

**HALTON HILLS HYDRO INC.
RESPONSES TO THE INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

Tuesday, November 20, 2007

1. Ref: Exhibit 1/Tab2/ Schedule 1/ pg. 1

The evidence states that the “financial information supporting the 2008 test year for this Application will be Halton Hills Hydro Inc.’s fiscal year beginning January 1, 2008 and ending May 1, 2008.”

(a) *How does Halton Hills intend on collecting its revenue requirement for 2008? Does it propose that the revenue deficiency of \$1,549,973, be recovered from May 1, 2008 to December 31, 2008?*

- a. Halton Hills Hydro Inc. intends on collecting its revenue requirement from May 1, 2008 to April 30, 2009.

2. Ref: Exhibit 1/Tab 2/Schedule 1/pg. 2: Customer Impact

Please confirm that, given the assumed consumption as stated, the rate calculations in the following table are correct:

	Residential @ 1,000 KWhr/month		Small School (GS<50) @ 16,000 KWhr/month		Large School (GS>50) @ 380 KW avg monthly demand	
	2007	2008	2007	2008	2007	2008
<u>Monthly</u>						
Fixed service charge	\$ 11.35	\$ 12.88	\$ 24.74	\$ 28.13	\$ 93.67	\$ 80.77
Total Volumetric*	15.7	15.2	220.8	219.2	1941.876	1783.948
Total Fixed plus volumetric	27.05	28.08	245.54	247.33	2035.546	1864.718

Annual

Fixed service charge	\$ 136.2	\$ 154.56	\$ 296.88	\$ 337.56	\$ 1124.04	\$ 969.24
Total Volumetric*	188.4	182.4	2,649.6	2,630.4	23,302.51	21,407.38
Total Fixed plus volumetric	324.6	336.96	2,946.48	2,967.96	24,426.55	22,376.62

* Excluding Retail Transmission-Network Service Rate, Retail Transmission-Line and Transformer Connection Service Rate, Wholesale Market Service Rate, Rural Rate Protection Charge and Standard supply Service-Administration charge.

- a) HHHI confirms that the calculations, with the exception of the fixed service charge, are correct. HHHI pro-rates the fixed service charge for the months that have 31 days. The following is the revised annual fixed service charge amounts. It is evident that the differences are minimal.

	Residential		Small School		Large School	
	2007	2008	2007	2008	2007	2008
Annual Fixed Service Chg	138.09	156.71	301.00	342.25	1139.65	982.72

b) Please provide the number of schools in HHHI's service territory in each of the GS<50 and GS>50 rate classes.

- b) In Halton Hills Hydro Inc.'s distribution system, there are 9 schools classified as General Service less than 50kW and 17 schools classified as General Service greater than 50kW.

3. Capital Expenditures

Ref: Exhibit 2/Tab 3

a. *Please explain the tables found at Exhibit 2/Tab 3/Schedule 1, pages 1, 2, and 5. Specifically, what is meant by the term “Projects in Service”? Does this mean the projects were placed in service during that year, or that they are now in service? What is meant by the term “Projects in Service” in the table for 2008 (in particular, we note that “Land Acquisition” is listed under “Projects in Service” but the Service year is listed as “Future”)?*

a) Projects in Service – this term refers to projects placed in service during a particular year. For the Land Acquisition listed in projects in service for 2008, the land will be acquired during the 2008 year. The Land Acquisition should be place in Construction in progress for the 2008 Test year.

b. *Please provide more detailed business cases for the projects listed in Exhibit 2/Tab3/Schedule 2. The project descriptions for 2007 and 2008, in particular, provide virtually no useful information about the reasonableness, need, or cost/benefit analysis of the projects.*

b) Detailed information for 2008 material projects:

i) **Expansion refunds** - the detailed reference for the need is found in Halton Hills Hydro Inc.'s Conditions of Service which states:

“Hydro calculates the Operations, Maintenance & Amortization charges allowed by the Distribution System Code economic evaluations framework and reimburses the developer up to the level of investment that can be committed given the calculated revenue stream”

Further, the Ontario Energy Board's Distribution System Code states:

“3.2.1 If a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an initial economic evaluation based on estimated costs and forecasted revenues, as described in Appendix B, of the expansion project to determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project.

3.2.2 If the distributor's offer was an estimate, the distributor shall carry out a final economic evaluation once the facilities are energized. The final economic evaluation shall be based on forecasted revenues, actual costs incurred (including, but not limited to, the costs for the uncontestable work, and any transfer price paid by the distributor to the customer) and the methodology described in Appendix B.”

a.) See Appendix B in OEB Staff Interrogatory responses for Halton Hills Hydro Inc.'s generic Economic Evaluation Model that is customized by development project.

b.) Table 1 shows the developments in Halton Hills that are subject to the economic evaluation model.

Table 1 – Developments in Halton Hills subject to economic evaluation

Subdivision	Energized	Assumed	Lots
Arbor Valley (Arbor Glen)	2-Feb-05	2-Feb-07	179
Fernbrook Homes (Mountainview)	22-Jul-05	22-Jul-07	382
Halton Hills Village Homes (HHVH PH4 S1)	24-Jun-05	24-Jun-07	43
Halton Hills Village Homes (HHVH PH4 S2)	24-Jun-05	24-Jun-07	153
Honeyfield Phase 1	22-Jan-04	22-Jan-06	227
Southbrook Homes (Hawthorne Glen)	2-Aug-05	30-Aug-07	70
Sundale Investments (Meadowglen/Georgetown Estates)	15-Oct-03	15-Oct-05	102
Total			1,156

Past practice indicates that “economic refunds” on a per lot basis is in the range of \$632 to \$815.

ii) Winston Churchill - 5SDRD to Steeles project:

For the Project titled “Winston Churchill- 5SDRD to Steeles”, Ref B:

The driver of this project is two-fold:

- 1.) To make a permanent load transfer arrangement; and
- 2.) To facilitate a road widening project along Winston Churchill Blvd. by the Region of Peel.

