOTAL Quotation Price = \$ 60,585.06

Bidders's Signature



NOTE: A certified cheque, letter of credit or bond, payable to the Oakville Hydro Electricity Distribution Inc., equal to ten [10%] percent of the Total Tendered Sum, to be attached to this page if said amount is in excess of \$100,000.

STATUTORY DECLARATION

To be made by a Contractor/Sub-Contractor to accompany his Quotation submission.

C A N A D A

In the matter of a Contract entered with the Oakville Hydro Electricity Distribution Inc., by

Province of
Ontario

EL-CON CONSTRUCTION INC.

Contractor/Sub-Contractor.

At Project LAKE SHORE ROAD WEST AT BROUTE GREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT

Quotation No. Q-08-03 File No. 07-170

TO WIT:

I, RENATO MEDEIROS of the City of BRAMPTON, in the Province of Ontario do solemnly declare:

That I am CONSTRUCTION MANAGER/SUPERVISOR
[President, Secretary, Treasurer, a Partner, etc.]

of EL-CON CONSTRUCTION INC.
the Contractor/Sub-Contractor named in the contract above mentioned and as such have personal knowledge of the facts hereunder declared:

That all payments of assessments or compensation due the Workplace Safety and Insurance Board, as provided by Section 3.24 of the General Conditions, have been paid.

AND I MAKE THIS SOLEMN DECLARATION conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act.

DECLARED before me in the

_____ of

Signed
this _____ day of

_____, 20____.

A Notary Public, Commissioner for Oaths, etc.

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

CONTRACT and SPECIFICATIONS for
LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE
UNDERGROUND CABLE REPLACEMENT

LIST of DRAWINGS

Layout Drawings:

Drawing No. Description

UH-2026 Lakeshore Road West at Bronte Creek Bridge Underground Cable Replacement

Hydro Standard Drawings:

Drawing No. Description

HS-310 Typical Duct Entrance Details To Precast Vault and Manhole

HS-312 Concrete Encased Duct Bank Sections and Notes

HS-315 Typical Trench Restoration Methods

HS-405 Primary Terminal Pole Riser

Town of Oakville Standards:

Drawing No. Description

STD6-1 Concrete Sidewalk Detail

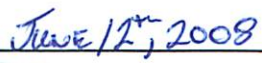
STD6-3 Concrete Curb And Gutter

STD7-2B Standard Street Section For 20m Road Allowance

I/We hereby acknowledge receipt of drawings listed above.



Signature



Date

**AGREEMENT TO PERFORMANCE AND LABOUR
MATERIAL PAYMENT BOND**

NAME OF OWNER: _____ Bond No. _____

DESCRIPTION OF PROJECT: _____

We, the undersigned, hereby agree to become bound as surety for

_____ (name of bidder) in a Performance Bond in the sum of _____ % of the contract amount, and a Labour and Material Payment Bond in the sum of _____ % of the contract amount, and conforming to the Instruments of Contract for the full and due performance of the works shown and described herein, if the tender attached hereto is accepted by the owner, and the bond is requested within 30 days from the date of acceptance of the tender.

Signed, sealed and dated this _____ day of _____, 20 _____.

Witness: Name _____ By: _____ Attorney-in-fact
Address _____

INFORMATION FOR BIDDERS

SECTION 1.0

INFORMATION FOR BIDDERS

	<u>Section</u>
General	1.1
Blank Quotation Form	1.2
Deposit with Quotations	1.3
Performance Bond and Security Deposit	1.4
Execute Contract	1.5
Bidders to Investigate	1.6
Items	1.7
Award of Contract	1.8
Informal Quotes	1.9
Sales Tax	1.10
Unbalanced Quotes	1.11
Origin of Materials	1.12
Ontario Fuel Board - Bill 103	1.13
Preparation of Plans and Specifications and Supervision of Work	1.14
Utility Services	1.15
Reference Statements	1.16
Pre-Construction Meeting	1.17
Energized Plant	1.18
Materials	1.19
Unit Prices	1.20
Trenching and Backfilling	1.21
Direct Buried Duct\Conduit	1.22
Cable Placement in Duct\Conduit	1.23
Precast Concrete Structures	1.24
Driveway Asphalt Restoration	1.25
Permits and Licenses	1.26
Daily Quality Reports and Extra Work Claims	1.27
Town of Oakville Tree Protection Policy	1.28
Completion Date	1.29
Occupational Health & Safety Agreement	1.30
Hours of Work	1.31

GENERAL 1.1

Sealed Quotations for the **Lakeshore Road West at Bronte Creek Bridge Underground Cable Replacement**, as described herein, addressed to the Manager of Purchasing & Facilities, Oakville Hydro Electricity Distribution Inc. and endorsed "**Lakeshore Road West at Bronte Creek Bridge Underground Cable Replacement**", will be received until **Thursday June 12, 2008, at 2:00 p.m. local time.**

All index and reference numbers, either in the Quotation Form, Plans, Drawings, Specifications, General Conditions or Index are given for the convenience of the Contractor, and such must be taken only as a general guide to the items referred to. It must not be assumed that such numbering is the only reference to each item, but the plans and specifications as a whole must be fully read in detail for each item.

BLANK QUOTATION FORM 1.2

All quotations must be upon the blank quotation form, contained herein and shall give the price for each item of work proposed and be signed by the Bidder, with his business address fully outlined therein.

The quotation must be verified by the Statutory Declaration of the party or parties making the quote, that the several matters stated therein are in all respects true.

DEPOSIT WITH QUOTATIONS 1.3

Every quotation in excess of \$100,000 shall be accompanied by a deposit in the form of a certified cheque, letter of credit or bond acceptable to Oakville Hydro Electricity Distribution Inc. (hereafter referred to as Oakville Hydro), equal to ten [10%] percent of the total value of the quotation. The deposit of the successful bidder will be retained until the Contract has been signed and Performance Bond or Security Deposit has been furnished to the satisfaction of the Solicitor and Engineers of Oakville Hydro.

PERFORMANCE BOND and SECURITY DEPOSIT 1.4

All successful bidders for construction contracts, in excess of \$100,000, will be required to provide either (a) a Performance Bond from a licensed Canadian Surety Company in an amount equal to fifty [50%] percent of the total quotation, or (b) a Security Deposit in the form of cash or irrevocable letter of credit acceptable to Oakville Hydro, in an amount equal to fifty [50%] percent of the total quotation.

The above securities shall be maintained in good standing until the fulfillment of the contract, but may be decreased, at Oakville Hydro's discretion, at a rate equal to the contract payment schedule.

The Performance Bond or Security Deposit shall be maintained to cover the faithful performance of the Contract including all legal and other professional services and expenses incurred due to a default, plus all expenses including but not limited to those incurred by Oakville Hydro for the period between the default of the Contract and the commencement of operations by a new Contractor.

EXECUTE CONTRACT 1.5

The party to whom the Contract is awarded will be required to execute the Contract within seven [7] days from the date of mailing of the notice from Oakville Hydro to the Bidder, according to the address given by him, that the Contract is ready for signature.

BIDDER to INVESTIGATE 1.6

Bidders must satisfy themselves by personal examination of the location of the proposed work and by such other means as they may prefer, as to actual conditions and requirements of the work.

ITEMS 1.7

The parts of the work have been divided into items, in order to enable the Bidder to quote for the different portions of the work in accordance with his estimate of their cost, so that in the event of an increase or decrease in the quantity of any particular item of work, the actual quantities executed may be paid for at the rate stated for that particular item of work in the Quotation Form, subject to the basis of payment laid down for each item in the Specifications.

AWARD of CONTRACT 1.8

Parties bidding on this Contract must be bona fide residents of Canada. Awards of this Quote will be based on any or all of the following criteria, where relevant, to assist in ensuring responsible and responsive bids:

- a) The ability, capacity and skill of the vendor to perform the contract,
- b) The ability, capacity and skill of the vendor to perform the contract in a safe manner,
- c) Whether the vendor can perform the service promptly within the time specified without delay or interference,
- d) The character, integrity, reputation, judgment, experience and efficiency of the vendor and the proposed staff for this service,
- e) The quality of performance provided on previous contracts or services, and
- f) All cost to the utility that would result from selecting the vendor.

INFORMAL QUOTES 1.9

Quotations which are incomplete, conditional or obscure, or which contain additions not called for, erasures, alterations, or irregularities of any kind, may be rejected as informal.

SALES TAX 1.10

This is a Base Price Contract and therefore the quoted prices in the Quotation Form - Section 2.0, shall be quoted excluding all applicable taxes. All applicable taxes [e.g. PST and GST] **must** be shown separately on the Contractor's invoice for work completed.

UNBALANCED QUOTES 1.11

Each item in the Quotation Form shall be a reasonable price for such item. Unbalanced quotations will not be considered. Oakville Hydro and all the Engineers shall be the sole judge of such matters, and should any bid be considered to be unbalanced, then same will be rejected by Oakville Hydro.

ORIGIN of MATERIALS 1.12

Preference is to be given to material of Canadian manufacture, where quality and price are comparable.

ONTARIO FUEL BOARD - Bill 103 1.13

The Bidder shall conform to the Ontario Fuel Board Bill 103, "an Act to Amend the Municipal Act" that where digging, trenching, or excavating with mechanical equipment upon a highway, by a Municipality or any person entitled so to do, may interfere with a gas pipe line, the Municipality shall, except in an emergency, or unless otherwise agreed between the Municipality and the Owner of a pipe line, at least twenty-four [24] hours before the work is to be commenced, notify the Owner of the gas pipe line that such digging, trenching or excavating is to be done.

PREPARATION of PLANS and SPECIFICATIONS and SUPERVISION of WORK 1.14

The Plans and Specifications were prepared by the Director of Engineering, of Oakville Hydro. He, or his appointed staff, will supervise the construction of the work.

UTILITY SERVICES 1.15

Bidders will realize that during the process of construction along and across existing Town streets and across intersections, many utility services will be encountered. The successful Contractor shall be held responsible for contacting the following offices at least twenty-four [24] hours before the work is to be commenced, to have a representative accurately locate their particular pipes or underground cables, etc.

Region of Halton	
Sanitary sewer and water	(905) 825-6030
Town of Oakville	
Storm sewer	(905) 338-4392
	After Hours - 845-7114
Traffic Department	(905) 338-4151
Oakville Hydro Electricity Distribution Inc.	
Electric cables and house connections	(905) 825-6355
Union Gas, Cogeco Cable, Bell Telephone, Provincial Transmission Lines	
Call Ontario One Call	1-800-268-5222

All such sewers, house drains, water mains, gas mains, house services, Bell telephone power and other cables must be thoroughly protected during excavation, pipe laying, manhole construction, backfilling, etc. to the entire satisfaction of the various utility companies concerned and to the Engineer or his representative.

In the event of any of these mains, house connections, valves, or cables being broken or damaged, they shall be replaced or repaired to the entire satisfaction of the parties concerned at the Contractor's expense.

REFERENCE STATEMENTS 1.16

The Bidder must include in his quotation, his reference schedules:

Statement 'A' -	Contractor's Reference Schedule
Statement 'B' -	Contractor's Proposed Sub-Contractors
Statement 'C' -	Contractor's Proposed Construction Methods
Statement 'D' -	Contractor's Proposed Work Schedule
Statement 'E' -	Contractor's Equipment Capability
Statement 'F' -	Contractor's Staff Competencies
Statement 'G' -	Contractor's Minimum Competency Requirements

****See Section 2.0 of the Quotation Form****

PRE-CONSTRUCTION MEETING 1.17

Allowances in the bid price shall be made for a pre-construction meeting with the person(s) in charge. Such meetings shall be for the purpose of establishing all the practices and procedures to be followed in completing the work. Oakville Hydro's staff are to ensure that there is a good understanding of Oakville Hydro's practices and procedures, and that all hazards shall be identified to the degree possible. Where Oakville Hydro's electrical protection code is to be used, the contractor shall be instructed in the requirements for using the code. This meeting shall be documented by Oakville Hydro's staff and signed off by the contractor's person(s) in charge.

ENERGIZED PLANT 1.18

The Contractor shall not enter or climb existing energized Hydro plant without the presence and consent of authorized Oakville Hydro personnel.

Bidders shall be aware that the presence of authorized Oakville Hydro's personnel is required for the installation of cables and/or conduit into existing energized Hydro structures. Close co-ordination with Oakville Hydro's personnel is essential to ensure the efficient installation of cables and conduits. Extreme care must be taken by the Contractor, when working in the immediate area of transformer vaults, hydro manholes and hydro termination poles, as these installations all contain **energized** equipment.

MATERIALS 1.19

The following materials shall be supplied by Oakville Hydro and will be made available for pick-up by the Contractor at: Oakville Hydro's Head Office, 861 Redwood Square, Oakville.

Any and all materials supplied by Oakville Hydro, and not used in construction, shall be returned by the Contractor to Oakville Hydro's facilities as directed by Oakville Hydro's Engineer.

- 100mm PVC ducts (straight & elbow)
- duct spacers
- couplings (straight & 5 degree) and Bell ends
- tie wires

- polypropylene fish string
- cable pulling lubricant

The Contractor will supply all other materials, such as:

- concrete
- cement
- reinforcing steel
- asphalt
- sod
- top soil
- cable sand
- granular backfill
- non shrinkable backfill

in accordance with the Specification section of this Contract and subject to Oakville Hydro inspection and approval.

The Contractor shall provide all necessary storage facilities and be responsible for all damage to, or loss of, materials supplied by Oakville Hydro. Further, the Contractor will be responsible for the disposal of all surplus/excavated fill and the old vaults.

UNIT PRICES 1.20

Linear quantities for trenching, directional boring, sand bedding, cable installation, direct buried and concrete encased duct placement shall be determined on horizontal measurements only.

The unit prices quoted in the Quotation Form shall include the cost of material, labour and some material supplied by the Bidder, necessary to complete that item, in accordance with this Specification.

All payments shall be made on the basis of the actual quantity of each item installed, multiplied by the appropriate unit price.

TRENCHING and BACKFILLING 1.21

The price for machine dug and hand dug trenches with native material backfill shall include the cost of excavating the trench to the required depth, backfilling and compaction of select native material, and the removal of excess material from the site.

The price for machine dug and hand dug trenches with granular material backfill shall include the cost of saw cutting existing surfaces, excavation and removal of excavated material, and the supply, placement and compaction of granular or unshrinkable material.

DIRECT BURIED DUCT/CONDUIT 1.22

Payment at the Quoted unit price per metre of duct, conduit or concrete encased duct bank shall be full compensation for all labour, equipment and some material necessary to place the duct/conduit or group of duct/conduit. The quoted unit price shall include all costs necessary to

splice polyethylene conduit where necessary and to verify the integrity of the duct/conduit upon completion of installation.

CABLE PLACEMENT in DUCT/CONDUIT 1.23

The Quoted unit price for cable installation in duct/conduit shall include all costs necessary to install cables in duct/conduit, regardless of the size and number of conductors in the cable, and regardless of the size and type of duct. The unit price for cable installation shall also include all costs necessary for sealing cut cable ends; affixing cable identification; and for installing fish line in ducts and conduit.

PRECAST CONCRETE STRUCTURES 1.24

The Quoted unit price for the precast concrete structures shall be full compensation for all labour, equipment and some material required for all excavation regardless of soil conditions; disposal of surplus excavated material; placing and compaction of granular bedding and backfill material; installation of a grounding system; installation of drainage pocket or drainage facilities; construction of duct/conduit entrances; and for the installation of precast concrete hydro structures.

DRIVEWAY ASPHALT RESTORATION 1.25

Restoration of asphalt driveways shall be completed in accordance with the following criteria:

- a) Where there is a sidewalk on the boulevard, the Contractor shall resurface the driveway full width between the sidewalk and the roadway curb and gutter;
- b) Where there is no sidewalk on the boulevard, the Contractor shall sawcut the driveway at a distance of 1m from the edge of the excavation and resurface the driveway full width between the sawcut and the roadway curb and gutter.

PERMITS AND LICENCES 1.26

Oakville Hydro shall be responsible for obtaining, from the Regional Municipality of Halton and the Town of Oakville, all excavation permits, municipal consent and sewer connection permits.

The Contractor shall be responsible for obtaining any and all other permits and/or licenses required to complete this contract.

DAILY QUALITY REPORTS and EXTRA WORK CLAIMS 1.27

The Contractor will be required to balance all payment quantities and extra work claims with Oakville Hydro's Inspector before leaving the site, upon completion of the project. Invoices submitted by the Contractor after completion of the project, for claims not agreed upon by the Inspector, will not be paid.

If an agreement between the Contractor and the site Inspector cannot be reached, the Contractor shall immediately make an appointment with Oakville Hydro's Engineer for the purpose of finalizing claims.

TOWN OF OAKVILLE TREE PROTECTION POLICY 1.28

The contractor must conform to all the requirements specified in the Town Of Oakville Tree Protection Policy, attached in Section 8.0.

COMPLETION DATE 1.29

It is imperative that the Contractor completes all works by Tuesday September 30, 2008. Failure to comply will result in the application of Section 3.0 (3.31) of the General Conditions of this contract.

OCCUPATIONAL HEALTH & SAFETY AGREEMENT 1.30

The successful bidder will be required to enter into an Occupational Health & Safety Agreement with Oakville Hydro that will form part of the final contract. The agreement will outline applicable safety laws, acts and regulations, and describes roles and responsibilities of contract parties.

HOURS of WORK 1.31

Work shall be carried out between the hours of 9:00AM & 3:00 PM as per Town of Oakville Municipal Consent and Excavation Permit.

QUOTATION FORM

SECTION 2.0

CONTRACT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

QUOTATION NO.: **Q-08-03**

FILE NO.: **07-170**

NOTE: This Quotation Form is not to be detached from this Contract. Use loose sheets provided, as Working Copy.

I/We _____ [Contractor]

of _____ [Address]

[Telephone]

agree, for the Quoted Sum stated below, to supply all necessary labour, materials, plant, equipment and services for the complete execution of all trades specified herein, for the above-mentioned job, in strict accordance with the requirements of the Contract documents.

The Quoted Sum of _____

/100 Dollars

[\$ _____].

I/We enclose herewith a certified cheque, letter of credit or bond, payable to Oakville Hydro Electricity Distribution Inc., equal to ten [10%] percent of the Total Quoted Sum, [if said amount is in excess of \$100,000].

I/We submit the following Unit Prices which apply to minor changes in the Contract, as directed by Oakville Hydro and are based on materials and methods specified herein. The Unit Prices shall be used for additions or deletions to the Contract.

CONTRACT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

QUOTATION NO.: **Q-08-03**

FILE NO.: **07-170**

NOTE: ****WORKING COPY - TO BE RETAINED BY CONTRACTOR****

I/We _____ [Contractor]

of _____ [Address]

[Telephone]

agree, for the Quoted Sum stated below, to supply all necessary labour, materials, plant, equipment and services for the complete execution of all trades specified herein, for the above-mentioned job, in strict accordance with the requirements of the Contract documents.

The Quoted Sum of _____

/100 Dollars

[\$ _____].

I/We enclose herewith a certified cheque, letter of credit or bond, payable to Oakville Hydro Electricity Distribution Inc., equal to ten [10%] percent of the Total Quoted Sum, [if said amount is in excess of \$100,000].

I/We submit the following Unit Prices which apply to minor changes in the Contract, as directed by Oakville Hydro and are based on materials and methods specified herein. The Unit Prices shall be used for additions or deletions to the Contract.

CONTRACT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

QUOTATION NO.: **Q-08-03** **FILE NO.:** **07-170**

Item	DESCRIPTION	Quantity	Unit Price	Total
1.	<u>TRENCHING & BACKFILLING</u>			
[a]	Excavate and backfill with compacted select native material complete with top soil and sod restoration	40m		
[b]	Excavate and backfill with compacted granular material complete with 25mm thick sidewalk leveling sand	76m		
[c]	Hydro Vac 1.1m deep trench (under ash tree)	2m		
2.	<u>CONCRETE ENCASED DUCT BANK</u>			
[a]	4 - Duct bank concrete encased – steel reinforced	113m		
3.	<u>CABLE REMOVAL AND INSTALLATION</u>			
[a]	Remove 1-500 kcmil Cu 15kV XLPE CNJ cable in 75mm/100mm duct line and dispose to Oakville Hydro storage	270m		
[b]	Remove and dispose to Oakville Hydro storage 3-500 kcmil Cu 15kV XLPE CNJ cables from dug out trench	45m		
[c]	Install 1-500 kcmil Cu 15kV XLPE CNJ cable into 75mm/100mm duct line	726m		
4.	<u>RESTORATION OF LANDS</u>			
	Break out, remove and dispose of existing and reinstate new concrete sidewalk.	120m ²		
<p>Section 'A' - Total Unit Prices (Transfer to Summary Sheet)</p> <p align="right"><u>\$ 53,571.12</u></p>				

CONTRACT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

QUOTATION NO.: **Q-08-03** **FILE NO.:** **07-170**

I/We submit the following Unit Prices, which apply to any minor changes in the Contract as directed by Oakville Hydro, and are based on materials and methods specified herein. These Unit Prices shall be used only if extra work is ordered by Oakville Hydro's Engineer or his representative.

<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Rate</u>	<u>TOTAL</u>
<u>LABOUR RATES</u>				
Foreman	12	hours		
Labourer	24	hours		
Truck Driver	4	hours		
Backhoe Operator	12	hours		
<u>EQUIPMENT RATES</u>				
Service Truck	12	hours		
Backhoe	12	hours		
Dump Truck	4	hours		
Trench Compactor	8	hours		
Compressor c/w Hammer	8	hours		
Hydro Vac	4	hours		
Concrete Saw	8	hours		
<u>MATERIAL RATES</u>				
16 mm crusher run limestone	10	t		
Cable sand	4	t		
Concrete curb and gutter	10	m		
Collector Street Asphalt	10	m ²		
- 38 mm HL3C surface coarse				
- 51 mm HL6 base coarse				

EXTRA WORK ALLOWANCE

Extra Labour, Equipment and Materials, if ordered by Oakville Hydro's Engineer, shall be at the designated rates.

TOTAL Section 'B' - Extra Work Schedule
[transfer to Summary Sheet]

\$ 7,013.94

I/We have carefully examined all the Contract Documents, have visited the site and I/We are satisfied as to the soil conditions. I/We have obtained a clear, comprehensive knowledge of the work required under this Contract, as well as all of the working conditions.

If we are notified of the acceptance of this Quotation, I/We will:

- a) Execute the Form of Contract approved by Oakville Hydro Electricity Distribution Inc., within seven [7] days.
- b) Furnish a Performance Bond or Security Deposit to the satisfaction of Oakville Hydro if the total Quotation price is in excess of \$100,000. The Bond or Security Deposit shall be for fifty [50%] percent of the Contract amount and maintain this security in force, for a period of one [1] year from the date of acceptance of the work; said date of acceptance to be made, in writing, by Oakville Hydro.
- c) On award of the Contract, I/We agree to complete the work in 5 weeks from the date of our signing the Contract.

EL-CON CONSTRUCTION INC.
Name of Company

Signature of Company Official and
Corporate Seal, if a Limited Company

JUNE 12th, 2008
Date


Signature of Signing Officer

STATEMENT "C"

CONTRACTOR'S PROPOSED CONSTRUCTION METHODS

The Contractor proposes to use the following methods of construction, subject to mutually acceptable changes which Oakville Hydro may require for the work to be done in its best interests. It is hereby agreed that the discussion of any other methods by Oakville Hydro or its agents with the Contractor shall not be grounds for withdrawing this Quotation.

This image shows a single sheet of white paper with horizontal black ruling lines. The lines are evenly spaced and run across the width of the page. There is a small dark speck near the top left corner. The paper appears to be part of a notebook or a set of loose-leaf paper.

STATEMENT "D"

CONTRACTOR'S PROPOSED WORK SCHEDULE

TIME IS THE ESSENCE OF THE CONTRACT

The Contractor proposes to complete the entire work within the time schedule outlined and extensions of the time which may be allowed by the Engineer under the provisions of the Contract.

The Contractor proposes to complete the parts of the work in the following order, subject to changes which may be decided later and to complete each part in the time entered opposite, either consecutively, simultaneously, or both.

[illegible]

4461 03/03

6/11/07 1:02:49 PM

EL-CON CONSTRUCTION INC.					VEHICLE/EQUIPMENT FLEET	ONTARIO C.V.O.R. #154-414-727		
No	Fuel	Year	Model	Description	Serial Number	Licence	RGW Kg	Annual Inspection
201	Diesel	2006	Chev	2500 4X4 Pick-up	1GCHK29D36E165471	7843RY	3,700	April
202		1990	Hitchman	12 Ft. Deck Trailer	2G9LHS2BXLH019290	C5901W		
203		2006	Moffatt	20 Ft. Reel Trailer	2M9T1SDG66E043001	C5986W		April
204	Diesel	2006	Sullair	Compressor	185JD/4WOAS211106M200024			
205	Diesel	2007	Int'l	Crew Cab Van 4300LP	1HTMNAAM67H402629	1573TJ	11,000	May
206	Diesel	2006	Chev	3500 4X4 Dump	1GBJK34D56E140820	1664TF	7,000	May
207	Diesel	2006	CAT	420EIT Loader/Backhoe	420EEKMW00485			
208	Diesel	1997	GMC	8500 Dump	1GDP7H1J5VJ506646	8097TJ	30,000	July
209	Diesel	2006	Int'l	7500, 22 Ft. Van	1HTWNAZT86J314080	4149TM	36,000	August
210	Diesel	2006	Ditch Witch	JT2020 Directional Drill	CMWJ2020J60000291			
211		2006	Ditch Witch	Directional Drill Trailer	IDSB232N561701760	D9764H		September
212		2006	Econoline	20 Ton Float	42EDPMT2061001029	D8730C		July
213	Gas	1999	Southco	Single Reel Trailer	2S9P8S422X1057630	D8729C		August
214		2006	CAT	420EIT Loader/Backhoe	0420ETKAW00750			
215	Diesel	2006	Hassan	Fuel Containment Tank	246852			
216		1992	AWR	Heavy Reel Trailer	AWRB2210A21003264	D9481K		October
217		2000	UTY	Water Tank Trailer	2U9TY148041016029	D9794H		October
218		2006	JDJ	Kubota Trailer 16'	2JDUTF52861005573	D7010K		October
219		2006	Kubota	U35 Excavator	30412			
220		1998	Chev	1500 4X4 Pick-Up	1GCEK14W3WZ169017	6114TR	4000	October
221		2006	Hassan	Fuel Containment Tank				
222		1999	Mobilease	8' X 12' Const. Site Trailer	121154			
223	Diesel	2007	Chev	3500 4 X 4 Dump	1GBJK34SX7E139597	6628TY	7000	January
224		2007	JDJ	Ramp Trailer 18'	2JDUTF62071005826	D2422N		February
225	Gas	2007	Chev	1500 Locate Van	1GCFG15X371157124	9365TX	3266	
226	Gas	1996	Chev	2500 4X4 Pick-up	1GCGK24R9TE155781	1430VF	5000	May
				Jun 1/07				
			NOTE:					
				Halton Regional overwidth permit expires Nov 22/2007		#WP-0111/06		
				MOT Provincial overwidth permit expires Nov. 10/2007		#A238142		

Date Prepared: Dec 17, 07.

Prepared By: Renato Medeiros

El-con Construction Inc.

Y-YES

List of Employees and Training,

[illegible]

STATEMENT 'G' - MINIMUM COMPETENCY REQUIREMENTS

NATURE OF WORK	Safety Awareness for Underground Electrical Workers (E&USA)	Electrical Awareness (E&USA)	First Aid	Work Area Protection Awareness (E&USA)	CPR	WHIMIS Training	Backhoe/Loader Operator Training (E&USA)	Radial Boom Derrick Certification	Hydraulic Material Handling Aerial Device Training (E&USA)
Underground Hydro Installation	●		●	●		●			
Backhoe Operation			●			●	●		
Material Handling with Hydraulic Devices			●			●			●

GENERAL CONDITIONS

SECTION 3.0

GENERAL CONDITIONS

	<u>Section</u>
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Covering Construction of Works Referred to Herein

QUOTATIONS 3.1.1

All Quotations for the execution of the work herein set forth or referred to must be made on the printed forms supplied for that purpose. Such Quotations must be made without any knowledge, comparison of figures or arrangement with any other person making any quotation or estimate for the same purpose, and that it is in all respects fair and without collusion or fraud. The Quotation or estimate must be verified by the Statutory Declaration of the party or parties making the estimate that the several matters stated therein are in all respects true. Quotations must cover the cost of completion of the work in every respect, in accordance with the Contract, General Conditions, Specifications and Plans, including all labour, plant, tools, etc. Contractors are required to fully satisfy themselves as to the practicability of the works, and every part thereof, before bidding thereon, and the Contractor, by his signature hereto, assumes all responsibility in respect thereof.

DEFINITION of CONTRACT 3.1.2

The work required to be done by the Contractor under this Contract comprises all requisite terminations and the removal of all materials and obstructions in any way required for the proper carrying out of the works, the formation, construction, completion and maintenance of the several works referred to in the Plans and Specifications relating thereto, and in these General Conditions. The several parts of the Plans, Specifications, these General Conditions, and the Contract shall be taken together to explain each other, and to make the whole consistent; and if it is found that anything has been omitted or misstated which is necessary for the proper performance and completion of any part of the work contemplated, the Contractor shall, at his own expense, and without making any extra claim therefor, execute the same as if it had been included or properly described, and the decision of the Engineers in regard thereto shall be final. The inclusion or correction of any such omission or misstatement shall not be deemed to be an addition to, or deviation from the works hereby contracted for, nor shall such decision or correction entitle the Contractor to an extension of time for the completion of the Contract.

WORKPLACE SAFETY and INSURANCE BOARD 3.2

Contractors must submit with their bid the most recent data on the Boards New Experimental Experience Rating (NEER) System. Copies of the NEER data as reported for the last completed year must be submitted with this bid. Preference will be given to contractors with NEER Performance Index less than 1.0. Please provide NEER Firm Summary Statement.

PLANT, LABOUR and MATERIAL 3.3

The Contractor shall provide all necessary storage ground and furnish all required skilled and unskilled labour, and materials, fuel, machinery, tools and all other plant, so that the Contract and all work required to be done under it, can and will be carried on continuously and expeditiously to completion, and in all respects to the satisfaction of the Engineers. The Contractor is prohibited from removing the plant and all approved materials or any part thereof, in all cases, which, from time to time are brought upon the works or upon the lands of Oakville Hydro Electricity Distribution Inc. (hereafter referred to as Oakville Hydro), during the progress of the works, without the consent or instruction of the Engineers in writing; but no advance of money will be made to the Contractor on plant or materials delivered unless specifically provided for herein.

SAMPLES 3.4

Before any material of any kind is used on the work, the Contractor must submit samples thereof for the approval of the Engineers and no material shall be used which is in any way inferior to the approved sample; but it is understood that the approval of any material shall not subject Oakville Hydro to pay for the same, nor prevent the rejection afterwards of any portion thereof which may turn out to be unsound or unfit to be used, in the judgement of the Engineers; nor shall such approval be considered as any waiver of objection to the work at any subsequent period on account of the unsoundness or imperfection of the materials used, or on any other account.

CONDEMNED and SURPLUS MATERIALS 3.5

Should any plant, appliance, materials or workmanship which the Engineers may deem to be inferior or unfit for use in or on the works, be brought on the ground, or used, the same shall be wholly removed therefrom within twenty-four [24] hours after notification to that effect from the Engineers, and in case of failure or neglect on the part of the Contractor to remove the same, the Engineers may cause the same to be taken away, at the Contractor's expense, and deposited, wasted or otherwise disposed of in any locality, place or way he considers convenient or proper, and the Contractor shall forthwith pay Oakville Hydro, on demand, all expenses incurred, including storage, if any, or the same may be deducted or collected by Oakville Hydro as provided in Section 3.33 hereof.

No surplus or other material of any kind, arising from any portion of the work shall be sold, thrown away, dumped, wasted or otherwise disposed of without the written sanction of the Engineers, and if so disposed of, the Engineers shall ascertain as nearly as they conveniently can, the quantities and value, and deduct the same from the Contractor's certificate of payment.

ERRORS by CONTRACTOR 3.6

Changes, errors or mistakes made by the Contractor or his agents, workmen or employees, either through carelessness or otherwise, and all settlements, failures, washouts and defects must be rectified by the Contractor at his own expense.

OMISSIONS 3.7

Anything whatever which may be imperfectly specified or imperfectly shown on the Plans, or shown on the drawings and not specified, or which may be specified and not shown, must be taken, considered and done as if it were both shown and specified.

VERBAL ARRANGEMENTS 3.8

In all cases of misunderstandings and disputes, verbal arrangements will not be considered, but the Contractor must produce written authority in support of his contentions, and shall advance no claims in the absence of such written authority or use, or attempt to use, any conversation with any parties against Oakville Hydro, or in prosecuting any claim against Oakville Hydro.

ENGINEERS SOLE JUDGE 3.9

Should any discrepancies appear or differences of opinion or misunderstanding arise as to the meaning of the Contract or of the General Conditions, Specifications or drawings or as to any omissions therefrom, or misstatements therein, in any respect, or as to the quality or dimensions, or sufficiency of the materials, plant or work, or any part thereof, or as to the due and proper execution of the works, or as to the measurement of quantity or valuation of any works executed, or to be executed under this Contract, or as to extras hereupon, or deductions therefrom, or as to any other questions or matters arising out of the Contract, the same shall be determined by the

Engineers, who shall have the right at all reasonable times to visit, enter and inspect any buildings, factories, workshops, works or sites of the Contractor or others, wherever any materials are being prepared, manufactured or treated, or other work is being done in connection with this Contract and the right also to take such samples therefrom as they may deem necessary; and their decision shall be final and binding upon all parties concerned, and from it there shall be no appeal; and the Contractor shall immediately, when ordered by the Engineers, proceed with and execute the work or works, or any part thereof, forthwith, according to such decision, and with such additions to or deductions from the contract price as are provided under the terms of the Specifications, Contract and General Conditions, without making any claim for any extension of time in completing the Contract, unless arranged in writing with the Engineers, as herein provided.

INSPECTORS' POWERS 3.10

Inspectors are required to see that the provisions of the Specifications are faithfully adhered to, especially as regards the quality of workmanship and materials and shall have the power to suspend any workman for incompetency, drunkenness or negligence or disregard of orders. An Inspector may stop the work entirely if there is not a sufficient quantity of suitable and approved material on the ground to carry it on properly, or for any other good and sufficient cause. The Inspector may stop the work due to safety violations or enforce safety rules, but in no way is responsible for the safety supervision of the Contractor or its employees.

Any work done in the absence of an Inspector shall be opened up for thorough examination and must be rebuilt or replaced as directed at the Contractor's sole expense, but no approval by any Inspector shall be taken as, or construed into an acceptance of defective or improper work or material, which must, in every case, be removed and properly replaced whenever discovered at any stage of the work. Orders given by Inspectors relating to the quality of material and workmanship must be at once obeyed by the Contractor.

ABSENCE of ENGINEERS 3.11

In the absence of the Engineers, any of the assistants whom they may designate to superintend the work, shall have [subject to instructions of the Engineers] full power to decide as to the manner of conducting and executing the works in every particular, and the Contractor shall follow the instructions or orders of the person so designated.

CONTRACTOR'S ABSENCE 3.12

In the absence of the Contractor from the works [whether permanent or temporary] he must provide and leave a competent and reliable agent or foreman in charge for him, and such person shall be considered as acting in his place, and all notices, communications, orders or instructions given or sent to or served upon such person, shall be taken as served upon the Contractor.

PRIVATE LANDS 3.13

The Contractor shall not enter upon or occupy with men, tools, or material of any nature, any lands outside of the public streets and roadways and the right-of-way or property of Oakville Hydro except after consent has been received by him from the proper parties, a certified copy of which consent shall have been furnished to the Engineers.

SUNDAYS and NIGHT WORK 3.14

No Sunday or night work will be permitted except in case of emergency or system and customer constraints, and then only with the written permission of the Engineers and to such extent as they may judge to be necessary, and will be paid at unit costs.

HOLIDAYS 3.15

The Contractor shall, as far as possible, refrain from working on days which are legal holidays of Oakville Hydro. In case he desires to work on any such holiday, he shall notify the Engineers in writing at least four [4] days in advance of such holidays, that he desires to work, stating those places where said work will be conducted. In case the Contractor fails to give such notice in advance of any holiday, such failure shall be considered as a notification that no work requiring the presence of an Engineer or Inspector is to be done by the Contractor on such holiday.

SUBSTANCE ABUSE 3.16

The Contractor shall not allow substance abuse upon or about the works embraced in this Contract or upon any of the grounds occupied by him.

WORK SITE NOT to IMPEDE TRAVEL 3.17

The work site shall be set up in such a position as not to impede general travel (vehicle and pedestrian) on the street. If, in order to do this, it is necessary to construct barricades, the Contractor shall do so, at his own expense.

TRANSPORTATION SYSTEM 3.18

The Contractor's operations must not interfere with traffic of the Corporation transportation system or with traffic in general without the consent of the Engineers.

DEFECTIVE WORK 3.19

The Contractor shall, at any time when so required by the Engineers, during construction [or during the period of guaranteed maintenance], make such openings, and to such extent, through any part of the works, as the Engineers may direct, which he shall forthwith make good again to the satisfaction of the said Engineers. Should the work so opened up be found, in the opinion of the Engineers, faulty in any respect, the whole of the expense incurred [including the cost of inspection] shall be defrayed by the Contractor; but if the work so opened up be found in perfect condition, the said expense shall be borne by Oakville Hydro. All defective work or materials discovered by this or any other means must be forthwith wholly removed and made good by the Contractor, to the satisfaction of the Engineers, and the whole cost of such renewal, including the cost of materials, labour and inspection shall be defrayed by the Contractor.

Should the Contractor refuse to make such renewals as are ordered by the Engineers, then the Engineers shall proceed with the work in any manner they may deem fit, or as provided in Section 3.38, the cost of such work to be paid by the Contractor, or collected by Oakville Hydro as provided in Section 3.33 hereof.

ASSISTANCE 3.20

The Contractor is to furnish the Engineers, or any of their assistants, with any reasonable help which they may require at any time, in driving stakes or in setting out the work. He shall also furnish the said parties, or any of the Inspectors, at all times with convenient means of access to all parts of the works, and also with all required assistance, to facilitate thorough examination of the same, and inspection, culling and removal of doubtful or defective material, and for any other purpose required in connection with the said works or in the discharge of their respective duties, for which services no additional allowances will be made.

PUBLIC CONVENIENCES and SAFETY 3.21

The Contractor, during the progress of the work, shall keep the site and the work in as tidy a condition as practicable. He shall not deposit any material on any property, without permission of the Engineers, and shall remove same without delay when and as directed by the Engineers. Upon completion of the work, he shall remove all plant or surplus materials, as well as any rubbish accumulated on account of his operations; and shall leave the site in a condition satisfactory to the Engineers.

Unless all surplus material, or plant, rubbish, etc. is removed from time to time, when and as directed, the Engineers will proceed to do whatever is necessary to restore the site, and property to a tidy condition and charge the cost thereof against the Contractor. Whenever and wherever any work is closed, suspended or stopped for the winter, all material of every description must be gathered up from off the streets, foot walks, boulevards and grass plots, and removed therefrom.

CONFORMITY to LEGISLATION 3.22

The contractor must conform with all applicable legislation and regulations. Without limiting the generality of the forgoing this shall include the Occupational Health and Safety Act, the Labour Act, and the Environmental Protection Act.

CONFORMITY to OAKVILLE HYDRO'S SAFETY STANDARDS 3.23

The contractor shall work in accordance with Oakville Hydro's Work Protection Code and the safe work practices adopted by the Electrical & Utility Safety Association (Rule Book - Electrical Utilities Operations). In the event of inconsistencies, the more stringent rules apply.

OAKVILLE HYDRO SAFETY AUDITS 3.24

Oakville Hydro shall have the powers to audit the project, and determine whether its bid specifications, and safety and environmental policies and practices are followed. Failure to comply may lead to the immediate suspension of the project without penalty to Oakville Hydro.

DRAINAGE 3.25

The Contractor shall keep all portions of his work properly and efficiently drained during construction and until completion, and he will be held responsible for all damage which may be caused or result from water backing up or flowing over, through, from or along any part of the works, or which any of his operations may cause to flow elsewhere.

The Contractor must, at his own expense, and without further or other order, provide, erect and maintain all requisite barriers, fences or other proper protection; and must provide, keep and maintain watchmen and lights with amber globes, as may be necessary or as may be ordered by the Engineers, in order to ensure safety to the public as well as to those engaged about the premises or works. Should the Contractor neglect to carry out the above requirement, the Engineers are hereby authorized to place such watchmen, lights, barriers, etc., as are required, and charge the cost to the Contractor, without relieving the Contractor of any claims for damages or accident. The Contractor must [where it is practicable in the opinion of the Engineers] keep any roadway open for travel for the use of the public, for such width as the Engineers may direct. He must also provide a sufficient number of "NO THOROUGHFARE" or other proper notices, which he must cause to be placed and maintained in good order in conspicuous places wherever any roadway, sidewalk or thoroughfare is torn up or dangerous and so long as it remains unsafe or unfinished. When any work is carried on at night, the Contractor must supply at his expense sufficient number of electric or other approved and efficient lights to enable the same to be done in an efficient and satisfactory manner, and the Engineers shall have the power to order additional lights to be put on at the Contractor's expense if, in the opinion of the Engineers, they are, or may be, required.

CONTRACTOR'S LIABILITY 3.27

The Contractor shall assume the defence of and indemnify and save harmless Oakville Hydro and its officers and agents from all claims relating to labour and materials furnished for the work, and to inventions, patents and patent rights used in doing the work. In carrying out the works from their inception, and until the final acceptance of the same, the Contractor must be careful to cause as little injury or damage as possible to any adjacent property, public or private, or to any sidewalks, roadways, curbs, gutters, hydrants, manholes, frames, covers or street gullies, boulevards, grass plots, sodding, trees, shrubs, or any other structures, work or things on or near the line, or in the vicinity of the works or elsewhere and he must make good the same, at his own expense, in the manner directed by, and to the satisfaction of the Engineers.

The Contractor shall be responsible for any and all damages, or claims for damages or injuries or accidents done or caused by him or his employees, or resulting from the prosecution of the works, or any of his operations, or caused by reason of the existence or location or condition of the works, or of any materials, plant or machinery used thereon, or therein, or which may happen by reason thereof, or arising from any failure, neglect or omission on his part, or on the part of any of his employees, to do or perform any or all of the several acts or things, required to be done by him or them under and by these Conditions, and covenants and agrees to hold Oakville Hydro harmless and indemnified for all such damages and claims for damage. In case of the Contractor's failure, neglect or omission to observe and perform faithfully and strictly, all the provisions of these Conditions, the Engineers may, either with or without notice [except where in these Conditions notice is specially provided for, and then upon giving the notice therein provided for], take such steps, procure such material, plant, teams and men, and do such work or things as they may deem advisable toward carrying out and enforcing the same, and any and all expenses so incurred may be deducted or collected by Oakville Hydro under the provisions of Section 3.33 of these Conditions, and any such action by the Engineers as they are herein empowered to take, shall not in any way relieve the Contractor or his surety from any liability under the Contract.

The Contractor shall at all times pay, or cause to be paid, any assessment or compensation required to be paid pursuant to the Workplace Safety and Insurance Act, and upon failure so to do, Oakville Hydro may pay such assessment or compensation to the Workplace Safety and Insurance Board, and deduct or collect such expenses under the provisions of Section 3.33 of these Conditions.

The Contractor shall at the time of entering into and contract with Oakville Hydro, make a statutory declaration that all assessments or compensation payable to the Workplace Safety and Insurance Board have been paid, and Oakville Hydro may, at any time during the performance or upon the completion of such contract require a further declaration that such assessments or compensations have been paid.

The Contractor shall from time to time adopt such approved construction or operating methods in carrying out the work as may be called for due to changing conditions which may be encountered during the progress thereof.

THE CONTRACTOR SHALL AT ALL TIMES BE SUBJECT TO AND WILL BE REQUIRED TO OBSERVE ALL RULES AND REGULATIONS WHICH ARE OR MAY FROM TIME TO TIME BE IMPOSED BY LAW, AS RELATED TO ALL BRANCHES OF THE WORK UNDER CONTRACT.

GUARANTEED MAINTENANCE 3.28

The Contractor guarantees that with ordinary wear and tear the said work shall, for a period of twelve [12] months from the date of the completion thereof, remain in such condition as will meet with the approval of the Engineers, and that he will, upon being required by the Engineers, make good in a permanent manner, satisfactory to the Engineers, any imperfections therein due to materials or workmanship used in the construction thereof. The decision of the Engineers is to be final as to the nature and cause of such imperfections and the necessity for remedying the same. Should the Contractor fail to comply with the directions of the Engineers, the latter may, after giving the Contractor twelve [12] hours written notice, perform the necessary work, and the cost thereof may be deducted or collected by Oakville Hydro as provided in Section 3.33 hereof.

SURETY and BOND 3.29

The Contractor, together with a guarantee company [approved by the Solicitor and Treasurer] who is a resident in Canada or licensed to perform business in Ontario, will be required to enter into a Bond for the sum hereinafter named and in a form approved by Oakville Hydro's Solicitor, or the Contractor may deposit with the Treasurer a letter of credit or a sum in cash for the like amount, for the due and proper performance of this Contract. The expense of preparing the Bond, and execution of same, is to be paid by the Contractor.

The amount of the Bond or Security Deposit required for the proper performance of this Contract is _____ Dollars [\$ _____] being fifty percent [50%] of the amount of the Quotation.

Bidders should obtain a signed and sealed "Agreement to Performance and Labour Material Payment Bond", to minimize the time required to obtain the Performance Bond.

The Contractor to whom this Contract is awarded shall be required to supply to Oakville Hydro, prior to the signing of the Contract Documents, a certificate of insurance or a certified copy of his policy for at least the following amounts:

- a) Comprehensive liability insurance providing bodily injury or death limits of at least \$2,000,000 for any one accident and for property damage of at least \$2,000,000 for any one accident or minimum statutory limits whichever is greater.
- b) Insurance as in (a) above for licensed motor vehicles owned by or operated on behalf of the Contractor in connection with the work.
- c) Fire, extended coverage and vandalism insurance of at least \$100,000; policy to be issued naming the Contractor and Oakville Hydro as named insurers.

COMMENCEMENT and COMPLETION 3.31

The work shall not be commenced nor shall any materials be procured until the contractor has signed the Contract, and obtained or received a written order to commence the same, signed by the Engineers; and it shall thereupon be at once begun and continuously carried on to completion [subject as herein provided], and shall be completed, and full possession thereof given Oakville Hydro within the time stipulated in the quotation including Sundays and holidays, counting from the date of the order to commence, unless a longer period shall be allowed in writing by the Engineers in which case it shall be carried on to completion and possession given to Oakville Hydro within the respective additional period so allowed.

In case the Contractor shall fail to complete the works hereunder, in accordance with the Specifications and to the satisfaction of the Engineers, within the time specified, the Contractor shall pay to Oakville Hydro [in addition to Inspectors' wages], the sum stipulated in the detailed Specifications for each and every day that the works shall remain unfinished after the respective time specified; which said sum, in view of the difficulty of ascertaining the losses which Oakville Hydro will suffer by reason of delay in the performance of the said works, are hereby agreed upon, fixed and determined by the parties hereto as the liquidated damages that Oakville Hydro will suffer by reason of said delay and default, and not as a penalty; and Oakville Hydro may deduct and retain the amounts of such liquidated damages out of the moneys which may be due to or become due to the Contractor under this Agreement, as provided in Section 3.33 hereof.

In the event of delay caused by strikes or combinations on the part of the workmen employed, or by any act of Oakville Hydro, or from such other cause as, in the opinion of the Engineers, the Contractor cannot reasonably be held responsible for, or in the event of the extra or additional work being ordered by the Engineers, the Engineers may allow such additional time for completion as they may deem fair and reasonable, providing the Contractor applied in writing for an extension of time at the time such delay occurs, or such extra or additional work is ordered, and satisfies the Engineers that he is justly entitled to a further time allowance.

Notwithstanding the time allowed for completion, should the rate of progress of construction be unsatisfactory, or should unnecessary interruption occur in the continuous prosecution of the works, in the opinion of the Engineers, the full amount of Inspectors' wages and the cost of other supervision shall for such period of unsatisfactory progress, be deducted from any monies due the Contractor under this Agreement. No progress or interim estimate or certificate shall release the Contractor or his surety from any responsibility, or be taken as evidence of any such release or as an acceptance of any work or material, or as a waiver of any condition herein. The whole work and every portion and detail thereof shall, during construction, be protected by the

Contractor from damage from any cause whatsoever, and shall at the time of completion, be put and left by the Contractor in good and satisfactory condition, finished in all respects, and, at the time, must be fully up to the requirements of the specifications in every particular; all surplus and refuse material and rubbish removed from the vicinity of the works; the premises left in a neat and tidy condition; all damages to adjacent property, pavements, foot walks, boulevards and sodding, or other things, injured or interfered with by the Contractor or his men, made good; and every other requirement of the Contract complied with.

The term of guaranteed maintenance shall be computed from and commence on the date of completion as shown on the Completion Certificate. In the case of the Contractor's failure to finish the work or works properly and fully, and as required, or in case of the work or any part thereof, being taken out of his hands, as provided in these Conditions, the Engineers may proceed to finish the work for him, as his agent in this respect, and at his expense, or proceed, as provided in Section 3.38 thereof.

ALTERATIONS, EXTRAS, DEDUCTIONS and CLAIMS 3.32

The Engineers shall have the right to make or order any alterations and changes, such as they may deem advisable, at any time before or during the prosecution of the works, in plan or detail thereof, or to suspend or omit any portion of the work, or to increase or decrease the dimensions of any part of the work or works, or to vary in any other way the work herein contracted for; or to order any additional or extra materials to be furnished; and the Contractor shall, in pursuance of written orders of the Engineers to that effect, proceed with, carry out and execute the works as directed, and shall supply such additional materials, and do such additional or extra work, in pursuance of such orders, without being entitled to any extension of time for completion, or any additional payment on account thereof, except only as herein provided.

In each and every case where additional or extra work or material of any kind is ordered to be done or supplied, or where the Contractor does or supplies, or contemplates doing or supplying any work or material which he considers extra or beyond the requirements of the Contract, or upon which he intends claiming any extra or additional payment, he is required, before commencing any such work, or procuring any such material, to obtain from the Engineers a written order therefore, stating that the same is an extra and will be paid for as such, and also clearly defining the nature of such extra work or material, and the amount the Contractor is to receive therefor, or the terms under which the same is to be paid for. The Contractor shall also, before beginning any such extra work or commencing to deliver any such additional material, notify the Engineers in writing of his intention to commence work thereon or delivery thereof, so that a proper account or record of the same may be kept by the Engineers.

In case of the Contractor's neglect or failure to observe fully and faithfully the above conditions, he shall forfeit all right to payment therefore, which he otherwise might have had, and shall not make any claim in respect thereof, and if made, Oakville Hydro may reject the same as invalid, and he shall not have any right of recovery in respect thereof, at law or otherwise unless he shall have obtained the consent of the Engineers in writing to his making such claims.

Any extra work ordered by the Engineers to be done, shall be done by the Contractor, who shall be paid in accordance with the Unit Price Schedule or the Labour and Equipment Schedules for Extra Work [whichever is applicable] that form part of this Contract. Where extra work involves material, equipment, or labour not covered by this Contract, the Contractor will be paid on the basis of his actual costs, agreed to by the Engineer, plus 10% profit.

Nothing herein contained is to preclude Oakville Hydro or the Engineers from having any extra or additional or other work done by Oakville Hydro workmen or other parties, in the event of satisfactory arrangements therefor not having been concluded between the Engineers and the Contractor, or for any other sufficient reason, in the opinion of the Engineers. In the event of any circumstances arising at any time which, in the Contractor's opinion, would entitle him to additional compensation, and which are not fully provided for herein, he shall at once on the discovery of such circumstances, notify the Engineers, in writing, and shall state in his notification clearly and fully what the circumstances are, and the additional sum or compensation he intends to demand therefor, or otherwise he shall have no claim in respect thereof. If any work, labour or material which the Contractor was required to perform or supply under these Specifications is directed by the Engineers to be changed or omitted, whereby a less quantity of work, labour or material is performed or supplied, then the Engineers may deduct from the contract price the value of any work, labour or materials not required to be performed or supplied, ascertained in accordance with the schedule set out in the Quotation for the work. All claims of every nature, which the Contractor may have in respect of this Contract or work done thereunder, are to be summarized and submitted by him [in duplicate] to the Engineers, together with his full account for the work, at the time of completion and he shall make no claim of any nature afterwards; and no claim not then made or allowed by the Engineers shall be sustainable, and the Engineers shall be in no way disentitled to determine any and all question or questions concerning said claims, except by their personal fraud, and this submission and reference to the Engineers may be made a rule of court, and no action or suit shall be commenced by either party to the Contract until after the "Completion Certificate for Payment" shall have been signed by the Engineers, and then only for the amount appearing thereby to be due to the said Contractor.

SUSPENSION of WORK 3.33

The Engineers may, by an order in writing at any time stop or suspend any part of the work, or direct any portion to be commenced or completed in priority to any other part or portion, or may cancel the order to proceed with the work, or with any part thereof, and the Contractor shall not thereby be entitled to any additional payment, or to any claim for loss of profit, or anticipated profit, or for damages or otherwise, howsoever, by reason of such order.

When, in the opinion of the Engineers, for any reason it is deemed advisable to discontinue the work, or any part thereof, for the winter, the Contractor must on notice from the Engineers, forthwith place the work in proper and satisfactory condition for the accommodation of the public; and for its effectual protection against damage from rain, snow, frost, ice, or other causes, and must so maintain it.

When the work is permitted by the Engineers to be done during the freezing weather, the Contractor shall provide the necessary means for heating, and all the materials required in the work shall be heated. Unless otherwise directed in writing, by the Engineers, all work liable to be injuriously affected by weather conditions, or which cannot, in the opinion of the Engineers, be satisfactorily proceeded with because of the weather, must be put in proper and satisfactory condition and be carefully and well protected from damage at all times, all at the cost and expense of the Contractor.

The Contractor shall keep the work under his personal control and shall not assign, transfer, or sublet any portion without first obtaining the written consent of the Engineers. The consent of the Engineers to any such assignment, transfer, or subletting, shall not, however, relieve the Contractor of any responsibility for the proper commencement, execution, and completion of the work according to the terms of the Contract; and the Contractor shall, either in person or through

an accredited agent, receive all notices, communications orders, instructions, or legal service, as if he were performing the work with his own plant and his own men.

The foregoing, however, does not apply to the furnishing of material for the different parts of the works, for which materials, however, the Contractor will be held strictly responsible, and no excuse for the quality of the material or for non-delivery in good time by any Sub-Contractor, as affecting the progress of the works, will be entertained.

SUBLETTING 3.34

The Contractor shall keep the work under his personal control and shall not assign, transfer, or sublet any portion without first obtaining the written consent of the Engineers. The consent of the Engineers to any such assignment, transfer, or subletting, shall not, however, relieve the Contractor of any responsibility for, execution, and completion of the work according to the terms of the Contract; and the Contractor shall, either in person or through an accredited agent, receive all notices, communications orders, instructions, or legal service, as if he were performing the work with his own plant and his own men.

The foregoing, however, does not apply to the furnishing of material for the different parts of the works, for which materials, however, the Contractor will be held strictly responsible, and no excuse for the quality of the material or for non-delivery in good time by any Sub-Contractor, as affecting the progress of the works, will be entertained.

OTHER'S RIGHTS 3.35

The Contractor must afford all necessary and reasonable facilities to Oakville Hydro, or any of their employees or workmen, as well as to any Company, corporation or party owning or operating any railway, tramway, wires, pipes or conduits, or other works or property, on, along, or near the line of the works, or in their vicinity; he shall notify all such parties before interfering with any of their property, rights, or privileges and must work in harmony with them as far as he possibly can; otherwise he shall notify the Engineers, in writing, of his failure so to do, or any difficulty that may at any time arise which he may be unable to overcome, in which case the Engineers shall deal with the matter as in their judgment may seem right and proper, and the Contractor shall abide by the decision and direction of the said Engineers.

Any property of such parties which the Engineers order to be removed by the Contractor, must be handled with care, and must be neatly piled up and preserved free from damage or loss, and must be properly and satisfactorily replaced if so required under any of the provisions of this Contract, all of which must be done by the Contractor without extra charge, and to the satisfaction of the Engineers. The Engineers shall have the right, at any time before, during the construction, or after the completion, of the work, to open up any portion of the work or works, or the ground or roadway, or to grant permission for such opening to be made or left by the Contractor, as they, the said Engineers, may deem advisable, for the purpose of examining, repairing or laying any water, gas or other pipe, sewer, drain, track or other underground or surface construction, or to cause any such work as they may deem necessary or advisable to be done, and such permission, or the exercise of such rights, either by the Engineers or by any other person or corporation having the requisite authority [either statutory or otherwise], shall not relieve the Contractor from any of his responsibilities or obligations, nor shall the opening up of any portion of the work for these or any other purposes, or by other parties, relieve the Contractor of such responsibilities or obligations, except only for the portion of the work actually torn up and destroyed, and then only in case of the Contractor applying in writing for such relief at the time the work is being done or

within ten [10] days afterwards, and can furnish sufficient cause, in the opinion of the Engineers, why such relief should be granted.

PAYMENTS 3.36

The Contractor shall be entitled to receive monthly payments at the rate of eighty-five [85%] percent of the value of the work actually done and materials in place, according to the estimate of the Engineers, less all stipulated forfeitures and deductions. These payments shall be made on progress certificates, which will be based on approximate estimates only, and must not be taken or construed as an acceptance of the work so estimated, or an admission that Oakville Hydro is in any way liable to the Contractor in respect thereof.

Thirty [30] days after the completion of the work, or as soon thereafter as practical, a certificate marked "Completion Certificate for Payment" covering one hundred [100%] percent of the whole amount due under the Contract, including extras, less ten [10%] percent holdback for final restoration, less forfeitures and deductions as aforesaid, will be issued payable to the Contractor. After forty-five [45] days have elapsed, from the date of issuance of the "Completion Certificate for Payment", and when the restoration is completed to the satisfaction of the Engineers, the holdback will be released in the "Final Certificate for Payment" and paid to the Contractor. No interest will be allowed the Contractor on the said balance.

Oakville Hydro shall not be liable for, or be held to pay, any money to the Contractor, except as provided for above; and, on making the completion payment aforesaid, Oakville Hydro shall be released from all claim or liability to the Contractor for anything done or furnished for, or relating to, the work, or for any act or neglect of Oakville Hydro relating to or affecting the work, except the claim against Oakville Hydro for the remainder, if any there be, of the amounts kept or retained as provided above.

Payments to the Contractor will be made out of the funds under the control of Oakville Hydro in their public capacity, and no member of Oakville Hydro or officer of Oakville Hydro is, or is to be held personally liable or responsible to the Contractor under any circumstances whatever.

MONEYS DUE OAKVILLE HYDRO 3.37

All moneys payable to Oakville Hydro by the Contractor under any stipulation herein, or to the Workplace Safety and Insurance Board as provided in Section 3.24 herein, may be retained out of any moneys then due, or which may become due, from the said Oakville Hydro to the Contractor under this or any other Contract with Oakville Hydro or otherwise howsoever, or may be recovered from the Contractor or his Surety, in any court of competent jurisdiction, as a debt due to Oakville Hydro, and the Engineers shall have full power to withhold any estimate or certificate, if circumstances arise which may indicate to them the advisability of so doing, though the sum to be retained may be unascertained.

WORKMEN'S RIGHTS 3.38

The Contractor agrees to pay the rate of wages prevailing in Oakville Hydro during the lifetime of this Contract. The Contractor shall keep at all times a list of the names of all men employed at the work to be executed and a record of the rate of wages and of amounts paid to each, and shall from time to time, if demanded, furnish a certified copy of all pay sheets, lists, records and books relating to the said work, and the originals thereof shall be open at all times for examination by the Engineers or anyone appointed by Oakville Hydro: and the Contractor shall also at all times furnish and disclose any other information desired in connection with the said work.

The decision of the Engineers in case of dispute as to the rate of wages to be paid under this Contract; or as to the amount to be paid to any mechanic, workman, labourer, team owner or driver, shall be final and binding upon all parties.

In case the Contractor fails to pay any mechanic, workman, labourer, truck or team owner employed by him in the execution of this Contract, [or in case any truck or team owner so employed by him fails to pay any driver], the rate of wages hereinbefore provided, Oakville Hydro may pay any balance necessary to make up this amount, and charge it to the Contractor.

The Contractor shall not compel or permit the workmen to work more than the number of hours each day that prevails in Oakville Hydro, except in cases of emergency, and then only by written permission of the Engineers.

The provisions of this Section shall not, however, apply to any work which is of necessity done outside Oakville Hydro.

The Contractor shall attach to all accounts rendered for payment of money upon his Contract a statutory declaration affirming that the requirements of this Section have been fully complied with.

LIENS 3.39

The parties hereto and their Surety or themselves, their executors, administrators, successors and assigns, and any and all other parties in any way concerned, shall fully indemnify Oakville Hydro, and all its officers, servants and employees from any and all liability or expenses by way of legal costs or otherwise in respect to any claim which may be made for a lien or charge at law or in equity or to any attachment for debt, garnishee process or otherwise. Oakville Hydro shall not in any case be liable to any greater extent than the amount owing by it to the Contractor, his executors, administrators, successors and assigns.

DOMICILE of EMPLOYEES 3.40

The Contractor shall, in the execution or performance of any contract to be performed within Oakville Hydro under the foregoing conditions, employ in connection therewith workmen who are bona fide residents of Canada or at least six [6] months' residence as of the date of quotation award, provided always that such bona fide residents can be secured. This provision does not apply to the Contractor's superintendent, foreman or other key men. In the event of the Contractor employing any other workmen, Oakville Hydro may, at its option, take over the completion of the said Contract and employ all the necessary workmen and supply all necessary material for the full and proper completion thereof, and the said Contractor shall be liable to the said Oakville Hydro for the additional cost, if any, incurred in the completion thereof beyond the amount at which the said Contractor quoted for the performance of the said work, and the amount thereof may be deducted or retained from any moneys owing by Oakville Hydro to the said Contractor upon this or any other Contract.

DISCHARGE of EMPLOYEE 3.41

Should any overseer, mechanic or workman employed on or about the work or in connection therewith give any just cause for complaint [of which the Engineers shall be the sole judge], the Engineers may dismiss such person forthwith, and he shall not again be employed by the Contractor on any Oakville Hydro work without the consent in writing, of the Engineers.

If the Contractor shall neglect or refuse to sign the Plans before commencing work, or neglect or fail to commence work within four [4] days after the date of the Engineers' order to commence or if he shall become bankrupt or insolvent, or compound with his creditors, or commit any act of insolvency, or shall transfer assign, or sublet, or attempt to transfer assign or sublet this Contract, or any part thereof, without the consent of the Engineers, or if at any time the work, or any part thereof, is, in the judgment of the Engineers, not executed or not being executed in a sound and workmanlike manner, to their satisfaction and in all respects in strict conformity with the Contract, or if the work, or any part thereof, is not progressing continuously and in such a manner as to ensure its entire completion, in the judgment of the Engineers, within the time stipulated, or if the Contractor shall refuse or neglect forthwith, when so ordered, to conduct the work so as to ensure its completion, in the opinion of the Engineers, within the time stipulated, or if the Contractor shall refuse or neglect to take down, rebuild, repair, alter or amend any defective or unsatisfactory work, or to remove any condemned material or workmanship, and to replace the same with proper material and workmanship, or to comply with any reasonable order he may receive from the Engineers, or if the Contractor shall persist in any course in violation of any of the provisions of this Contract, then, in each and any such case, after twenty-four [24] hours' written notice from the Engineers, to the Contractor, the Engineers shall have the full right and power, at their discretion, without process or action at law, to take the whole work, or any part or parts thereof specified in the said notice, out of the hands of the Contractor, and the Contractor, upon receiving notice to that effect, shall vacate possession and give up said work, or the part or parts thereof specified in the said notice, peaceably to the Engineers, who may either relet the same to any other person or persons, with or without its being previously advertised, or may employ any workmen and provide materials, tools, transportation and all other necessary things at the expense of the Contractor, or may take such other steps as they, the said Engineers, may consider necessary or advisable, in order to secure the completion of the said work to their satisfaction; and the Contractor and his Surety in every case shall be liable for all damages, expenditure and for all additional cost of the work, which may be incurred by reason thereof, together with the amount of liquidated damages from the date fixed for the completion of the work, and the same may be deducted or collected by Oakville Hydro as provided by Section 3.33 hereof. All the powers of the said Engineers with respect to the determination of any doubts, disputes and differences, and the determination of the sum or sums, or balance of money to be paid to or received from the said Contractor, and otherwise in respect of the Contract, shall nevertheless continue in force. The fulfillment by the Contractor of any stipulation in this Contract may be enforced by legal proceedings and judgment, or order of court, without prejudice to any other remedy herein contained.

In case the work, or any part thereof, is taken out of the hands of the Contractor, as herein provided, it shall in no way affect the relative obligations of Oakville Hydro and the Contractor, or his Surety, in respect of their obligations, or in respect of the remainder of the work [if any], nor shall it be any excuse for delay in completing the same; and all material, plant, fixed tackle and other erections, appliances and plant thereon, shall at the option of the Engineers, remain on the work, until completion, at such rental [if any] as the Engineers may deem reasonable.

If any balance of the Contract price, or other money payable by Oakville Hydro upon the expiration of the period of guaranteed maintenance, the same shall be payable to the Contractor or the person legally representing him; but neither Oakville Hydro nor any office thereof shall be liable or accountable to the Contractor in any way for the manner in which, or the price at which, the said work, or any portion thereof, may have been or may be done or completed by the said Engineers.

Neither an extension of time for any reason, beyond the date fixed herein for the completion of the Contract, nor the construction of and payment for any portion of the work called for by this Contract, shall be deemed to be a waiver by the Engineers of the right to abrogate this Contract for abandonment, delay or any other reason consistent with the Specifications and General Conditions.

BRIBERY 3.43

Should the Contractor or any of his agents give or offer any gratuity to, or attempt to bribe, any member of Oakville Hydro Council, officer or servant of Oakville Hydro, Oakville Hydro shall be at liberty to cancel the Contract forthwith, or to direct the Engineers to take the whole or any part of the works out of the hands of the Contractor, under the same provisions as those specified in the preceding section.

NOTICE to CONTRACTOR 3.44

Any notice or communication to the Contractor shall be deemed to be well and sufficiently given and served if handed to the Contractor or any of his clerks or agents, or if posted or sent to the address given in his Quotation for the work, attached hereto, or his domicile or usual place of business, or to the place where the work is to be or is being carried on, or if posted to or left at his last known address; and any papers so left, sent or addressed, shall be considered to be, and to have been, legally served upon the Contractor. In any written or printed notice to the Contractor in respect of general, special, or other repairs, or of any work of any nature required to be done under any of the provisions of the Contract, or of any other matter, it shall not be obligatory upon the Engineers to specify minutely or in detail everything required nor to specify by measurement the exact extent thereof, or the precise spot or where any of the requirements of the Specifications have not been observed; but a reference in such notice to the clause or clauses bearing upon the matter, and a description of the locality in general terms, and sufficiently clear, in the opinion of the Engineers, to indicate where the defect or trouble exists, shall be deemed to be, and shall be ample notice.

DEFINITIONS 3.45

Wherever used in the Specifications referred to in these General Conditions, or in these General Conditions, the word "**Oakville Hydro**" means Oakville Hydro Electricity Distribution Inc., and the word "**Engineers**" means the Engineers authorized by Oakville Hydro Electricity Distribution Inc.

The word "**Contractor**", or a pronoun in place thereof, means the person or persons who have undertaken to carry out this Contract. The word "**Drawing**" means all plans, profiles, sketches, or copies thereof exhibited, used or prepared for, or in connection with the work embraced under this Contract. The word "**Plant**" means every temporary or accessory means necessary or required to carry on and complete the work and extra work, in the time and manner herein provided.

Wherever the words "**authorized**", "**directed**", "**required**", "**requested**", "**approved**", "**ordered**", "**sanctioned**", and "**satisfactory**", occur in the Specifications and these General Conditions, unless some other meaning is obvious from the context, they shall mean respectively authorized, directed, required, approved, ordered, or sanctioned by or satisfactory to the Engineers.

The words "**work**" or "**works**" shall [unless the context requires a different meaning] mean the whole of the works, materials, matters and things required to be done or supplied, mentioned or referred to in the Quotation, General Conditions, Specifications, Plans, Profiles, and Drawings, including all extra or additional work or material, matters or things which may be ordered by the Engineers, as herein provided.

The word "**Corporation**" means the Corporation of the Town of Oakville.

The word "**Region**" means the Regional Municipality of Halton.

The word "**Inspector**" means an Inspector for Oakville Hydro acting under the direction of the Engineers.

The word "**Contract**" herein, and in any agreement, bond, specification, condition or plan herein referred to, means and includes the Agreement to do the work entered into with Oakville Hydro, the Bond or security, the Specifications, the General Conditions, the Plans, the Quotation and other documents referred to or connected with the said Agreement.

SPECIFICATIONS

SECTION 4.0

SPECIFICATIONS

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SPECIFICATIONS 4.0

CONTRACT: **LAKESHORE ROAD WEST AT BRONTE CREEK BRIDGE**
UNDERGROUND CABLE REPLACEMENT

QUOTATION NO.: Q-08-03

FILE NO.: 07-170

WORK TO BE DONE 4.1

The work to be done under this Contract shall consist of the supply of all labour, equipment and some materials required for the installation of all entire system of underground ducts, conduits, cables and concrete structures, complete with restoration of the sites, in accordance with the drawings detailed in the "List of Drawings", which form part of the Contract and the detailed Specifications that follow.

Trench Excavation and Backfilling 4.1.1

Excavation [a]

The Successful Contractor shall excavate all trenches to the required lengths, depths and widths, as shown on the plan and profile drawings, typical cross-sections or as directed by Oakville Hydro's Engineer.

Backfilling [b]

(i)

All backfill material shall be placed in 300 mm layers and consolidated by an approved compaction method to a 95% Proctor density.

Grassed Areas (ii)

All trenches excavated in these areas shall be backfilled with select native material, as outlined in the "Material" section of the Specification and the standard drawings contained within.

Concrete and Paved Areas (iii)

All excavations in these areas shall be backfilled with imported granular 'B' material, approved select native material, or unshrinkable material, as directed by Oakville Hydro's Engineer, the "Material" section of the Specification, Form of Quotation and the standard drawings contained within.

GUIDED DIRECTIONAL BORING 4.1.2

(i)

The Contractor shall complete the directional bore at a 1.0 m depth and at the design offset. Variations in depth and horizontal location shall not exceed 200 mm. The minimum distance between access pits shall be 60 m unless otherwise directed by Oakville Hydro's Engineer.

(ii)

The location of the boring head shall be electronically monitored at intervals no greater than 2 m so as to assure compliance with the specified depth and design offset.

(iii)

The Contractor shall, where possible, minimize the frequency of polyethylene conduit splices utilized by pulling the conduit through intermediate pits. Where required to complete splices, the Contractor shall utilize 63 mm x 500 mm long H.D.P.E. sleeves and 600 mm long heat-shrink tubing.

(iv)

Prior to boring, the Contractor shall electronically locate and expose crossing Hydro, Bell and Gas plant and witness the boring head passing clear of the utility.

(v)

The Contractor shall utilize a wet bore technique to aid in the removal of excavated material, to stabilize the bore hole walls and lubricate the tunnel walls for conduit placement. During placement, the Contractor shall keep the conduits free of drilling fluids by providing and using an appropriate sealed pulling fitting and duct plugs. Disposal of excess excavated materials and bentonite spoils from directional boring operations shall be as required by local ordinance.

(vi)

Upon completion of the conduit installation, the Contractor shall prove and install fish line to insure the integrity of the conduits.

Restoration of Lands 4.1.3

Concrete, Sidewalk, Curb and Gutter [a]

Methods and materials used in the reconstruction of sidewalks, curbs and gutters shall conform to the applicable Town of Oakville Standards and Specifications and are subject to inspection and approval by the Town of Oakville Engineering Department.

Paved Areas [b]

Asphalt - Public Roads and Streets (i)

Methods and materials used in the restoration of streets and roads shall conform to Town of Oakville Standard STD 7-2B and are subject to the inspection and approval by the Town of Oakville Engineering Department.

Asphalt - Private Driveways (ii)

Driveways shall be restored with 50 mm of driveway asphalt on 150 mm of granular 'A' material.

Grassed Areas [c]

Preparation of Surface (i)

The Contractor shall fine grade, to a uniform surface, all areas to be sodded, whether or not loam is to be applied. Loam shall not be used for filling in depressions. The entire surface shall be loosened to a depth of at least 25 mm, immediately before loam or sod is to be applied.

Application of Loam (ii)

On such areas of the work that Oakville Hydro's Engineer directs, the Contractor shall supply and spread loam to a depth as directed by Oakville Hydro's Engineer; but in any case the sod should rest on at least 76 mm of good fertile loam. The loam shall be spread and leveled to a uniform surface, and all undesirable matter raked off and removed before placing the sod.

Placing Sod (iii)

Sod shall be laid lengthwise across the face of the slope, with ends close together. Joints in adjacent rows shall be staggered. Joints and broken sod shall be pounded smooth, to a uniform surface.

Pegging of sods, on 3:1 slopes or steeper, shall be done with sod pegs. On all slopes steeper than 1.75:1, every sod shall be pegged. On slopes 1.75:1 to 3:1, every sod shall be pegged in the bottom three rows and in every third row above. The pegs shall be driven flush with the sod. The entire work shall be done in a thoroughly workmanlike manner so that the appearance on completion shall be, as nearly as possible, that of a good natural growth in place. Until the sod is properly established, any break which may occur through slipping of sod shall be repaired and any sod which is dead must be removed and replaced by the Contractor with fresh live sod, without extra charge.

(iv)

All sodded areas shall be watered at regular intervals, as directed by Oakville Hydro's Engineer, until a good growth is obtained or for a period of at least one month.

(v)

No sod shall be laid when in a frozen condition nor upon frozen ground, nor under any other conditions not favourable to transplanting or growth of the sod.

Grass Seed [d]

Apply seed, by hand-broadcasting or other approved method, to obtain uniform distribution at the rate of 1.0 kg per 93 m². Mulch seeded areas with straw or other approved material. Re-seed areas which have failed to establish into a healthy, vigorously growing, stand of grass.

Direct Buried Flexible Conduit Installation 4.1.4

(i)

Unless otherwise specified, or unless otherwise directed by the Oakville Hydro's Inspector, flexible ducts shall be laid in continuous lengths without joints.

(ii)

Entrenched flexible conduit shall be placed on a uniformly graded and compacted bed, free of stones. The trench bottom shall be graded so as to provide a smooth transition between different levels and to avoid abrupt changes in elevation.

(iii)

Flexible ducts in trenches shall not be pulled straight but allowed to snake from side to side to allow for expansion and contraction.

(iv)

No sharp bends will be permitted and the flexible duct shall not be allowed to kink, flatten or come in contact with any sharp object.

(v)

Where flexible conduits are brought into manholes and other structures, the space between the conduit and the wall of the sleeve shall be sealed.

(vi)

Compaction over flexible conduits shall be carried out in such a manner as to avoid crushing or reducing the cross sectional area of the duct.

(vii)

The ends of all conduits shall be sealed with plastic plugs or in a suitable manner approved by Oakville Hydro's Inspector until wiring is installed in the ducts.

(viii)

Direct buried flexible conduit shall be proved sound and cleaned by passing an approved mandrel through each conduit, and fished with an approved polypropylene rope through each conduit.

Precast Concrete Structures 4.1.5

Excavations for precast concrete structures shall be of sufficient size to accommodate at least 300 mm of granular backfill around the outer walls of the unit and where required, a drainage pocket or drainage facilities lower than the elevation of the structure base or floor using 19 mm clear crushed limestone shall be provided.

Precast concrete structures of the type specified shall be excavated for and constructed to conform to the requirements of the contract drawings and shall be located at the points and elevations required on the contract drawings.

Precast units shall be installed on a level surface, backfilled and compacted to maintain the specified unit plumb and true to the required alignment and grades.

Any adjustment of the unit for plumb, alignment and grade shall be carried out by lifting the unit free of the excavation, adjusting the bedding surface and replacing the unit to proper alignment and grade. During installation, all duct openings and drainage facilities shall be fitted to the required orientation and location and all segment sections, gaskets, PVC waterstops shall be firmly seated.

Where direct buried ducts or conduit are installed in precast concrete structures, they shall be completely surrounded with concrete or grouted in place with mortar mix to the full thickness of the structure wall.

Cable Placement 4.1.6

Primary Cables [a]

The Contractor shall leave a 4m to 8m length at the end of each primary cable which is to terminate at an underground termination point, and a 12 m length at the end of each primary cable which is to terminate at an overhead termination point.

Cables in Ducts/Conduit [b]

All cable and wire ends must be thoroughly taped, sealed, tagged and identified immediately after installation. The cable end, below the pulling grip, shall be cut off and discarded.

Cables shall be pulled through ducts using any necessary cable pulling lubricant, mechanical aids and pulling cables or ropes required. The pulling tension shall not exceed the safe tension recommended by the Cable Manufacturer. The pulling tension around a bend may be minimized by pulling the cable in such a direction that the bend is nearer to the feed-in end, or if on a grade, the cable is pulled down grade.

Materials 4.1.7

The Contractor shall supply materials in accordance with the following Specifications; subject to inspection and approval of Oakville Hydro's Engineer.

Nominal sizes of aggregate referred to in this Specification shall be that of the smallest sieve size through which 100% of the material may pass.

Select Native Material [a]

Where directed by Oakville Hydro's Engineer, the Contractor shall backfill with select native material, hand-picked from the excavated material and void of any frozen lumps, large shale rock or any other foreign material.

Backfill Materials [b]**Sand Bedding (i)**

Fine aggregate shall consist of sand having hard, strong, uncoated grains, free from dust, lumps, soluble or flaky particles, shale alkali, organic matter, loam or other deleterious substances. Fine aggregate shall range in size from fine to coarse, within the following limits.

TABLE I

Passing Through Standard Sieve	Not Less Than	Not More Than
9 mm square opening	100%	----
No. 4	95%	----
No. 16	45%	80%
No. 50	10%	30%
No. 100	----	7%
By Decantation	----	3%

Granular 'B' (ii)

Granular 'B' shall be an imported dense graded non-cohesive mineral aggregate, nominally specified and identified in terms of the nominal size of the material and processed by crushing and by screening or blending suitable materials to conform to the gradation requirements below.

TABLE II

Passing Through Standard Sieve	Not Less Than	Not More Than
No. 4	100%	----
No. 14	10%	80%
No. 48	5%	40%
No. 200	3%	8%

The ratio of the fraction to pass a No. 200 sieve to the fraction to pass a No. 48 sieve shall not exceed 0.50. The material shall be well graded for easy compaction.

Crushed stone shall be predominately one-size construction aggregate, graded between a defined maximum and minimum allowable size, which shall be specified and identified in terms of nominal size of the material and processed by means of crushing and/or screening, and washed as necessary, to conform to the gradation requirements that follow.

TABLE III

Passing Through Standard Sieve	Not Less Than	Not More Than
22 mm square opening	100%	----
16 mm square opening	75%	100%
13 mm square opening	65%	90%
No. 4	35%	55%
No. 16	15%	45%
No. 50	5%	22%
No. 200	----	8%

Clear aggregate shall be predominately one-size construction aggregate, graded between a defined maximum and minimum allowable size, which shall be specified and identified in terms of nominal size of the material and processed by means of crushing and/or screening, and washing as necessary, to meet the following gradation requirements.

TABLE IV

Passing Through Standard Sieve	Not Less Than	Not More Than
25 mm square opening	----	100%
19 mm square opening	100%	75%
12 mm square opening	15%	----

Driveway Asphalt [c]

Driveway asphalt is to conform to the Specification for Group III surface coarse asphalt as determined in Form M-1 [Town of Oakville Specifications] except for the following changes in composition of mixture.

Asphalt cement content - approximately 7% by weight, grading requirements for mixture:

TABLE V

Passing Through Standard Sieve	Not Less Than	Not More Than
9 mm square opening	100%	----
No. 8	80%	90%
No. 11	60%	78%
No. 14	55%	65%
No. 28	40%	50%
No. 48	20%	25%
No. 100	10%	12%
No. 200	5%	9%

Concrete [d]

The Contractor shall supply and place, as directed by Oakville Hydro's Engineer, and shown on the contract drawings which form part of this Contract, concrete which is composed as follows:

Cement: (i)

Portland Type 10, conforming to CSA Specification Standard A5-M

Aggregate: (ii)

Conforming to CSA Specification A23.1-M

Admixtures: [if required by Engineer] (iii)

Conforming to CSA Specification A266.2

1. Pozzoloth, porzite, PVA or approved equal, added in accordance with Manufacturer's instructions.
2. Darex AEA or approved equal required in all concrete subject to freezing, thawing and de-icing salts.
3. Air content 5% "1% by volume of concrete.
4. Calcium, maximum 2% when concrete is placed in Winter conditions.

Water: (iv)

Drinking water

Hardeners: [if required by Engineer] (v)

Lapidolith or approved equal, added in accordance with manufacturer's instructions

Concrete [d]

Mix and Strength:

(vi)

Concrete shall be of such a mix as to obtain a maximum yield strength of 20 MPa in 28 days and have a maximum slump of 75 mm;

(vii)

The use of ready mixed concrete shall not relieve the Contractor of his responsibility to ensure conformance to these Specifications.

Unshrinkable Backfill [e]

Cement:

Portland Type 10, conforming to OPSS 1301 and CAN/CSA-A23.1-M

Aggregate:

Conforming to OPSS 1002 and have a maximum size of 25 mm, No slag permitted

Water:

Drinking water

Mix and Strength:

Portland cement content shall be 25kg/m³ of Type 10. Concrete shall be of such a mix as to obtain a maximum yield strength of 0.40 MPa at 28 days, and have a minimum slump of 150 mm at point of discharge.

Placement

The material shall be able of flowing into the excavation in such a manner that it fills the excavation without voids being created under horizontal projections.

When shoring, bracing or sheeting is to be removed, it shall be removed prior to or during placement. The unshrinkable backfill material shall be completely placed within a two-hour period from time of batching.

Sod [f]

All sod to be supplied by the Contractor shall meet the requirements, current at the date of the Contract, of the Ontario Sod Growers Association for No. 1 Bluegrass Fesche sod.

All sod shall be taken from a good loam soil, well permeated with roots, uniform in texture and free from weeds. It shall also be in a healthy condition with no sign of decay and contain sufficient moisture to maintain its vitality during transport and placing.

Each sod shall be 475 mm square, four sods to the square metre, or may be supplied in rolls and of an even thickness of not less than 19 mm; measured on all edges with edges vertically cut.

...cont Materials 4.1.7

[Top Soil] Loam [g]

Loam shall be good top soil, obtained from a source known to be free from weeds. It shall be free of decaying refuse and other foreign substances, and shall be of non-binding consistency in reasonably moist condition.

Grass Seed [h]

Grass seed shall be prepared, mixed, and tested to conform to Seeds Act of Canada and Ontario Provincial Standards Primary Seed, in percentages by weight of Creeping Red Fescue 55%, Kentucky Blue 25%, Perennial Rye 12%, Red Top 5% and White Clover 3%.

General Specifications 4.1.8

The following Specifications; 4.2 to 4.72 inclusive, are applicable, except where they are in conflict with the foregoing Specifications and attached drawings.

CONTRACT DRAWING 4.2

The work included in this Contract is shown on the List of Drawings.

The Plans indicate the approximate position and length of the cables on the streets in which they are to be laid. The Engineers will determine the exact line, grade and location from time to time in advance of actual construction and the Engineers reserve the right to alter the position, location or length of any cable, or the position of any vault, pole or pedestal as they deem advisable notwithstanding any location or length of cable indicated on the Contract Drawings. The Engineers further reserve the right to eliminate entirely the construction of the Hydro Plant on one or more of the streets covered by the Plans and Specifications.

The Plans referred to herein are the Contract Plans and are made a part of this Contract. Additional plans showing details in accordance with which the work is to be constructed will be furnished from time to time by the Engineers, if found necessary, and shall then become a part hereto.

The Contractor shall be governed by figured dimensions as given on the plans. Where required dimensions are not shown in figures, the Contractor shall obtain such dimensions from the Engineers before proceeding with the construction of the work to which they refer.

In every case, detailed plans shall take precedence over general plans.

ACCESS to WORK 4.3

The Engineers may at any time and for any purpose enter upon the work and the premises used by the Contractor, and the Contractor shall furnish proper and safe facilities therefore. The Contractor shall furnish proper facilities for the inspection of, and secure convenient access to, all parts of the work, as may be required by the Engineers.

WORK DONE in WINTER 4.4

If the Engineers permit work to be done when the temperature is at, about or below 0° Celsius, the Contractor shall at his entire expense, furnish all necessary equipment and fuel for heating all materials required, and shall adequately protect the work from damage by frost during and after, laying or placing, to the entire satisfaction of the Engineers.

TEMPORARY BUILDINGS 4.5

The location of all temporary buildings used for construction purposes must be submitted to the Engineers for approval before erection work commences. Temporary buildings must be kept clean and free from nuisances so as not to become a danger to the water supply or to the adjoining properties.

INSPECTION of MATERIAL - Shop 4.6

All materials furnished by the Contractor are subject, at the discretion of Oakville Hydro, to inspection and approval at the manufacturer's plant.

INSPECTION of MATERIAL – Field 4.7

All Hydro material, cables, pedestals, vaults, etc., used on the construction site shall be subject to periodic field inspection by Oakville Hydro Engineer and Construction Site Inspector.

DISPOSITION of DEFECTIVE MATERIAL 4.8

All material found, during the progress of the work, to have defects shall be rejected by the Engineers.

RESPONSIBILITY for MATERIAL FURNISHED by CONTRACTOR 4.9

The Contractor shall be responsible for all material furnished by him and shall replace at his own expense all such material found defective in manufacture or damaged in handling after delivery by the manufacturer. This shall include the furnishing of all material and labour required for the replacement of installed material discovered defective prior to the final acceptance of the work.

RESPONSIBILITY for MATERIAL FURNISHED by OWNER 4.10

The Contractor's responsibility for material furnished by Oakville Hydro shall begin at the point of its delivery to the Contractor. Materials already on the site shall become the Contractor's responsibility on the day of the award of the Contract. The Contractor shall examine all material furnished by Oakville Hydro at the time and place of delivery to him and shall reject all defective material. Any material furnished by Oakville Hydro and installed by the Contractor without discovery of such defects will, if found defective prior to final acceptance of the work, be replaced with sound material by Oakville Hydro.

The Contractor, however, shall, at his own expense furnish all supplies, labour and facilities necessary to remove said defective material and install the sound material in a manner satisfactory to the Engineers.

RESPONSIBILITY for SAFE STORAGE of MATERIAL 4.11

The Contractor shall be responsible for the safe storage of material furnished by or to him, accepted by him, and intended for the work, until it has been incorporated in the completed project.

REPLACEMENT of DAMAGED MATERIAL 4.12

Any material furnished by Oakville Hydro that becomes damaged after acceptance by the Contractor shall be replaced by the Contractor at his own expense.

HANDLING of MATERIAL – Hauling 4.13

All material furnished by the Contractor shall be delivered and distributed at the site by the Contractor. Materials furnished by Oakville Hydro shall be picked up by the Contractor at points designated by Oakville Hydro staff and hauled to and distributed at the site.

HANDLING of MATERIAL - Unloading at Site of Work 4.14

In distributing the material at the site of work, each piece shall be unloaded opposite or near the place where it is to be installed.

HANDLING of MATERIAL- Care of Cable Insulation & Conductor 4.15

Cable shall be so handled that the insulation and conductor will not be damaged. If, however, any part of the insulation or conductor is damaged, the repair shall be made by the Contractor at his expense in a manner satisfactory to the Engineers.

ALIGNMENT and GRADE – General 4.16

The cables shall be laid and maintained to the required lines and grades with pedestals, poles and vaults at the required locations and plumb. All underground vaults must be set at the required grade.

ALIGNMENT and GRADE - Deviations Occasioned by Other Structures 4.17

Whenever obstructions not shown on the Plans are encountered during the progress of the work and interfere to such an extent that an alteration in the Plans is required, the Engineers shall have the authority to change the plans and order a deviation from the line and grade or arrange with the owner of the structures for the removal, relocation, or reconstruction of the obstructions. If the change in plans results in a change in the amount of work by the Contractor, such altered work shall be done on the basis of payment to the Contractor for extra work or credit to the owner for less work.

ALIGNMENT and GRADE - Caution in Excavation 4.18

The Contractor shall proceed with caution in the excavation and preparation of the trench so that the exact location of underground structures, both known and unknown, may be determined, and he shall be held responsible for the repair of such structures when broken or otherwise damaged because of carelessness on his part.

ALIGNMENT and GRADE - Subsurface Explorations 4.19

Whenever, in the opinion of the Engineers, it is necessary to explore and excavate to determine the location of existing underground structures, the Contractor shall make explorations and excavations for such purposes. If the Contractor is required to perform additional work in making the explorations and excavations, extra compensation will be allowed for such additional work.

ALIGNMENT and GRADE - Depth of Cables 4.20

All cables shall be laid to the depth shown on the Contract Drawings or as required in the Specifications. Any variation therefrom shall be made only at the order of the Engineers.

PLOT of UNDERGROUND OBJECTS not GUARANTEED 4.21

No responsibility will be assumed by Oakville Hydro for the correctness or completeness of the Drawings with respect to existing utilities, pipes, catch basins, chambers, or other objects, either underground or on the surface, and should the plots of such be found incorrect or incomplete, the Contractor shall have no claim on that account.

EXCAVATION and TRENCH PREPARATION – Description 4.22

The trench shall be dug so that the plant can be laid to the alignment and depth required, and it shall be excavated only so far in advance of cable laying as specified in the Specifications or permitted by the Engineers. The trench shall be so braced and drained that the workmen may work in it safely and efficiently. It is essential that the discharge of the trench de-watering pumps be conducted to natural drainage channels, drains or sewers.

OCCUPATIONAL HEALTH & SAFETY ACT 4.23

Trenching methods shall conform, in all respects, with “The Occupational Health and Safety Act” - latest edition.

EXCAVATION - Dimensions and Depths 4.24

All trenches shall be excavated to the dimensions specified and to the grades given by the Engineers, and only so far in advance of the plant laying as permitted by them.

Where it is found necessary to excavate to greater depths in carrying the cables under present water or gas mains, conduits, sewer pipes or culverts, or passing by, under or around any culverts, manholes, hydro-electric, telephone or other chambers on the line of the pipe, nothing in addition to the unit price per metre stated in the Form of Tender will be allowed.

EXCAVATION - Bottom of Trench 4.25

If any part of the bottom of the trench be found unsound, or in any way unsuitable, in the opinion of the Engineers, the Contractor shall remove as much as may be required, and replace removed quantities with sand or any other material approved by Oakville Hydro Engineer. The material to be tamped firmly in place.

EXCAVATION - Material Deposited 4.26

The material excavated shall be deposited between the trench and that side of the street on which the cable is to be laid. No excavated material shall be deposited on the graveled or paved portion of any roadway.

EXCAVATION – Fence 4.27

Where necessary, in order to keep one side of the street or roadway free from any obstruction or to keep material piles alongside of the trench from falling on private property outside of the right-of-way, a safe and suitable fence shall be placed alongside of the trench.

LOCATION of TRENCH 4.28

The Contractor shall be responsible for supplying and using equipment which may be operated close to poles, trees, ditches, etc., where required, without damage to the poles, etc.

The Contractor's operations must not interfere with traffic of the Corporation transportation system or with traffic in general without the consent of the Engineers.

COMMENCEMENT and CARRYING ON of WORKS 4.30

The Contractor shall commence the works and carry them on at whatever point or points along the line the Engineers may direct, but no part of the work shall be undertaken without written orders from the Engineers.

The Contractor shall give notice in writing, at least twenty-four [24] hours before breaking ground for the purposes of constructing the work herein mentioned, to such and all such conduit or gas companies as have, or may have, during the progress of the work, any conduit or gas pipes which may be affected by such excavations as may become necessary.

PIPES, CONDUITS, etc. 4.31

Oakville Hydro disclaims any responsibility or liability for the support and protection of poles, sewers, drains, pipes, conduits, tracks, or other structures owned either by the Corporation, Halton Region, companies or individuals owning, controlling or operating said pipes, conduits, tracks and other structures and to determine to his own satisfaction the character, size, position and length of such pipes, conduits, tracks and structures, and to inspect the public records of the Corporation having cognizance of pipes, conduits, and sewers and make further personal inspection and investigation as he may deem proper, to determine the correctness of the information so obtained.

It shall be clearly understood that Oakville Hydro does not insure the accuracy of such reports or information, and the Contractor shall not make any claim against Oakville Hydro for damages or extra work caused or occasioned by his relying upon such records, reports or information either as a whole or in part, furnished by any Civic Department or Commission, private company or individual.

PROTECTION of PROPERTY and STRUCTURES 4.32

The Contractor shall, at his own cost and expense, and, in a manner approved of by the Engineers, sustain in their places and protect from direct or indirect damage any and all water or gas mains, public or private sewers or drains, conduits, subway and pneumatic pipes, service pipes, sidewalks, curbs and all other structures or property in the vicinity of his work, whether over or underground, or which appear within the trench or tunnel, and he shall assume all costs and expenses for direct or indirect damage. He shall at all times have a sufficient quantity of timber, planks and chains etc. on the ground, and shall use the same as required for sheet or sheet piling and bracing the side and ends of excavations, and for sustaining or supporting any and all structures that are uncovered, undermined, weakened, endangered or threatened.

CONTRACTOR to TAKE RISKS 4.33

The Contractor shall take all risks and be responsible for all expense and damage attending the presence or proximity of any gas or water pipes, public or private sewers or drains, subways, conduits and all other underground structures which cross or appear in the trench or tunnel or are parallel with or adjacent to, but outside of, said trench or tunnel.

PROTECTION of WATER PIPES 4.34

The Contractor shall protect all water and service pipes from freezing and should he fail to do so, the Engineers are hereby authorized to protect such mains and service pipes, or in the event of their having been damaged, to immediately replace such pipes or to re-caulk and repair the same, and the cost thereof shall be charged to the Contractor; the cost so charged to the Contractor shall be deducted from any sum or sums due or that may become due him.

REMOVAL of OBSTRUCTIONS 4.35

Should the location or position of any gas or water pipe, public or private sewer or drain, subway, conduit, railway or other structure be such as, in the opinion of the Engineers, to require its removal, realignment or change, such work shall be without cost to the Contractor for the work of removal, realignment or change only, but, such structure shall be stripped or uncovered and supported or sustained by the Contractor, at his own cost and expense before such removal or before or after such realignment or change, as constituting part of the contract; and the Contractor shall not become entitled to claim any damage or extra compensation from or on account of the presence of such structure or on account of any delay due to removal or rearrangement of the same, but the Contractor shall be entitled to such an extension of time for the completion of this Contract as the Engineers shall decide is equivalent to the time that the work has been delayed by any delay in the removal, realignment or change of any such obstruction.

PROTECTION, REMOVAL of OBSTRUCTION by COMPANIES 4.36

The Contractor shall not cause any hindrance to nor interfere with any individual, Civic Department or Commission, gas railroad or any other company in protecting their mains, pipes, poles, posts, or other structures, not in shifting, removing or replacing the same; but the Contractor shall suffer the said individual, Civic Department or Commission, or company to take all such measures as they deem wise or as may become necessary for the purposes aforesaid.

MAINTAINING FLOW of SEWERS and DRAINS 4.37

The Contractor shall, at his own cost and expense, permanently provide for and maintain the flow of all sewers, drains, house or inlet connections, culverts and water courses which may be met with during the progress of the work. If any sewers, drains, connections, basins, inlets or culverts within the lines of this work or which interfere with the construction are unexpectedly encountered the Contractor shall at once notify the Engineers in writing of the locality and circumstances and the place shall be passed over until satisfactory arrangements are made without any claim for damages or extra compensation arising from the delay but the Contractor will be allowed an extension of time as hereinbefore provided.

POLES and POSTS 4.38

If, in the opinion of the Engineers, it is necessary to remove poles or posts of any description coming within the line of the trench, the cost of such work will be borne by the Contractor.

NOT to INTERFERE 4.39

The Contractor shall not cause any hindrance to or interference with the Corporation, gas or conduit company or companies in protecting their pipes, nor in removing or otherwise protecting and replacing the main and service pipes, telephone or telegraph, lamp posts and lamps where necessary; but the Contractor will suffer the said Corporation, company or companies to take all such measures as may become necessary for the purpose aforesaid. In case any damage or injury shall or may result to the said pipes, conduits, telephone or telegraph poles, lamp posts, lamps or

other works by reason of any negligence, carelessness or want of skill on the part of the Contractor, his agents or servants, the Contractor shall become liable to pay such amount as shall or may be sufficient to cover the expense and damage occasioned by such negligence, carelessness or unskillfulness; and such amount shall be charged against the Contractor, and may be deducted or collected as provided in Section 3.41 of the General Conditions.

SEWERS and CULVERTS 4.40

Whenever it shall become necessary to alter or remove any portion of a sewer on the line of the trench, the Contractor will do such work, and culverts below private driveways and roads shall be carefully removed where necessary and replaced by the Contractor at his own expense.

EXTRAS 4.41

No extras will be allowed on account of hard pan, boulders, rock, logs, quicksand, frost, snow, ice or other obstacles found in the excavations or on the line of trench, or for any pumping or bailing of water required during the execution of the works; all of which work shall be borne by the Contractor at his own expense.

RAILWAY CROSSINGS 4.42

When the conduit is to be laid below existing railway tracks, the work shall conform in all respects to the "Standard Regulations Regarding Pipe Crossings Under Railways" as laid down by the Board of Transport Commissioners for Canada. Necessary bends shall be supplied to provide vertical and horizontal deflection as required. Backfilling below railway crossings shall be tamped solidly and consolidating with water will not be allowed. Special care shall be taken to prevent caving in of the trench or damage to railway property. Work on railway property must be done only when an Inspector from the Railway Company is present. The cost of excavating and laying the duct below railway crossings shall be included in the cost per metre of duct installation for the street which crosses the railway tracks.

PAVEMENT CROSSINGS 4.43

Where ducts are to be constructed below paved highways, excavation shall be carried out by boring wherever the nature of the excavated material permits. Excavated material shall not be piled on or near the pavement. Bore holes shall be projected or shored as required to prevent any caving in of adjacent material and undermining the pavements.

CUTTING and REPLACEMENT of the EXISTING PAVEMENT 4.44

The work to be done under this item consists of cutting and replacing the existing paved roadways, curbs and sidewalks wherever necessary, along the line of construction; the disposal of the material cut out and after the trench has been backfilled, the replacement with gravel treated with asphalt to form a temporary surface; the maintenance of the surface in a condition satisfactory for traffic and the construction of the permanent paving over the trench to replace the paving which has been removed.

Gravel roadways will not be considered as pavement.

CUTTING PAVEMENT 4.45

The Contractor shall cut the existing pavement and sidewalks where required to make the necessary excavation for the handling and laying of Hydro underground material. The width of the trench and sizes of the various openings shall be the minimum required and shall be subject to the approval of the Engineers.

DISPOSAL of MATERIAL 4.46

All material cut from the paved roadways or sidewalks shall be disposed of by the Contractor or may be used as part of the surfacing of the trench after backfilling.

The price bid by the Contractor for the work shall include all necessary excavations of every kind or description, whether in solid or disintegrated rock, conglomerate, cemented gravel, shale, hard pan clay, earth or other material.

BLASTING 4.47

Blasting for excavation will be permitted only after securing the approval of the Engineers and only when proper precautions are taken for the protection of persons or property. The hours of blasting shall be fixed by the Engineers. Any damage caused by blasting shall be repaired by the Contractor at his own expense. The Contractor's methods of procedure in blasting shall conform to Provincial and local laws.

HANDLING and CARE of EXPLOSIVES 4.48

The method of use and the character of all explosives shall be subject to the approval of the Engineers.

All blasting shall be done only after securing the approval of the Engineers as to time and notifying the Regional Police and after all precautions have been taken, to protect persons and property. Any damage caused by blasting shall be made good by the Contractor at his own expense. Handling and storage and use of explosives shall be carried out under the current Acts and Regulations, either of the Dominion or Provincial Government, or both, and the By-Laws of the Town of Oakville.

SURVEYS MADE BEFORE BLASTING 4.49

Provided that blasting is permitted under the contract, and if the Contractor proposed to use such methods, he shall send Oakville Hydro two copies of property surveys on the site made before any blasting is done. The survey shall contain a descriptive list of defects in buildings in the vicinity of the work which could later be confused with, or claimed as damage due to blasting.

The Contractor shall have seismographic tests made where repeated blasting is proposed, or for other good reasons at no extra expense to Oakville Hydro, and two copies of the test results shall be sent to Oakville Hydro for its own use.

Notwithstanding said surveys and tests reported to Oakville Hydro, the Contractor shall indemnify Oakville Hydro and its agents against all claims for damages in respect of blasting done by the Contractor.

UNDERGROUND CONSTRUCTION 4.50

Pick Up and Delivery of Material

The Contractor will pick up all necessary material at Oakville Hydro's Operations Centre or any other place designated by Oakville Hydro Engineers, deliver it to the construction site and unload it as near the trenches as is convenient; so as to impede the traffic as little as possible. All necessary handling of the material shall be done by the Contractor at his own expense and risk and without any extra cost to Oakville Hydro.

The Contractor will be required to give Oakville Hydro's Storeskeeper forty-eight [48] hours notice before picking up the necessary material at the Operations Centre.

CLEANING CONDUIT 4.51

Before installing, each duct shall be thoroughly cleaned by the Contractor of small stones, mud and debris by a pipe cleaner made in such a fashion to be able to perform this work.

TOOLS and IMPLEMENTS 4.52

Proper implements and tools for the safe and convenient handling and laying of the cables, etc. and such as shall be satisfactory to the Engineers shall, in all cases, be provided and used by the Contractor.

LAYING CABLES 4.53

After the trench has been excavated and sanded, the cables and service wires may then be unreeled, laid in the trench with random lateral separation, and then sand covered as shown on Drawing HS-200 or as may be further outlined in the Specification. Care must be taken to avoid kinks, loops or sharp bends in the cables and service wires. The Contractor must insure that no water, mud, rocks or other foreign object enters the trench while it is being excavated, sanded, backfilled or when the cables are being laid. If any damage does occur, the Contractor must immediately notify the Construction Site Inspector or Oakville Hydro Engineers.

GRADES and LINES 4.54

The cables and service wires when laid in the trenches, shall conform exactly to the required lines and grades indicated by the stakes or figures given by the Engineers, or by their directions, as the work progresses. All services shall be set or laid exactly at the required points and in such manner as the Engineers may direct. All structures such as vaults, switchgear foundations, light standards, etc., shall be constructed to the grades set by the Engineers.

OMISSION 4.55

Any cable, service wires, vaults, pedestals, etc., which are shown on the Plans, and which may be omitted by the Contractor shall be inserted and the connections made good without extra charge. It shall be the Contractor's duty to find out from the Engineers what is required on each street before commencing work, and to conform to the directions of the Engineers in this respect.

CABLE and SERVICE WIRE ENDS 4.56

All cable and service wire ends must be taped and properly identified at each terminal location or termination point. The method of identifying cable and service wire ends must be approved by Oakville Hydro Engineers. The Contractor must leave the specified amount of cable at each termination location. If too much or too little is left, the Contractor shall be held liable for extra costs incurred for either additional splicing by Oakville Hydro forces or excessive cable wastage, whichever is applicable.

CABLE TERMINATIONS 4.57

All cable terminations on Hydro poles, in underground vaults, transformer rooms, pedestals, switching cubicles and meters, etc., will be made by Oakville Hydro's operating crew. The Contractor must not, at any time, attempt to terminate a cable, unless he has received written permission from Oakville Hydro Engineer and if so, he must be able to produce the letter upon request by the Inspector or any other Oakville Hydro representative.

The trench, for a height of 300 mm above the sand cover over the cable, shall be refilled with clean earth placed by hand and solidly tamped. The balance of the trench may be refilled by machinery but earth shall be scraped onto a part partially filled and allowed to flow down into the bottom of the trench. The material used for refilling may be compacted either by tamping thoroughly in layers 300 mm thick or by water after the trench is backfilled. If water is used, it shall be directed into the trench by inserting a pipe on the end of a hose in such a way as to thoroughly saturate all material in the trench. Additional filling material shall be added as required. Large stones shall be excluded from the backfilling material and no stones shall be within 300 mm of the cable.

No house ashes, refuse or other material of an unsatisfactory character shall be used in backfilling, and the Contractor shall not permit the trench to be used as dumping ground for refuse.

DISPOSAL of SURPLUS FILL 4.59

As the trenches or shafts are filled in and the work is completed, the Contractor shall, at his own cost and expense, remove and dispose of all surplus earth, stone and other material from the work, in such a manner and at such points as provided elsewhere herein; or he shall deposit the same, either with or without rehandling, at any point or points on the line of the work covered by this Contract if so directed by the Engineers or as set forth in Section 3.5 of the General Conditions; and shall leave all roads, sidewalks and other places free, clear and in good order. In case the Contractor shall fail or neglect to do so, or to make satisfactory progress in doing so within twenty-four [24] hours after the receipt of a written notice from the Engineers, Oakville Hydro may remove such surplus material and clear the roadway, sidewalks and other places and the cost of said work shall be charged to the Contractor and deducted from any moneys due or to become due him.

STREET SURFACES and CONSOLIDATION 4.60

All roadways, berms and driveways along the line of the work shall be restored in the manner and to the conditions following, or as otherwise specified or shown on the drawings, viz: the trench shall be backfilled and consolidated in 150 mm layers to within 250 mm of the finished road grade with excavated material as specified in Clause 4.58. The balance of the trench shall be filled with crushed rock consisting of a 150 mm layer passing a 50 mm by 50 mm screen and a 100 mm layer passing a 25 mm by 25 mm screen. The rock shall be thoroughly consolidated and the top surface dressed with fines. Calcium chloride shall then be applied at a rate of 150 g/m², after which the fill shall again be consolidated. The repaved surface shall be maintained by the Contractor, and if necessary, due to settlement in the trench, additional material shall be added as required from and after completion and acceptance of work by Oakville Hydro Engineers.

The cost of all consolidation shall be included in the unit prices stated in the Tender Form for trenching.

Equipment with cleats shall not be operated over roads with a heavy oiled surface without protection to prevent damage to the road surface.

Where any surface material is broken by the Contractor over and above the standard widths specified, he shall pay the cost of repaving.

MAINTENANCE of REFILLING 4.61

The Contractor shall upon verbal and/or written notice, take immediate steps to repair or make good sinkages or defects in the pavement or backfilled trench which appear during the interval of one year, or until assumed by Oakville Hydro. Should sinkages or defects, which are in the opinion of the Engineers, of a dangerous character, develop along the line of this work during the guaranteed period, and require immediate repair, supplying any necessary labour and purchasing the necessary material to perform this work, the cost of such labour and material to be charged to the Contractor and to be deducted from any moneys due or to become due to him without first notifying the Contractor of these defects. The Engineer will, however, immediately notify the Contractor upon completion of such repairs, indicating the cost thereof.

All buildings, walks, fences, pavements, curbs, gutters, driveways, boulevards, conduits or transmission lines which suffer damage due to settlement of any trench or excavation during the guaranteed period, shall be repaired by the Contractor at his own expense.

CULVERTS, PRIVATE SIDEWALKS and DRIVEWAYS 4.62

All culverts, private sidewalks and driveways which are broken or disturbed in the execution of this Contract are to be restored to their original condition by the Contractor at his own cost and expense.

SEEDING, SODDING, etc., on BOULEVARDS, etc. 4.63

Where underground Hydro [cables, conduits, service wires, etc.] is constructed, and there is a finished surface or grass or sodding, the same shall in all cases, be carefully cut, preserved and replaced by the Contractor, and the cost shall be included in his tender price for trenching.

TEMPORARY SIDEWALKS 4.64

After the backfilling of any section of trench has been completed, all sidewalks which have been cut out shall be replaced by a layer of gravel not less than 50 mm. The gravel or stone shall not be larger than 25 mm in size, and should contain sufficient fine material to prevent the stone from working down into the backfill.

REPLACING SIDEWALKS 4.65

After the backfill under the temporary sidewalks has consolidated, all sidewalks which have been cut out shall be replaced with concrete not less than 100 mm in thickness to match adjoining work in pattern and marking.

TEMPORARY REPAVING 4.66

After the backfilling of a section of trench has been completed, the paving, which has been removed, shall be replaced by a layer of gravel 150 mm thick and surfaced with an approved asphalt or tar mix. The lower 50 mm of the gravel shall consist of fine material and stone not larger than 15 mm in size and the remaining stone shall not be larger than 25 mm in size.

PERMANENT REPAVING 4.67

After a section of the underground Hydro plant has been installed and approved by the Engineers, all street paving, which has been removed, shall be replaced in accordance with the Town of Oakville or Halton Region standard specification, whichever is applicable. If replacement cannot be made in accordance with the standard specification then direction on pavement replacement will be obtained from the Director of Public Works of the Town of Oakville or Halton Region.

All surfaces shall be maintained in good condition for vehicular and pedestrian traffic.

PAYMENT 4.68

The prices herein agreed upon for road crossings and trenchings shall cover compensation for the cutting and replacement of the pavement, curbs, sidewalks and the maintenance of the surfaces complete in every respect as specified herein.

CLEARING 4.69

Where it is necessary and permitted to remove trees, shrubs, etc., from the line of construction, such work shall be done by the Contractor. Trees shall be cut within 105 mm of the ground, cut into convenient lengths and piled along the road as directed. Brush, etc., shall be disposed of by the Contractor by burning or otherwise as approved.

Ornamental shrubs, hedges and trees shall be preserved from damage; shrubs and small trees on or close to the line of the work shall be removed and carefully replaced after the backfilling is completed.

Excavation close to large trees shall be carried out in such a way as to protect the roots from damage. Hedges crossing the line of the work shall be removed and replaced, unless the duct is laid in a tunnel below the hedge. No extra payment will be allowed for removing, replacing or protecting trees, shrubs, hedges, etc. The cost of clearing shall be included in the price per metre of trenching on the street and no extra payment will be allowed.

REMOVING FENCES 4.70

Fences crossing the line of construction shall be carefully removed and replaced after the backfilling is completed. Fence posts damaged by the work shall be replaced with similar new posts. The cost of removing and replacing fences shall be included in the price per metre for trenching and no extra payment will be allowed.

REMOVAL of SURPLUS MATERIALS 4.71

When laying and filling in each section between intersecting streets is completed, all defective material or surplus material shall be removed.

CLEANING UP 4.72

To ensure thorough cleaning, the Contractor must scrape and broom the street surfaces on which any of his excavated or other material has been placed; this brooming shall be done when the temporary paving is placed.

FORM of AGREEMENT

SECTION 5.0

This is the Form of Agreement referred to in the annexed Bond, Quotation, Specifications, General Conditions and in the Plans and Profiles therein referred to, and, with such Documents and Plans, forms the Contract in this matter.

THIS INDENTURE made [in triplicate] the 3RD day of JULY, in the year Two Thousand and EIGHT.

BETWEEN

The Oakville Hydro Electricity Distribution Inc., hereinafter called Oakville Hydro of the First Part, and

EL-CON CONSTRUCTION

hereinafter called the Contractor of the Second Part.

WHEREAS said Oakville Hydro has awarded to the said Contractor the Contract for the

LAKESHORE RD WEST AT BRONTE CREEK
BRIDGE U/G CABLE REPLACEMENT

according to the Plans, Specifications and General Conditions herein referred to, and the said Contractor having put in a Quote therefore, a copy of which is hereto annexed, and which said Quote was accepted by said Oakville Hydro on the the 3RD day of JULY, 2008.

NOW THESE PRESENT WITNESS that the said Contractor doth hereby covenant and agree with said Oakville Hydro in manner following, namely:

[1]

To execute and perform the whole of the work herein mentioned with due expedition and in a thoroughly workmanlike manner, in strict accordance with the provisions of this Contract, and the said Specifications and General Conditions and the Plans therein referred to [which are acknowledged by the signature of the said Contractor, and are made part of this Contract as if embodied herein], and thereafter to maintain the same as therein provided, and that in the execution and performance of the said work the said Contractor, will carry out, perform, observe, fulfill and abide by all the covenants, and contained in the said Specifications and General Conditions to be carried out, performed, observed and fulfilled by the said Contractor to the same extent and as fully as if each of them was set out and specifically repeated herein.

[2]

To indemnify and keep indemnified and save harmless said Oakville Hydro and each of its officers, servants and agents against all actions, suits, claims, executions and demands, which may be brought against or made upon said Oakville Hydro, its officers, servants and agents, and from all loss, costs, charges, damages, liens and expenses which may be paid, sustained or incurred by said Oakville Hydro, its officers, servants and agents by reason of or on account or in consequence of the execution and performance of the said work or of the non-execution or imperfect execution thereof or of the supply or non-supply of plant or material therefore.

To pay to said Oakville Hydro, on demand, all loss, costs, damages or expenses which may be paid, sustained or incurred by said Oakville Hydro or any of its officers, servants or agents in consequence of any such action, suit, claim, lien, execution or demand, and any moneys paid or payable by said Oakville Hydro or any of its officers, servants or agents in settlement or in discharge thereof, or on account thereof, and that in default of such payment all such loss, costs, damages and expenses, and any moneys so paid or payable by said Oakville Hydro, its officers, servants or agents, and also any moneys payable by the Contractor under any of the terms and conditions of this Contract may be deducted from any moneys of the said Contractor then remaining in the possession of said Oakville Hydro on account of this or any other contractor, or may be recovered from the said Contractor or Surety named in the Bond hereto attached in any court of competent jurisdiction as moneys paid at their request.

AND the said Contractor hereby authorizes and empowers said Oakville Hydro or its Solicitor for the time being, to defend, settle or compromise any such actions, suits, claims, liens, executions, or demands as said Oakville Hydro or its said Solicitor may deem expedient, and also hereby agrees to ratify and confirm all the acts of said Oakville Hydro or its Solicitor in that behalf, and to pay to the said Solicitor on demand his reasonable costs of defending, settling, or compromising any such actions, suits, claims, liens, executions or demands as said Oakville Hydro may deem it expedient to defend, settle or compromise, and that in default of such payment the same may be deducted from any moneys payable to said Oakville Hydro to the said Contractor on any account whatever, provided, however, that the said Contractor may at the expense of the said Contractor, take charge of and conduct the defence in the name of said Oakville Hydro to any such action, claim or suit.

Said Oakville Hydro covenants with the said Contractor that if the said work, including all extras in connection therewith, shall be duly and properly executed as aforesaid, and if the said Contractor shall carry out, perform, observe, fulfill, keep and abide by all the covenants, agreements, stipulations, provisoes, terms and conditions of this Contract, said Oakville Hydro will pay the said Contractor therefore the contract price mentioned in Quotation Form and for such extra work at the rates mentioned in said Quotation Form and for such extra work at the rates mentioned in the said Quotation [which are to apply to all extras of the character specified in the schedule of rates forming part of said Quote], such payment to be made in the manner and subject to the drawbacks and liquidated damages mentioned in the said General Conditions, upon estimates or certificates signed by the Engineers issued in accordance with Clause 3.35 of the General Conditions incorporated with and made part of this Contract,

PROVIDED that no money shall become due or be payable under this Contract unless and until an estimate or certificate therefore shall have been signed by the said Engineers as herein provided, the possession of which hereby made a condition precedent to the right of the Contractor to be paid or to maintain any action for such money or for any part therefore,

PROVIDED that said Oakville Hydro shall not be liable or compelled to pay for any extras or additional work not included in the Contract, except only in the manner and as provided for herein,

PROVIDED ALSO, that said Oakville Hydro shall not be liable or compelled to grant or issue any estimate or certificate for work rejected or condemned by the said Engineers or to pay any money therefore until the work so rejected or condemned has been replaced by new material and workmanship, to the written satisfaction of the said Engineers, and it is hereby expressly provided that the granting of any estimate or certificate for the payment of any moneys thereunder, shall not be construed as an acceptance of any bad or defective work or material, to which the same relates, or as an admission of liability to pay any money in respect thereof, and shall not in any manner lessen the liability of the Contractor to replace such work or material, although the condition of the same may not have been known to, or discovered by the said Engineers at the time such estimate of certificate was granted, or moneys paid thereon.

AND it is understood and agreed between the parties hereto as follows:

That this Agreement and the covenants and conditions herein, and in the said General Conditions contained shall extend to and be binding upon the heirs, executors, administrators, successors, and assigns of the said Contractor and said Oakville Hydro respectively. In this Agreement, and in the Contract, of which this Agreement forms a part, the words "**persons**", "**plans**", "**shall**", "**may**", "**herein**", "**work**", "**works**", "**Contract**", "**Contractor**", "**Inspector**", "**Engineers**", and the work used in the singular numbers or the masculine gender, shall have the meaning and effect given to them in the General Conditions hereto annexed, or in the Interpretation Act of the Revised Statutes of Ontario.

N.B.: CONTRACTOR WILL PLEASE READ THE FOREGOING BEFORE EXECUTION.

Signed, Sealed and
Delivered in the
Presence of

ELCON CONSTRUCTION INC
Contractor

THE OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

Per: DS
Dan Steele
Director of Engineering

Per: Indellinger
Lesley Gallinger
Vice President of Finance

PERFORMANCE BOND

SECTION 6.0

KNOW ALL MEN by these Presents, that _____,
of the City of _____, in the Province of Ontario, hereinafter called the
Principal, and _____,
hereinafter called the Surety, are severally held and firmly bound unto the Oakville
Hydro Electricity Distribution Inc. each in the penal sum of
_____/100 Dollars [\$ _____] of lawful money of
Canada, to be paid to said Oakville Hydro or its certain Attorneys, successors or assigns,
for which payment well and truly to be made, we jointly and severally bond ourselves,
our and each of our several and respective heirs; executors, administrators and successors
and every of them forever, firmly by these Presents. Sealed with our several and
respective seals.

Dated this _____ day of _____, in the year Two Thousand and _____ .
WHEREAS by certain Articles of Agreement, bearing even date with the above
obligation, the above bounden Principal has contracted and agreed with the above-named
Oakville Hydro to _____ in
the said Articles of Agreement and in the General Conditions, Plans, Profiles, and
Specifications therein more particularly mentioned and described, all of which are herein
call the Contract, at the prices and upon the terms and conditions in the said Articles of
Agreement, General Conditions, and Specifications more fully set forth, and having been
required to furnish good and sufficient security for the due and proper fulfillment of the
said Contract the above bounden Surety has consented to become such security, and to
execute these Presents.

NOW THE CONDITION of the above obligation is such, that if the above bounden
Principal shall well, truly and faithfully in all respects, perform, execute and carry out the
said Contract and all the terms and conditions thereof to the satisfaction of the Engineers,
and of said Oakville Hydro, and shall keep and maintain in good working order and
complete repair the whole of the work performed under the Contract, including any extra
work which may be ordered pursuant thereto, for the period in said Contract mentioned,
and shall then forthwith hand over the same to said Oakville Hydro complete and in
perfect order and repair, as in said Contract provided, and shall at all times indemnify and
keep indemnified said Oakville Hydro and all the officers, servants and agents thereof
from all manner of loss, damage, expense, suits, claims, liens and demands arising out of
the said Contract, or incurred by reason of the execution of the said work, or the supply
of material therefore, according to the terms of the said Contract, then this obligation to
be null and void, otherwise to remain in full force and virtue.

AND it is hereby declared and agreed that the above bounden Surety shall be liable as
Principal, and that nothing of any kind or matter whatsoever that will not discharge the
said Principal shall operate as a discharge or release of liability of the said Surety, any
law or usage relating to the liability of sureties to the contrary notwithstanding.

PERFORMANCE BOND 6.0

Signed, Sealed and
Delivered in the
Presence to

Per:

Principal

Per:

Surety

STANDARD DRAWINGS

SECTION 7.0

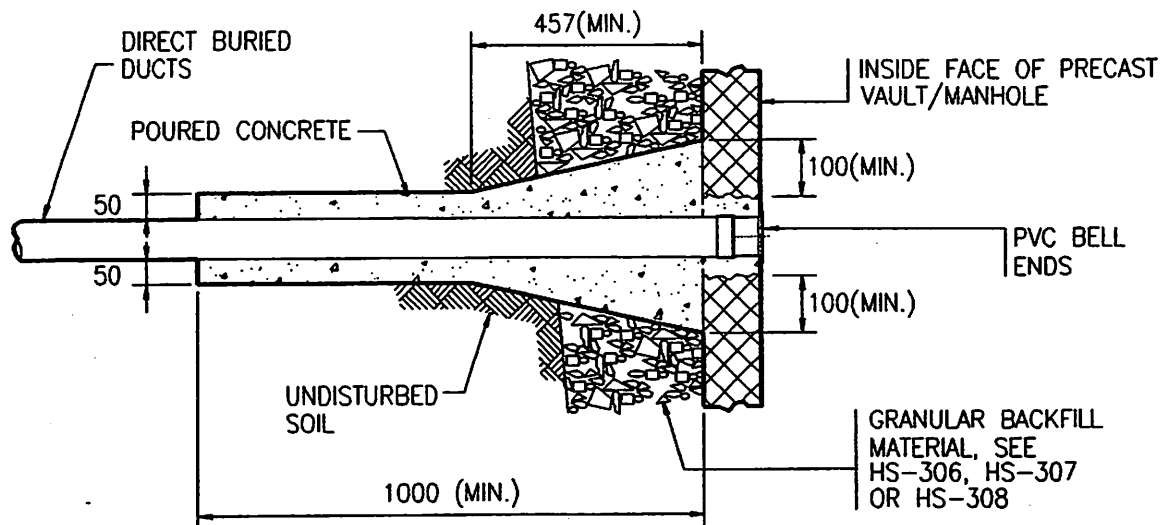


FIG. 1
DIRECT BURIED

NOTE:
CONCRETE IS NOT REQUIRED FOR
STRUCTURES WITH PVC DUCT SEAL.

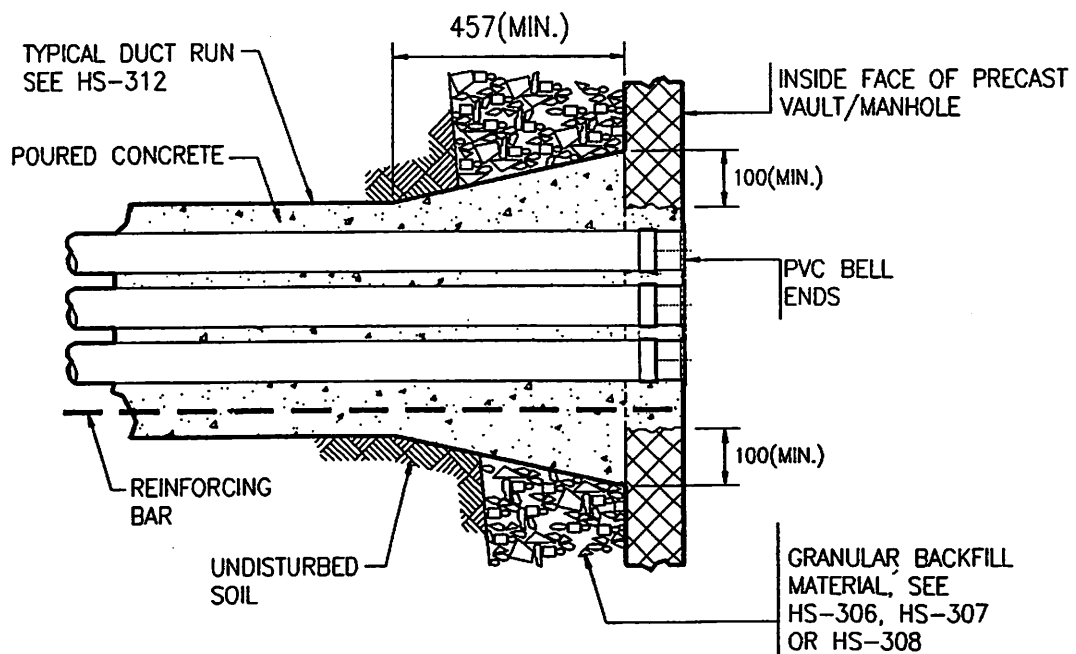
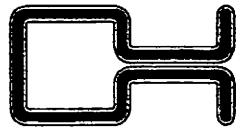
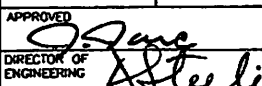
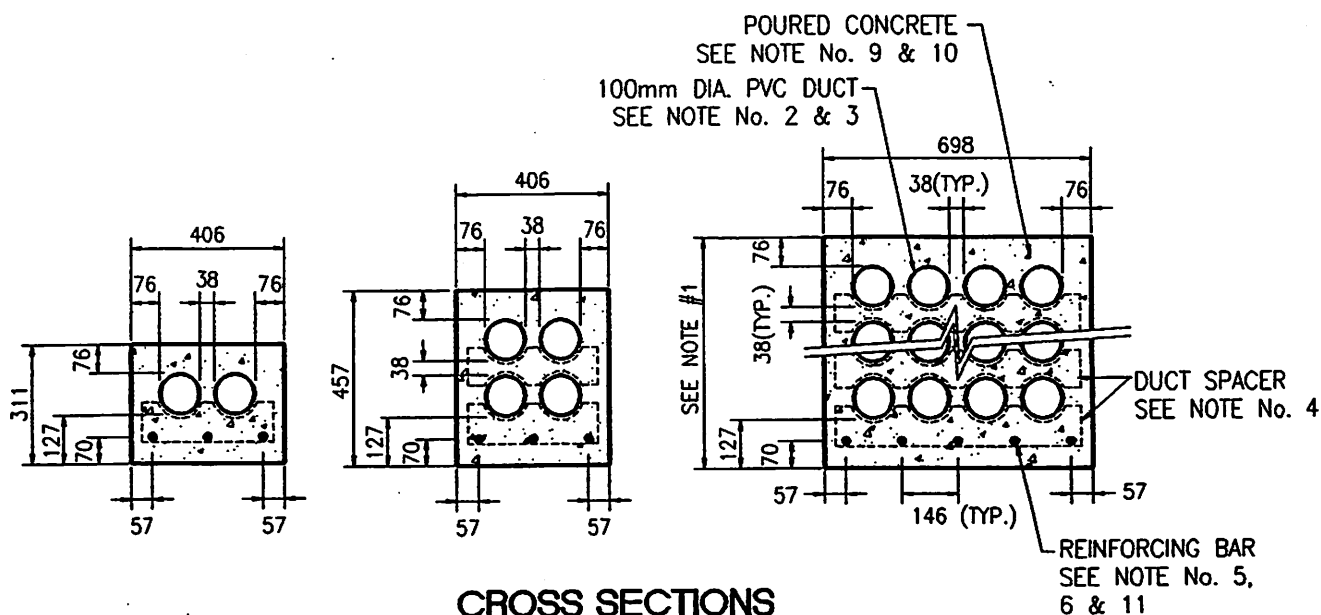


FIG. 2
CONCRETE ENCASED

NOTE: DIMENSIONS ARE IN MILLIMETERS UNLESS NOTED OTHERWISE.

				W.O.	FILE	 OAKVILLE HYDRO	TITLE TYPICAL DUCT ENTRANCE DETAILS TO PRECAST VAULT and MANHOLE	
				DRAWN	DATE		SCALE	
				Art Sarmiento	March 14, 2002		1 : 15	
				DESIGN	CHK'D.		DWG. No.	
				APPROVED		HS-310		
				 DIRECTOR OF ENGINEERING				
DATE	REVISION	BY	CHK'D					



NOTE:

1. OVERALL DUCT BANK DEPTH VARIES WITH THE NUMBER OF LAYERS OF DUCT.
2. ALL 100mm DIA. DUCT SHALL BE CSA APPROVED TYPE II.
3. DUCT JOINTS TO BE STAGGERED A MINIMUM OF 150mm AND LOCKED WITH AN APPROVED COUPLING.
4. APPROVED DUCT SPACERS TO BE PLACED 2m CENTER TO CENTER UNDER EACH DUCT LAYER.
5. 10M DEFORMED REINFORCING STEEL BARS ARE REQUIRED FOR THE ENTIRE LENGTH OF CONCRETE STRUCTURE.
6. SPLICES IN REINFORCING BAR SHALL HAVE A MINIMUM OVERLAP OF 300mm.
7. WIRE BANDING SHALL BIND DUCT, SPACERS & REINFORCING BAR (IF REQ'D.) EVERY 2.0m.
8. BELL ENDS ARE TO BE USED FOR EACH DUCT TERMINATION IN ALL HYDRO STRUCTURES, PULLING PIT OR SLAB ON GRADE.
9. CONCRETE TO HAVE A MINIMUM OF 20 MPa ULTIMATE YIELD STRENGTH IN 28 DAYS.
10. CONCRETE TO BE ROD-COMPACTED TO ENSURE THAT NO VOIDS EXIST IN THE CONCRETE BETWEEN THE DUCTS.
11. WHERE THE POURING OF CONCRETE IS INTERRUPTED FOR MORE THAN ONE HOUR, REINFORCING BARS NOT LESS THAN 1.0m IN LENGTH SHALL BE PLACED TO MAINTAIN CONTINUITY.
12. FOR TRENCH DEPTH AND DUCT BANK COVER SEE STD. DWG. HS-314. FOR GRADE AND PAVEMENT RESTORATION DETAILS SEE STD. DWG. HS-315.
13. EACH DUCT TO BE MANDRELLED TO REMOVE OBSTRUCTION AND FISHED WITH A PULLING CORD AND SEALED WITH PVC PLUG OR CAP.
14. ALL DIMENSIONS ARE IN MILLIMETERS UNLESS NOTED OTHERWISE.

				W.O. DRAWN Art Sarmiento DESIGN CHK'D.	FILE DATE Feb. 25, 2002 CHK'D.	 OAKVILLE HYDRO	TITLE CONCRETE ENCASED DUCT BANK SECTIONS and NOTES	
				APPROVED DIRECTOR OF ENGINEERING			SCALE 1 : 20	DWG. No. HS-312
DATE	REVISION	BY	CHKD					

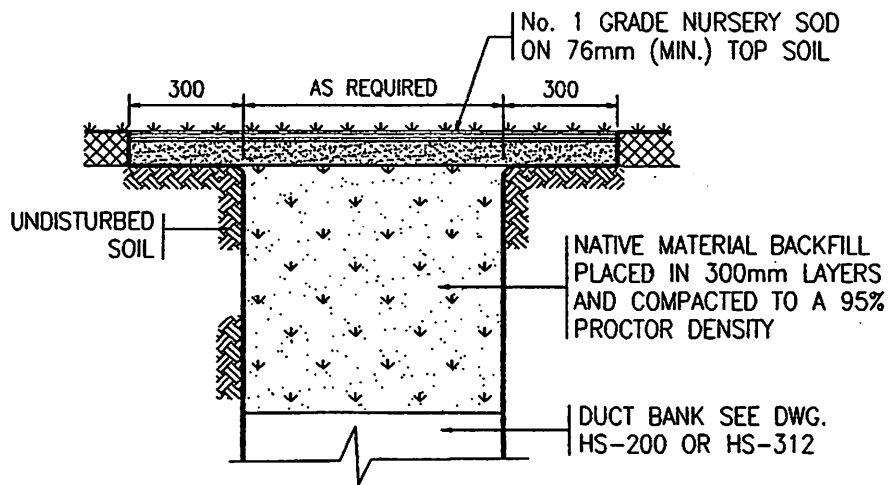


FIG. 1
SODDED AREAS

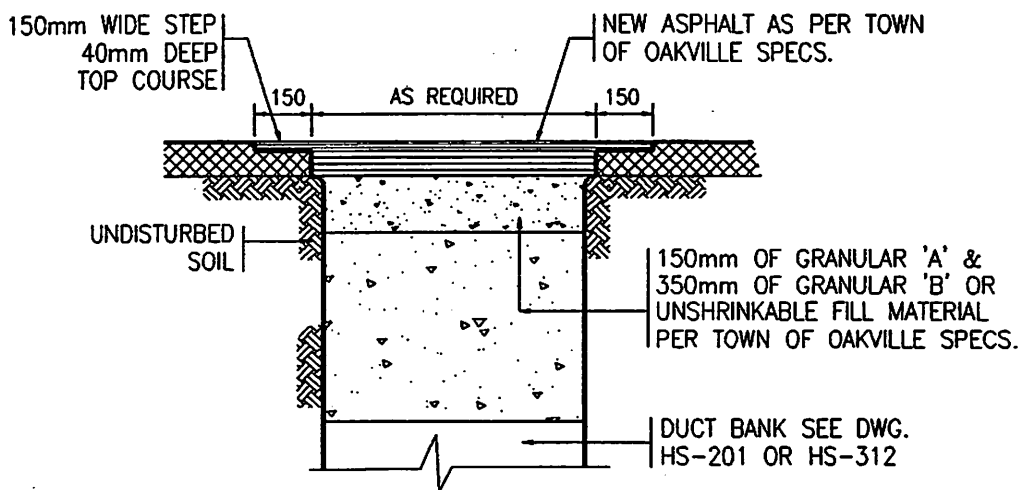


FIG. 2
PAVED AREAS

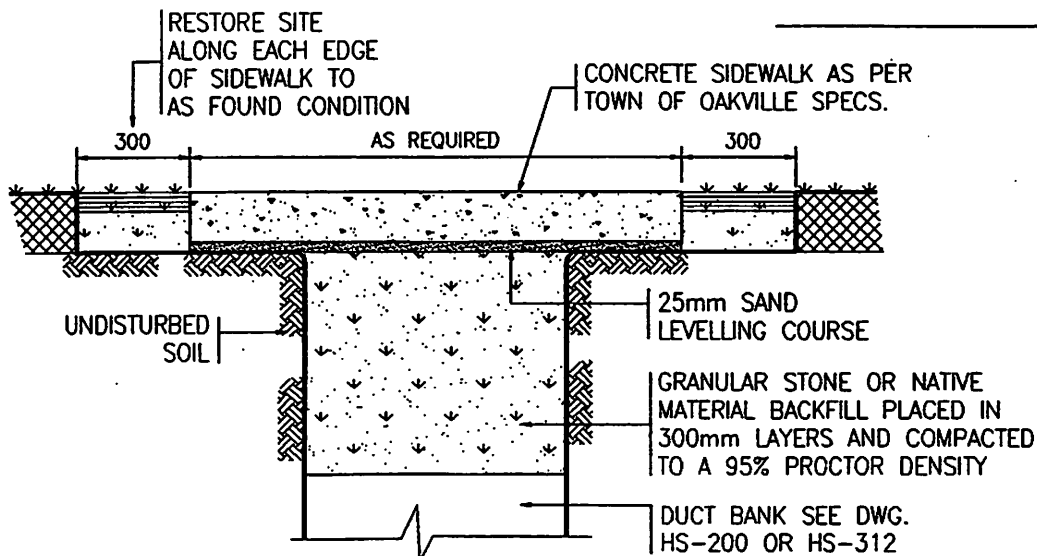
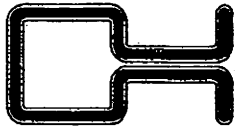
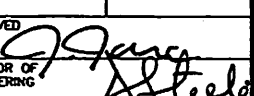
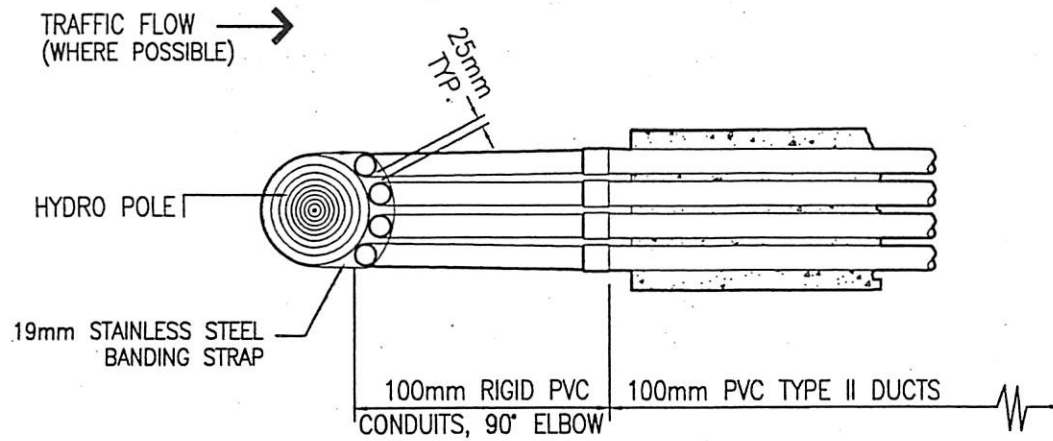


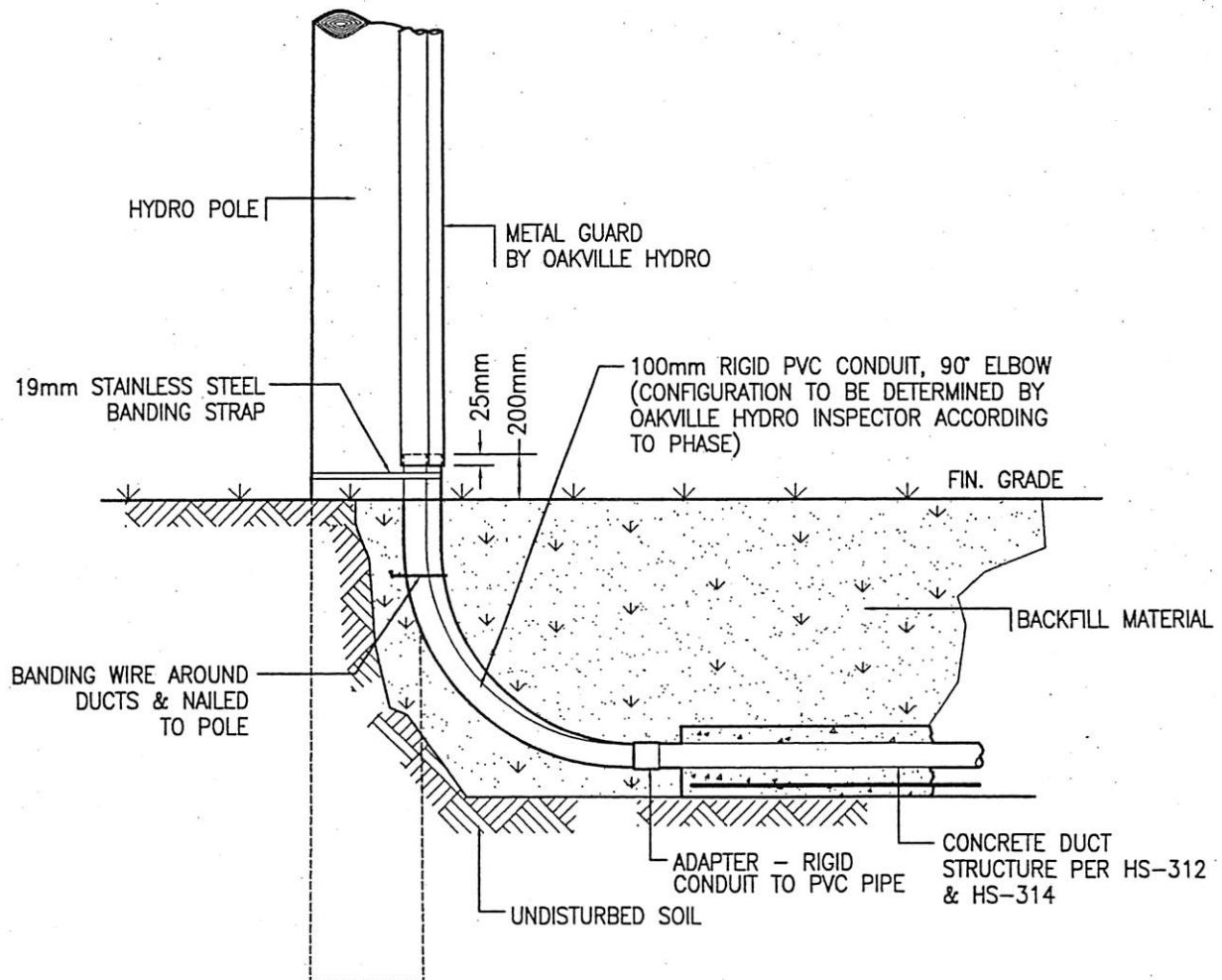
FIG. 3
REMOVED SIDEWALK AREA

NOTE: DIMENSIONS ARE IN MILLIMETERS UNLESS NOTED OTHERWISE.

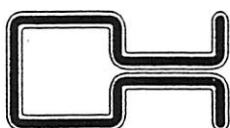





				W.O. DRAWN Art Sarmiento	FILE DATE April 02, 2002	 OAKVILLE HYDRO	TYPICAL TRENCH RESTORATION METHODS	
				DESIGN	CHK'D.			
				APPROVED				
				DIRECTOR OF ENGINEERING				
DATE	REVISION	BY	CHK'D			SCALE 1 : 20	DWG. No. HS-315	

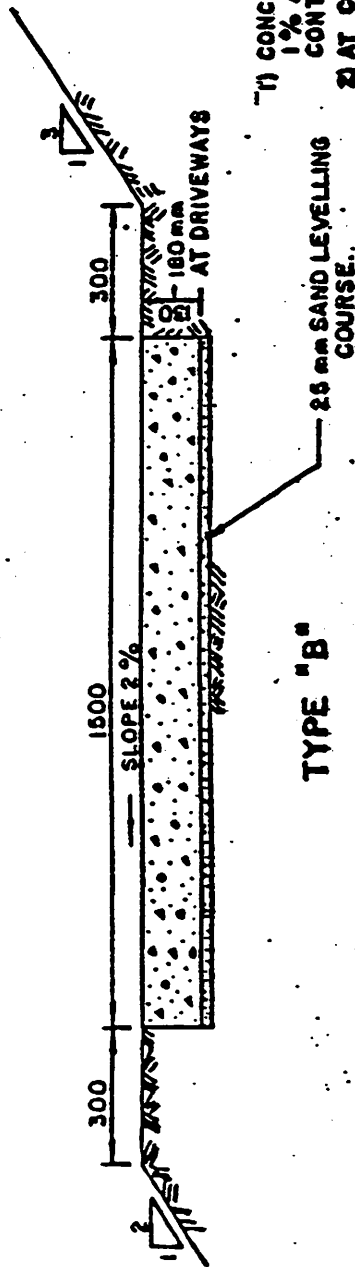


PLAN VIEW

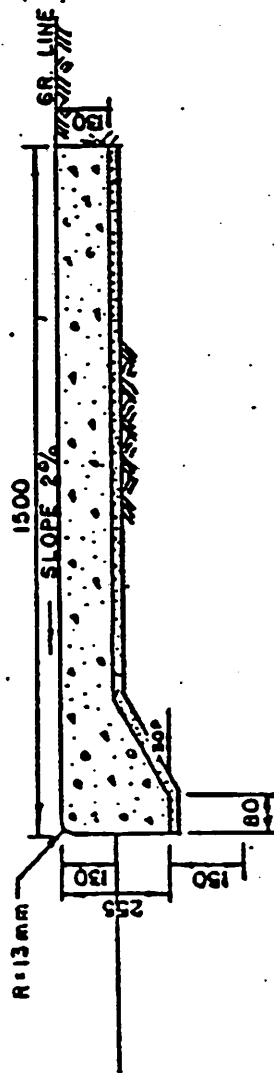


PROFILE

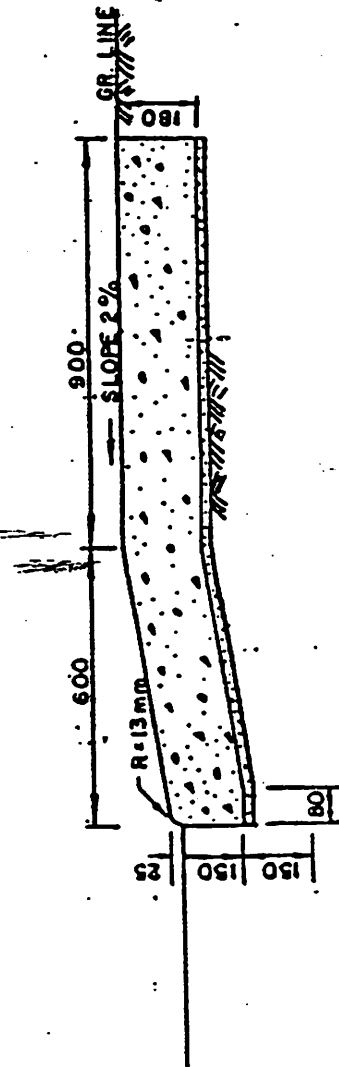
				W.O.	FILE		TITLE	
				DRAWN ABSarmiento	DATE 03 03 19		PRIMARY TERMINAL POLE DUCT RISER	
				DESIGN ABSarmiento	CHK'D.			
				APPROVED 				
07 05 25	GENERAL REVISION.	JCK					SCALE N.T.S.	DWG. No. HS-405
03 03 19	GENERAL REVISION.	ABS						
DATE	REVISION	BY	CHKD	DIRECTOR OF ENGINEERING 				



- SPECIFICATIONS & NOTES**
- 1) CONCRETE SHALL BE 25 MPa AT 28 DAYS WITH 6% ± 1% AIR ENTRAINMENT AND A MINIMUM CEMENT CONTENT OF 340 kg/m³
 - 2) AT COMMERCIAL DRIVEWAYS USE 15 M HI-BOND REINFORCING STEEL BARS AT 300 mm C/C IN SIDEWALK.
 - 3) 13 mm SAW JOINTS TO BE LOCATED AT 6 m INTERVALS.
 - 4) CURING MEMBRANE (WHITE PIGMENTED) TO BE APPLIED AT THE RATE OF 4 SQUARE METRES PER LITRE.
 - 5) IN SANDY AREA, A 0.1 mm POLY SHEET TO BE INSTALLED IN PLACE OF SAND LEVELLING COURSE.
 - 6) AT EACH END OF A DRIVEWAY FOR TYPE 'A' INTEGRAL CURB - SIDEWALK THE HEIGHT OF THE CURB SHALL BE VARIED FROM NORMAL HEIGHT TO DRIVEWAY HEIGHT OVER A DISTANCE OF 600 mm.



INTEGRAL CURB & SIDEWALK



AT DRIVEWAYS

DIMENSIONS IN mm EXCEPT AS NOTED

MUNICIPALITY: TOWN OF OAKVILLE

CONCRETE SIDEWALK

DETAIL

APPROVED: *Stallio*

STD 6-1

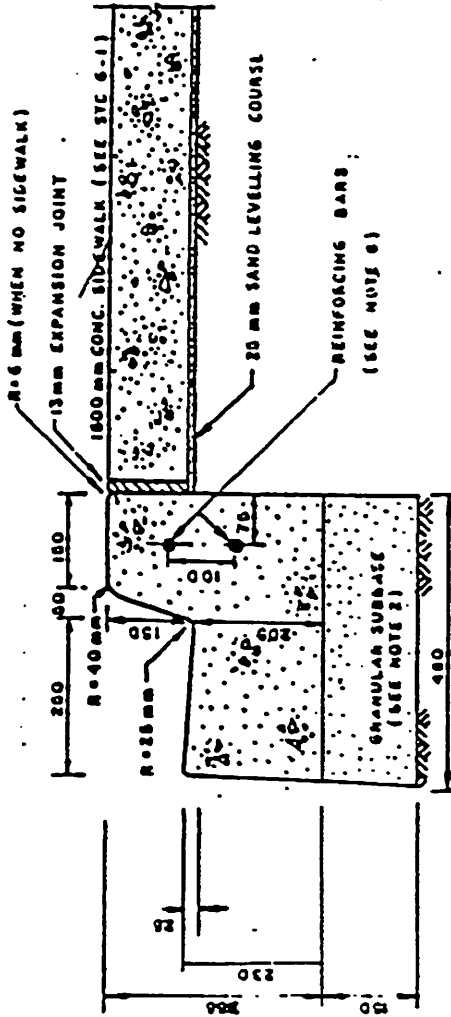
REVISION DATE

APRIL 3, 1981

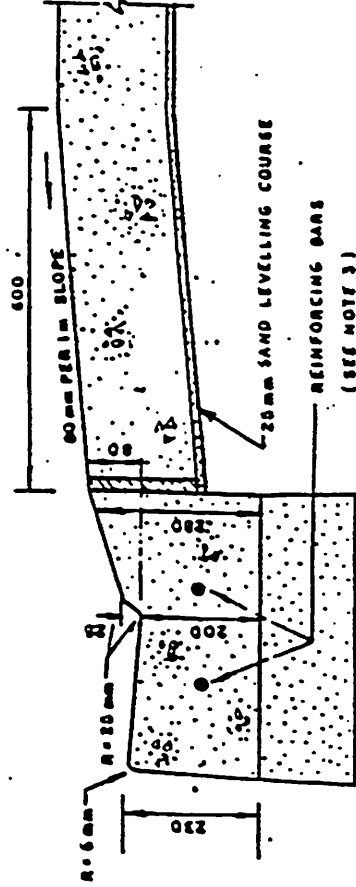
DIRECTOR OF PUBLIC WORKS

SPECIFICATIONS & NOTES

- 1) CONCRETE SHALL BE 25 MPa AT 28 DAYS WITH 6% ± 1% AIR ENTRAINMENT AND A MINIMUM CEMENT CONTENT OF 340 Kg m³
- 2) SUBBASE TO BE AN APPROVED SAND OR GRANULAR MATERIAL AS SPECIFIED BY THE ENGINEER.
- 3) AT COMMERCIAL DRIVEWAYS USE 15 M HI - BOND REINFORCING STEEL BARS AT 300 mm C/C IN CURB, AS SHOWN.
- 4) CURING MEMBRANE (WHITE PIGMENTED) TO BE APPLIED AT THE RATE OF 4 sq.m PER LITRE (CURING MEMBRANE TO MEET A.S.T.M. C 309)
- 5) EXTRUDED CURBS SHALL BE SAW CUT 3 mm TO 5 mm IN WIDTH, & 60 mm TO 65 mm DEEP AT 6 m INTERVALS. CUTS TO BE FILLED WITH 10 mm NEO-PRENE SPONGE CORD, (AS SUPPLIED BY THE ONTARIO RUBBER CO. OR EQUAL) AND SECURED WITH A LUBRICANT ADHESIVE CL 202, MANUFACTURED BY B.F. GOODRICH CO. OR EQUAL.
- 6) EXPANSION JOINT MATERIAL TO BE 13 mm ELASTITE FLEXCELL BITUMINOUS FIBRE OR EQUAL AT 6 m INTERVALS IN FORMED CURB & GUTTER.
- 7) ALL CONCRETE WORK TO CONFORM TO SECTION 9-04 OF M.T.C. FORM 9.
- 8) AT CATCHBASIN LOCATIONS USE 2 - 15 M x 2.5 m REINF. BARS IN CURB, AS SHOWN.
- 9) EXPANSION JOINT MATERIAL TO BE PLACED BETWEEN CURB & CATCHBASIN FRAME.
- 10) USE 1 m x 15 mm Ø PLAIN BARS THROUGH JOINTS, PLACED AS IN NOTE 3) TREATED SUCH THAT BONDING TO THE BAR TAKES PLACE ON ONE SIDE OF JOINT ONLY.
- 11) CURB CUT WIDTH TO BE AS FOLLOWS:
 - a) SINGLE DRIVEWAYS 5 m ON LOCAL ROADS
 - b) " " 6 m ON ARTERIAL & COLLECTOR ROADS
 - c) DOUBLE DRIVEWAY 6 m ON ALL ROADS
 - d) COMMERCIAL DRIVEWAYS 9 m MAX. OR AS APPROVED BY THE ENGINEER.



CURB & GUTTER



CURB CUT

MUNICIPALITY: TOWN OF OAKVILLE

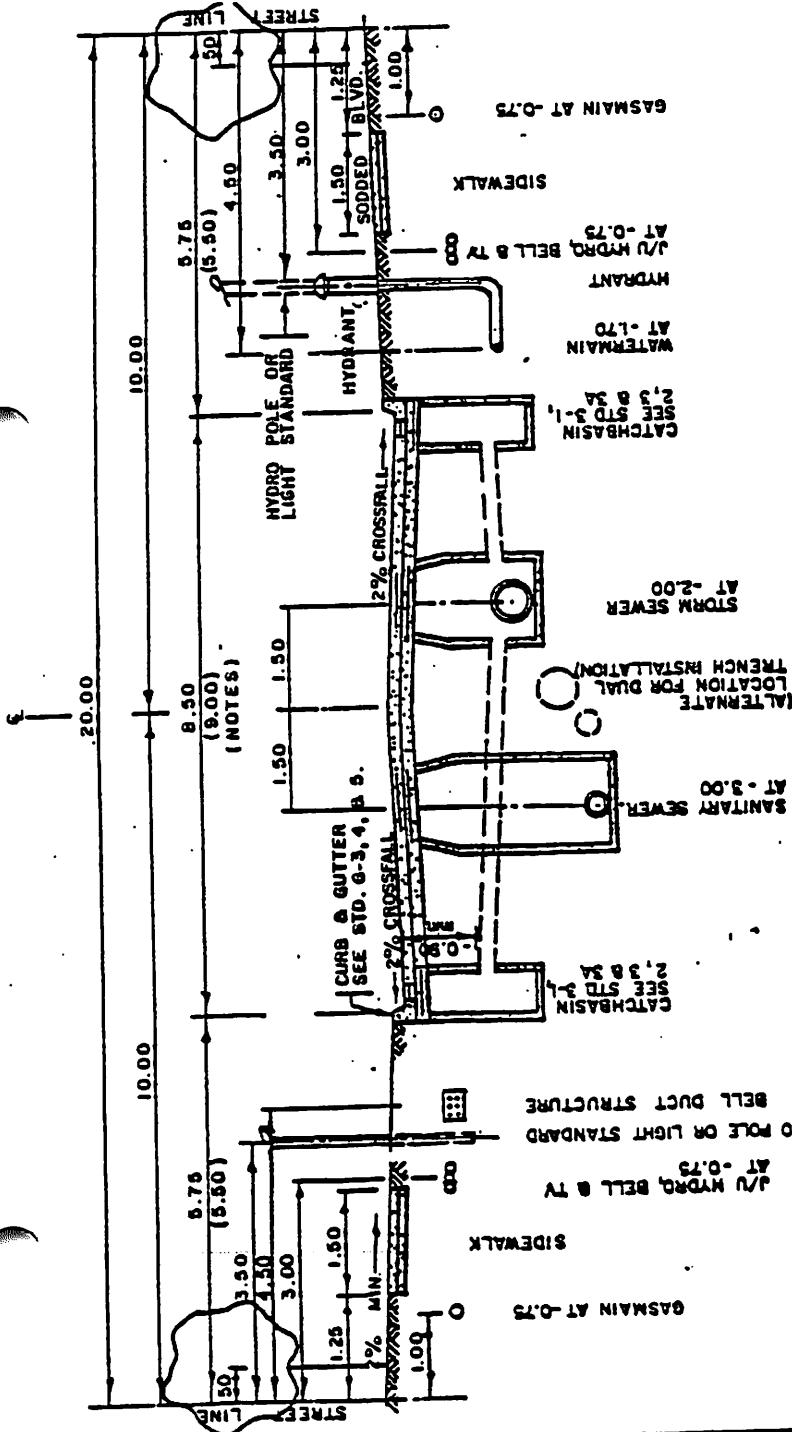
CONCRETE CURB AND GUTTER

APPROVED *Stellis* STD 6-3

REVISION DATE
DIRECTOR OF PUBLIC WORKS APRIL 3, 1981

GENERAL NOTES:

1. THE ELEVATION AT STREET LINE FOR LOT DRAINAGE SHALL BE 150mm HIGHER THAN THE FINISHED ROAD CROWN.
2. GRANULAR 'B' SUB-BASE THICKNESSES MAY BE REDUCED BY 75 mm WHEN GROUND CONDITIONS CONSIDERED SUITABLE BY THE DIRECTOR OF PUBLIC WORKS.
3. MAXIMUM ROAD GRADIENT 7 %
4. ALL MATERIAL TO MEET ONTARIO PROVINCIAL, STANDARD SPECIFICATIONS.
5. WATERMAINS AND SANITARY SEWERS TO CONFORM TO LATEST REGIONAL MUNICIPALITY OF HALTON SPECIFICATIONS AND REQUIREMENTS.
6. ALL DRIVEWAYS BETWEEN CURB AND SIDEWALK TO BE ASPHALTED.
7. IF ANY TRENCH AFFECTS EITHER THE ROADWAY OR CURBS, THEN COMPACTED GRANULAR 'C' MATERIAL WILL BE REQUIRED FOR THE TRENCH BACKFILL.
8. 9.00 m PAVEMENT TO BE USED ON MINOR COLLECTOR AND LOCAL INDUSTRIAL ROADS.
9. TOP COURSE ASPHALTIC CONCRETE SHALL BE ADDED TO THE ROAD ONLY AFTER ADJACENT BUILDINGS (HOMES, INDUSTRIAL, COMMERCIAL, ETC.) HAVE BEEN CONSTRUCTED AND/OR ONLY WITH THE SPECIFIC CONSENT OF THE DIRECTOR OF PUBLIC WORKS.
10. FULL LENGTH SUB-DRAINS ARE TO BE INSTALLED WHERE THE SUB-GRADE IS CONSTRUCTED OF SILTS OR CLAYS OR WHERE THE WATER TABLE IS WITHIN 1.3 m OF THE FINISHED ROAD SURFACE.
11. AN EXTRA 150 mm THICKNESS OF GRANULAR 'B' SHALL BE ADDED AT ARTERIAL AND INDUSTRIAL ROAD INTERSECTIONS. THIS EXTRA DEPTH SHALL BE EXTENDED FOR A MINIMUM OF 15 m FROM THE PROPERTY LINE OF THE INTERSECTING STREET.



TOWN OF OAKVILLE TREE PROTECTION POLICY

SECTION 8.0

APPENDIX A

TREE SPECIFICATIONS FOR CONSTRUCTION NEAR TREES

1. Application of Policy

- Tree protection measures are required for Town trees and other trees protected by Town by-laws or conditions of approvals granted by the Town, and are recommended for all trees which may be impacted by construction activities.
- All trees situated on Town property are protected under provisions of Town bylaws. Some trees situated on private property are also protected by Town bylaws or as conditions of approvals granted by the Town.
- Trees protected by Town bylaws may not be removed, injured or destroyed in any way without written authorization from the Town. Note that the term "tree" refers to all parts of the tree, including all roots.
- The specifications set out in this policy shall be the standard specifications for tree protection measures during construction whenever tree protection measures are required by the Town as a condition of any approval or permit and are recommended in every instance where construction activities may result in damage to trees contrary to Town by-laws.
- Higher standards of tree protection may be imposed where warranted in the opinion of the Town Forester having regard to the size, variety, location and health of the tree and any circumstances surrounding the construction which may pose a particular hazard to the tree.
- Lesser standards of tree protection shall only be permitted on the recommendation of a qualified tree consultant (as defined in this policy) and with the written consent of the Town granted in consultation with the Town Forester.
- Anyone failing to adhere to the tree protection policies and specifications outlined below will be financially responsible for any resulting damage to trees in addition to any fines or that may be imposed under relevant bylaws or statutes.

2. General Policy

Construction activities near trees may result in injury to the trunk, limbs or roots of trees causing damage or death of the tree. In order to prevent such damage:

- Trees within or adjacent to a construction area must be protected during construction by means of a barrier surrounding a "Tree Protection Zone" (TPZ) as outlined in Sections 3 and 4 of this policy.
- Activities which are likely to injure or destroy the tree (outlined in Section 5 of this policy) are not permitted within the TPZ.
- Tree pruning or root cutting of Town owned trees may only be done by Urban Forestry staff or a contractor approved by the Director of Parks and Recreation or designate.

APPENDIX A

- No objects may be attached to trees protected by Town bylaws without written authorization by the Town.
- No Town tree or tree protected by a Town by-law may be removed without the written permission of the Town.

3. The Tree Protection Zone

The following is a chart showing minimum required distances for determining a tree protection zone. Some trees and some site conditions may require a larger TPZ at the discretion of the Town.¹

Table 1 – Tree Protection Zones

Trunk Diameter (DBH) ²	Minimum Protection Distances Required ³
<10 cm	1.8 m
11 – 40 cm	2.4 m
41 – 50 cm	3.0 m
51 – 60 cm	3.6 m
61 – 70 cm	4.2 m
71 – 80 cm	4.8 m
81 – 90 cm	5.4 m
91 – 100+cm	6.0 m

NOTES:

1. The roots of a tree can extend from the trunk to approximately 2-3 times the distance of the drip line.
2. Diameter at breast height (DBH) measurement of tree trunk taken at 1.4 metres above ground.
3. Tree Protection Zone distances are to be measured from the outside edge of the tree base towards the drip line and may be limited by an existing paved surface, provided the existing paved surface remains intact throughout the construction work.

See Details TP-2 and TP-3 for further information.

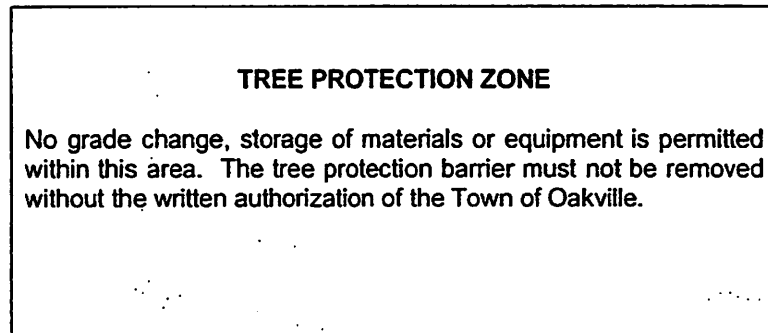
4. Tree Protection Barriers

Trees within tree protection zones shall be protected by means of a “tree protection barrier” meeting the following specifications:

- The required barrier is a 1.2 metre (4 ft) high wood clad hoarding. The barrier can be lowered around branches lower than 1.2 metres (4 ft). Within a Town road allowance when visibility is a consideration, 1.2 metre (4 ft) high orange plastic web snow fencing on a 2"x4" frame should be used.
- Tree protection barriers are to be erected prior to the commencement of any construction or grading activities on the site and are to remain in place throughout the entire duration of the project. The applicant shall notify the Town prior to commencing any construction activities to confirm that the tree protection barriers are in place.
- All supports and bracing used to safely secure the barrier should be located outside the TPZ. All supports and bracing should minimize damage to roots.

APPENDIX A

- Where some fill or excavated material must be temporarily located near a TPZ, a wooden barrier must be used to ensure no material enters the TPZ.
- A sign that is similar to the illustration below must be mounted on all sides of a tree protection barrier for the duration of the project. The sign should be a minimum of 40 cm x 60 cm and made of white gator board or equivalent material.



See Detail TP-1 for further information.

5. Tree Removal and Relocation

Any requests for removal, cutting, pruning or relocating a tree protected by Town bylaws must be made in writing to the Town. Requests for tree removal may require approval by a Committee of Council and/or Town Council. If approval is granted for removal of Town owned trees, the applicant will assume all costs involved. In most instances a tree replacement plan may be required. Where tree relocation is approved, the applicant will assume all relocation costs.

6. Utility Construction and Public Works Department Capital Projects

It is recognized that there are cases where trees are growing overtop existing utilities or beside capital infrastructure. While the guidelines in this policy still apply, in these cases some modification to Table 1 in addition to root pruning may be permitted provided non-open trench methods of construction are employed; this will be required to be done under the direction of - and along with - written sign-off by the utilities' qualified tree consultant identified. The objective is to avoid severance of anchor roots, which provide upright support for trees and minimize damage to the tree.

Above ground clearance for overhanging branches in the work zone must be anticipated. The utility is required to have a Town approved tree service raise the crown of all branches to provide adequate clearance for construction equipment.

7. Qualified Tree Consultants

The following are deemed to be qualified tree consultants for the purposes of this policy:

- 1) An arborist certified by the International Society of Arboriculture (ISA) who has a diploma (minimum) in arboriculture or urban forestry ; and

APPENDIX A

- 2) A landscape architect* who is a member in good standing of the Ontario Association of Landscape Architects (*for Site Plan process only, subject to the approval of the Town Forester) .

8. Standards for Tree protection plans

Where tree protection measures are required as a condition of any approval or permit, the Town may require the preparation of a tree protection plan.

- Tree protection plans shall be prepared by a qualified consultant.
- Tree protection plans shall include the information the information set out in **SCHEDULE A** to this policy.

In addition to other conditions, where a tree protection plan is required, the applicant shall ensure that the implementation of the plan is monitored by a qualified tree consultant.

9. Securities for Tree Protection

Where tree protection measures are required as a condition of any approval or permit, the Town will require securities, in the form of a Letter of Credit to secure the protection of Town trees.

The required securities shall be in the form of a Letter of Credit in an amount equal to the total value for protected trees as determined by a qualified tree consultant using the International Society of Arboriculture's 'Guide for Plant Appraisal', 9th Edition, as revised from time to time to a maximum of \$75,000.

Security for tree protection shall be held by the Town for up to two (2) years from the date of final inspection of the construction project. Securities may be released prior to the expiry of the two year period provided the Town is satisfied that the tree has not been damaged. Applicants for the early release or reduction of securities shall submit a report from a qualified tree consultant certifying that the tree is in a state of vigorous health and has not been injured or destroyed as a result of the construction activities.

APPENDIX A

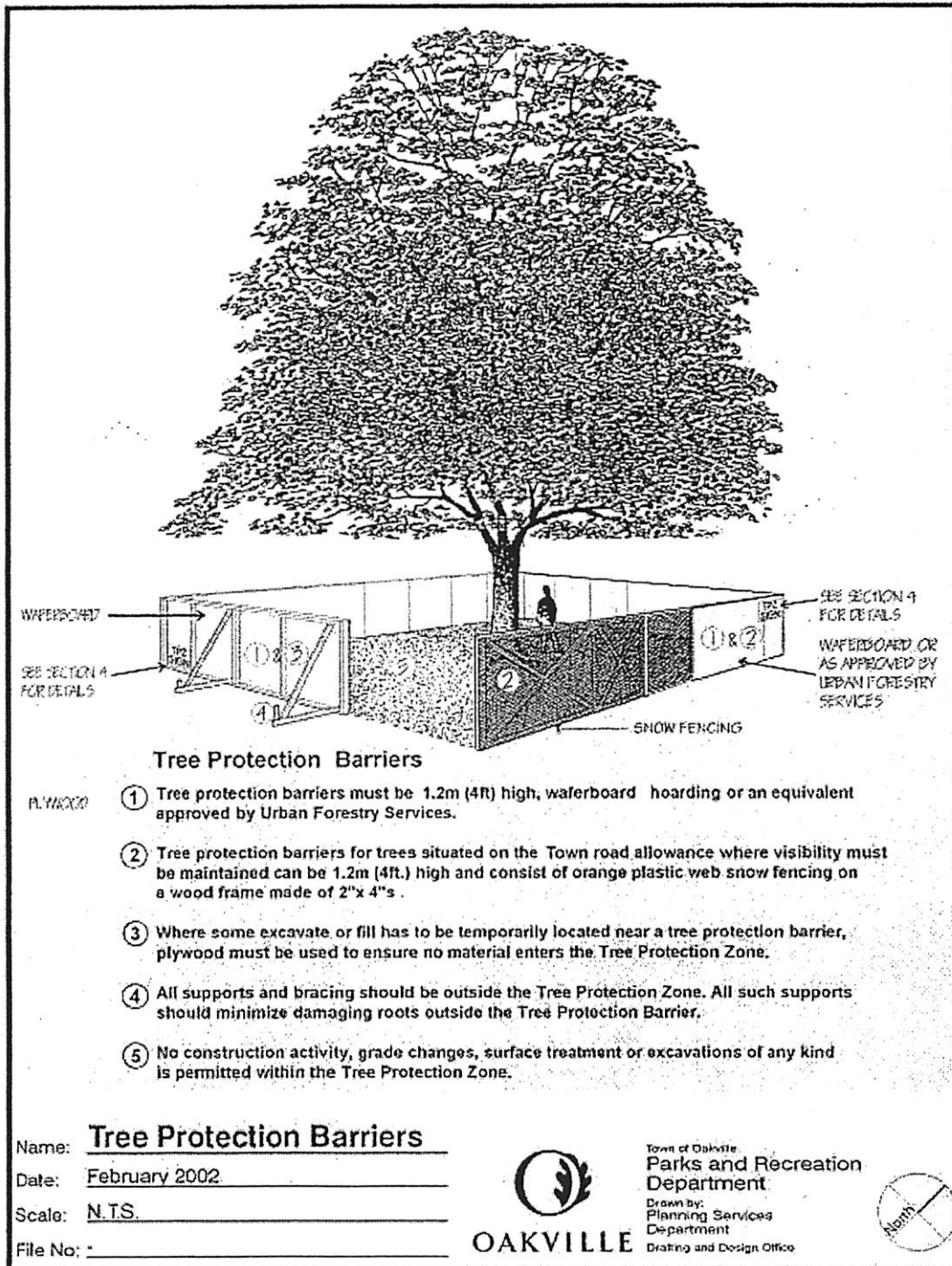
SCHEDULE 'A'

Checklist for a Tree Protection Plan

1. Species
2. Diameter at breast height, measured in centimetres at 1.4 metre above ground level
3. Crown spread, measured in metres, showing extent of tree foliage covering the lot
4. Tree health/disease
5. Structural hazard rating for trees greater than 100 mm in DBH following the methodology in the International Society of Arboriculture's (ISA) "Evaluation of Hazard Trees in Urban Areas", Second Edition, as revised from time to time, including a photographic record of each tree.
6. Final grading plan
7. Final servicing plan indicating water, sewer/storm, hydro, gas, bell, cable and any other utility including all updates/changes
8. For each tree identified by a TPZ as being preserved, the valuation as determined by the ISA's "Guide for Plant Appraisal", 9th Edition, as revised from time to time.

APPENDIX A

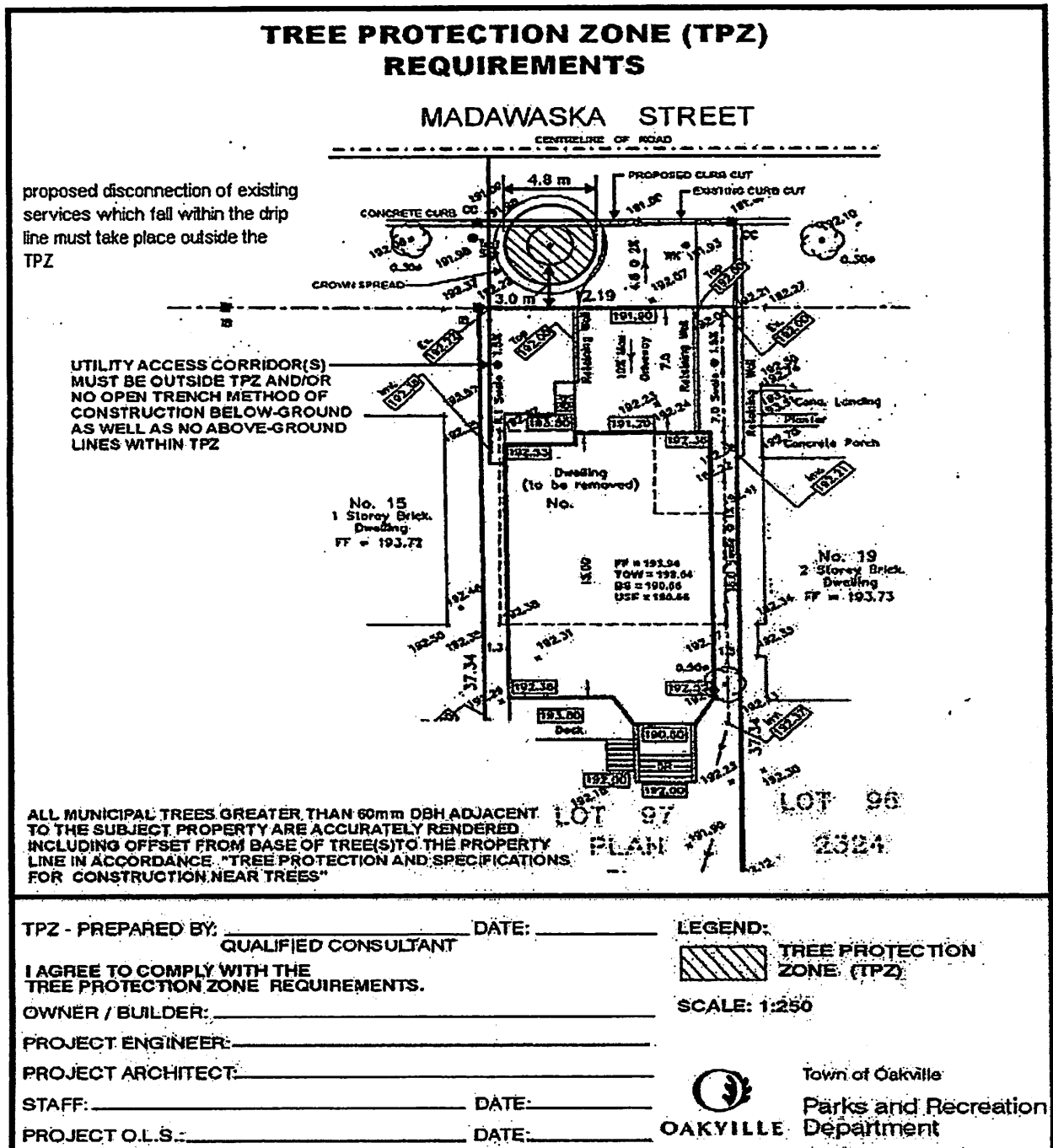
DETAIL TP-1 (Graphic: with permission of the City of Toronto, Urban Forestry Services)



APPENDIX A

DETAIL TP-2

Sample Site Plan Showing Town Tree Protection



HYDRO LINE CLEARING AGREEMENT

THIS AGREEMENT, made with effect as of the 1st day of January, 2004

B E T W E E N:

THE CORPORATION OF THE TOWN OF OAKVILLE,
(herein called the "Town")

- and -

OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.,
(herein called "Hydro")

WHEREAS Hydro, as a distributor of electricity, is authorized by Section 40 of the *Electricity Act, 1998* to enter any land, either directly or through an agent, for the purpose of cutting down or removing trees, branches or other obstructions, if in the opinion of the distributor, it is necessary to do so to maintain the safe and reliable operation of its distribution system.

AND WHEREAS the Town is the owner of trees located on the public road allowance and in public Parks, and wishes to minimize damage to Town owned trees and private trees forming part of the Urban Forest within the boundaries of the Town of Oakville;

NOW THEREFORE in consideration of the mutual agreements and covenants herein contained and other good and valuable consideration (the receipt and sufficiency of which is hereby mutually acknowledged), the Town and Hydro hereby agree as follows:

DEFINITION OF TERMS

1. The following terms shall, unless the context otherwise requires, have the following meanings for all purposes of this Agreement:
 - (a) "Clearance" means the distance from a distribution line, conductor or other component of Hydro's distribution system to the nearest portion of tree, taking into account such factors as wind, snow load, and the "Line Clearing Cycle" as defined in Section 9
 - (b) "Oakville Director" means the Director of Parks and Open Spaces for The Corporation of the Town of Oakville, "Hydro Director" means the Director of Operations, Oakville Hydro or any successors to these positions having responsibility over forestry services or distribution systems within the Town of Oakville;
 - (c) "Line Clearing" means the pruning or removal of trees in the vicinity of hydro wires and equipment to provide the required Clearance.
 - (d) "Line Clearing Services" includes Line Clearing of hydro wires and equipment, clean up of debris, inspections of trees, audit of work and

related administrative services such as direct supervision of workers, notification and communication with property owners and coordination of Line Clearing activities with the activities of other agencies.

- (e) "Pre-qualification document" means the document attached as Appendix "A" hereto and any subsequent amendments or changes to said document.

TERM OF THE AGREEMENT

- 2. This Agreement shall be for an initial term of ten (10) years (the "Term") commencing January 1, 2004 and terminating December 31, 2013, unless the Agreement is terminated earlier or extended in accordance with the provisions of this Agreement.
- 3. Each party shall have the unfettered right to terminate this Agreement during the Term, upon giving the other party twelve months written notice. This Agreement may be terminated on less than twelve months notice with the written agreement of both parties.
- 4. If, at the expiry of the Term, neither party has given notice of intention to terminate this Agreement, and if no extension of this Agreement or a new agreement has been executed by the parties, this Agreement shall continue from year to year, on the same terms subject to the Agreement being terminable in any year by notice given prior to June 30th of the previous year.

LINE CLEARING SERVICES

- 5. The Town shall provide Line Clearing Services for Hydro within the Town of Oakville in accordance with the terms of this Agreement. In order that the Town may do so, but solely for the purposes of section 40(4) of the *Electricity Act*, Hydro recognizes the Town as Hydro's agent.
- 6. The Town shall perform the Line Clearing Services
 - (a) in accordance with the current standard and provide 1.5 m clearance of any growth or any revised standard that may be specified by Hydro from time to time;
 - (b) in accordance with any safety and other standards prescribed by applicable law, regulations, rules, codes and other mandates of governments and administrative and judicial bodies having jurisdiction, the Town's policies and practices, and the Pre-qualification document, as it may be reasonably updated by Hydro annually;
 - (c) in accordance with any policies, standards and by-laws of the Town for the protection of trees; and
 - (d) in a good and workman like manner.
- 7. Hydro shall specify the minimum clearance levels and any minimum safety standards for the work that may be required by Hydro under subsections 6(a) and (b) of this Agreement by giving Notice to the Town in accordance with this Agreement.
- 8. If there is an actual conflict between the standards for minimum clearance levels specified by Hydro and the tree policies of the Town of Oakville,

the standards imposed by Hydro shall prevail to the extent of such conflict and the Town shall perform the work in accordance with the minimum clearance levels specified by Hydro in a manner that minimizes the damage to the trees.

9. Hydro shall, on an annual basis, specify the area within the Town of Oakville which is to be subject to Line Clearing Services (the “specified area”) during the following year, and shall advise the Town of the specified area in a timely fashion to coordinate with the budget processes of each party. It is acknowledged by the parties that Hydro has currently divided the territory within the Town of Oakville into three (3) Service Areas, with one area to be the subject of Line Clearing annually, such that a three (3) year cycle is generally maintained. This shall not limit Hydro's ability to alter the pruning cycle, however any changes will be planned in advance, discussed between the parties allowing the Town adequate time to respond.
10. It is acknowledged by both Parties that the preferable time of year to perform Line Clearing Services is the period between January and May of each year, but as a result of factors such as unforeseen workload or weather, some portion of the work may be carried forward to the fall. The Town will use best efforts to complete the Line Clearing Services within the specified area between January and May, and shall complete the Line Clearing Services within the specified area within the calendar year.

FEES

11. Hydro shall pay fees to the Town for the provision of Line Clearing Services equal to the Town's actual cost of providing Line Clearing Services plus a 10 % administrative fee. Without limiting the generality of the foregoing, the Town's actual cost shall include the cost of:
 - labour utilized on Line Clearing Services;
 - equipment or supplies utilized for Line Clearing Services (actual rental costs of equipment or depreciated value of Town-owned equipment and the cost of supplies);
 - disbursements incurred to provide Line Clearing Services; and
 - licensing fees, courses or similar qualifications for the Town or its employees if such qualifications are exclusively required for the purposes of providing Line Clearing Services to Hydro rather than work performed by the Town on its own behalf.
12. In addition to the fees, Hydro shall provide in kind contributions in the form of dielectric testing of equipment used by the Town for Line Clearing.
13. Each year, the Town shall provide Hydro with a budget of the estimated costs and hours of performing the Line Clearing Service in such detail and in such form as may be reasonably required by Hydro.
14. The Town shall provide Hydro with a monthly invoice for Line Clearing Services, together with a statement of Line Clearing Services provided

during the billing period in such detail as may be reasonably requested by Hydro. Invoices shall be payable within such time period and be subject to such interest rates and penalties as may be applicable under the Town's general policies and procedures.

15. The parties agree to work together to identify the required Line Clearing Services and the estimated cost of the Line Clearing Services for the subsequent year in a manner that permits coordination with the budget processes of each party.

INVESTMENT IN MAJOR CAPITAL EQUIPMENT

16. The Town and Hydro recognize that there may be instances where savings to Hydro can be realized through the purchase rather than the rental of major equipment but such purchase by the Town is not warranted by the Town's own needs in the event of termination of this contract. The Town and Hydro agree that if such opportunities are identified, they shall negotiate in good faith to determine whether an agreement for the purchase of the equipment can be reached that would be acceptable to both parties.

UNSCHEDULED WORK

17. The parties recognize that Hydro may from time to time request Line Clearing work in addition to the regularly scheduled Line Clearing Services as part of its annual Capital Program. This work shall be tracked separately by the Town and shall be subject to separate invoices from the Town with fees calculated in accordance with Section 11 of this Agreement. It is recognized that such work may impact the schedule outlined in Section 10.

SAFETY

18. The Town shall ensure that every employee working directly on Line Clearing Services within 3 meters of energized conductors has successfully completed such courses and certificates as required by E.U.S.A, and in accordance with Pre-qualification documents or any other training course reasonably required by Hydro for the safe provision of Line Clearing Services and shall provide copies of any certificates in respect of such training to Hydro annually upon request.
19. Town employees providing Line Clearing Services shall contact Hydro in accordance with the protocol that may be specified by Hydro from time to time to arrange any required work protection hold offs, and/or cover-ups and/or de-energizing of circuits in accordance with any protocol specified by Hydro and Hydro shall provide such hold offs and/or cover-ups and/or de-energizing of circuits prior to affected Line Clearing Services being performed.

WORKERS COMPENSATION

20. The Town shall make all required payments with respect to Workers' Compensation and shall provide Hydro with a copy of the Workers' Compensation certificate annually upon request

EXCLUSIVE AGREEMENT

21. Hydro shall not permit any other person to perform Line Clearing Services on trees owned by the Town, except in an emergency with subsequent notification to the Town, or to maintain the timing of a capital construction program that with prior notice the Town has confirmed it is unable to perform the work in accordance with Hydro's capital program. With respect to trees owned by the Town, involved in any such capital construction program, Hydro will ensure that such contractor's work is in compliance with all Town Policies and By-laws affecting Town trees.

SUBCONTRACTING

22. Hydro agrees that the Town may subcontract its duties with respect to Line Clearing Services to individuals or corporations with qualifications meeting the requirements of this agreement, providing these services are at an equivalent or reduced cost.

STRIKES OR LOCKOUTS

23. In the event of a strike, lockout or other labour disruption, the Town will use what it, in good faith considers its best efforts, and consistent with relevant legislation and collective agreements to which it or Hydro is a party, to continue to provide the services contemplated by this Agreement. Provided that such reasonable efforts are made, the Town shall not be responsible for any loss suffered by Hydro directly or indirectly caused by the Town's failure to perform its duties hereunder and this section may be pleaded as an estoppel in any action brought against the Town for recovery of losses sustained by Hydro.

INSURANCE AND INDEMNITY

24. Each party shall, during the term of this Agreement, maintain in force comprehensive general liability insurance in such amount and with such insurer as it may reasonably determine, providing insurance coverage for and including bodily injury, death and property damage. Each party shall name the other as an additional named insured in its policy. Each party shall furnish the other with suitable evidence of the policies of insurance herein specified upon request.
25. The Town will indemnify Hydro and hold Hydro harmless from and against all loss, claim, action, damage, cost, liability and expense in connection with loss of life, personal injury, damage to property or any other loss or injury arising from or out of this Agreement occasioned in whole or in part by any act or omission of the Town or any agent, employee or representative of the Town. The Town's indemnity, however, will not extend to any matters to the extent contributed by the negligence of Hydro or any agent, employee or representative of Hydro. If Hydro is, without any fault of its own, made party to any litigation commenced by or against the Town, then the Town will protect, indemnify and hold Hydro harmless and pay all expenses and reasonable legal fees incurred by Hydro in connection with the litigation. The Town shall also pay all costs and legal fees (on a

solicitor and client basis) that may be incurred or paid by Hydro in enforcing the terms, covenants and conditions of this Agreement.

NOTICE

26. Notices under this Agreement shall be in writing delivered by hand, ordinary mail, or facsimile to the following addresses. Any notice delivered by ordinary mail shall be deemed to be received five (5) Business Days after the date of mailing. Any notice delivered by facsimile shall be deemed received on the Business Day following transmittal provided a confirmation copy is sent by ordinary mail to the address specified below on the day of transmittal. Either party may change its address for notice by providing notice to the other party in accordance with this section.

The Corporation of the Town of Oakville
1225 Trafalgar Road
Oakville, ON L6J 5A6
Attention: Director, Parks and Open Space
FAX (905) 338-4188

Oakville Hydro Electricity Distribution Inc.
861 Redwood Square
Oakville, ON L6J 5E3
Attention: Director of Operations
FAX (905) 825-6357

WHOLE AGREEMENT

27. This agreement sets out the entire agreement between the parties with respect to Hydro Line Clearing Services, and can only be modified or amended by an instrument in writing duly executed by both parties hereto.

AMENDMENTS

28. Amendments to this Agreement shall be in writing in the form of an Amending Agreement executed by both parties.

SUCCESSORS AND ASSIGNS

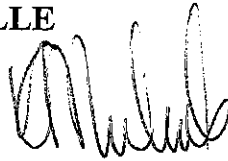
29. This agreement shall be binding on the successors of each party. This agreement may not be assigned without the consent of both parties in writing. Such consent shall not be unreasonably withheld.

RELATIONSHIP

30. Each of the Town and Hydro is, and will act as, an independent contractor. Except as specified in section 5, neither party hereto is the agent of the other. No partnership or joint venture is formed between the Town and Hydro, and, except as specified in section 5, no authority is given under this Agreement by either of the Town or Hydro for the other to act on its behalf.

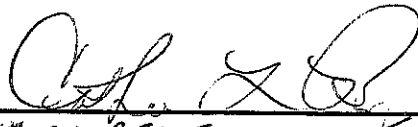
IN WITNESS HEREOF the Town and Hydro have signed this Agreement, with effect as of the date first written above.

**THE CORPORATION OF THE TOWN OF
OAKVILLE**



ANN MULVANE

MAYOR



CATHIE L. BEST

CLERK

**OAKVILLE HYDRO ELECTRICITY
DISTRIBUTION INC.**



Name: Bruce Evans

Title: Director of Operations



Name: David Sweezie

Title: Chief Financial Officer

Appendix "A" to a Hydro Line Clearing Agreement dated January 1, 2004 and made between The Corporation of the Town of Oakville and Oakville Hydro Electricity Distribution Inc.

PREQUALIFICATION DOCUMENT

- (1) Any contractor used by the Town must perform to the standards and satisfy the requirements of the Agreement to which this Appendix is appended and this Appendix.
- (2) Contractors must be bonded to work on municipal road allowances and otherwise appropriately for the work to be performed by the contractor.
- (3) Insulated aerial devices must be used.
- (4) All work must be conducted in accordance with the Work Protection Code adopted by the Electrical & Utilities Safety Association, the Rule Book of Electrical Utility Safety Rules and the Rule Book for Telecommunications Operations. In the event of inconsistencies, the more stringent rules shall apply.
- (5) Where Hydro representatives are working in the area, co-ordinate activities with the Hydro representatives.
- (6) When working in the immediate area of transformer vaults, hydro manholes and hydro termination poles, take extreme care as these installations contain **energized** equipment.
- (7) Contact all affected agencies required to be contacted before work commences.
- (8) Not allow substance abuse upon or about work sites.
- (9) Not impede general vehicle and pedestrian travel.
- (10) Keep the site and work in as tidy a condition as practicable, remove rubbish and surplus material and restore and leave the site in a tidy condition.
- (11) Allow Hydro to inspect work sites upon request and stop work if the requirements of the Agreement and this Appendix are not being complied with.
- (12) Provide, erect and maintain, as required and in conspicuous places as appropriate, all requisite barriers, fences, lights, signage, notices, watchmen and other proper protection.
- (13) Have proper training and/or certification where the particular activity or equipment requires same.