Discussions concerning the best method to manage this project have been on-going with Hydro One Brampton for more than 18 months. Upon analysis, it was decided the most economical method was to share the cost of the line construction.

- a.) The driver to this project is a road widening by the Region of Peel. The need to serve load transfer customers is a side benefit to this project. The fact that neighbouring Utilities can reach a cost sharing agreement demonstrates economic due diligence. Total project costs are the same, whether a single Utility performs the work, or the costs are shared. The rates of either Halton Hills Hydro Inc. and/or Hydro One Brampton will be affected. Therefore, it is beneficial for both Utilities to split the cost so that no one set of ratepayers will be negatively affected with the entire cost of the project. Both Utilities have approximately the same number of customers affected.
- b.) Winston Churchill Blvd will be a future developing employment area mimicking the Steeles Ave area. The population of Georgetown is expected to increase by 20,000 to 60,000 people and as such, infrastructure has to come first. Further growth is expected due to a new 400 series highway cutting through the North corner of Winston Churchill Blvd. Our Municipal planners expect that this new highway will bring an increase in commercial interest to the area.
- c.) The project cannot be deferred due to the road widening aspect of the project. The project has already been designed and engineered.

iii) Cross Street substation upgrade:

The explanation for the 2008 Test year developments at Cross substation is indicated on Exhibit 2/Tab 3/Schedule 2/page 6 as "new switchgear installation requirement".

The new switchgear is a replacement.

The switchgear is 38 years old. Most electrical equipment of this vintage has a 35-40 year life cycle, assuming proper maintenance. Recent maintenance indicates this equipment should be replaced as soon as possible so that reliability is not impacted negatively. There have been recent failures of equipment including C-F3 circuit breaker, re-closing relays, roof leaks, station service transformer. Also, there is presently no arc flash protection with the existing gear. Should repairs be necessary, it is difficult to locate replacement parts and the parts are no longer being manufactured. New switchgear will alleviate all the above listed concerns. An analysis of the potential cost to maintain the existing switchgear and the cost of a new replacement indicated that it is more cost effective to replace the switchgear. Reliability has also been taken into consideration.

This project cannot be deferred. From a risk management perspective, this switchgear is part of the Georgetown 4kV system. The stations presently must be paralleled in order to perform major maintenance. A loss of a major piece of equipment in Georgetown requiring an extended, unplanned outage, would put the 4kV system in a more vulnerable position.

iv) River Substation:

The explanation for the 2008 Test year developments at River substation (Project Ref D on Exhibit 2/Tab 3/Schedule 1/Page 6) is indicated as "D-AS400 (new computer network operating system)".

- a. The project involves the replacement of the current transformer (ONAN rating 7.5 MVA) with a new 10 MVA transformer.
- b. The River substation transformer project is for the replacement of an old, existing transformer.
 - i. There are 4 major factors necessitating the need for the new transformer:
 - 1-Sound issues*
 - there have been complaints about the noise emanating from the transformer
 - sound mitigation techniques have been attempted with little success
 - 2-Oil Tests*
 - oil test trends indicate past minor faults have occurred within the transformer

3-Age

- the unit was manufactured in 1979 and was purchased used by Halton Hills Hydro-Electric Commission
- prior maintenance is unknown, expected life cannot be estimated accurately
- River is the oldest of the 4 transformers in Georgetown

4-Risk Management

- the Georgetown transformers are the most critical to HHHI's system
- in the case of a failure, the Georgetown stations would need to be paralleled
- River currently carries the second highest load and is essential to maintain acceptable voltage levels throughout Georgetown
- there are currently no 10 MVA spares and delivery is currently 52 weeks.

ii. Not applicable.

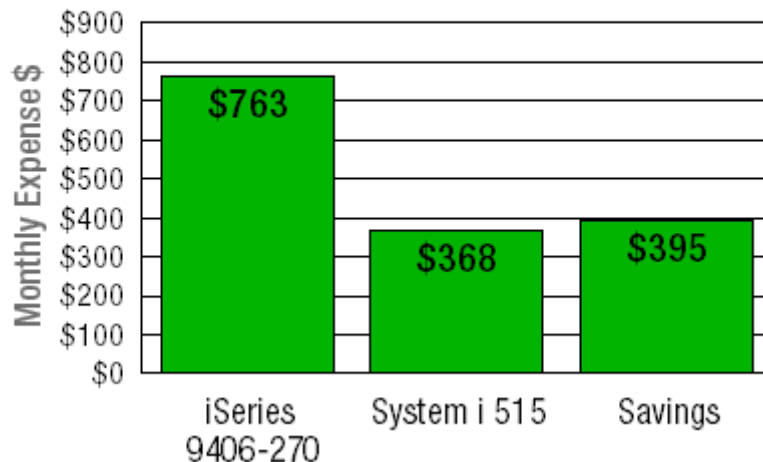
- c. This project cannot be deferred. From a risk management perspective alone, the transformer needs to be replaced to ensure reliability of the system. In addition, the annoyance of the sound created by the existing transformer is an unacceptable customer service issue.

v) Project D AS400 Upgrade:

Below is a cost comparison, showing our current system AS400-iseries 270 compared with a new AS400-system i515:

Monthly cost of operation example*

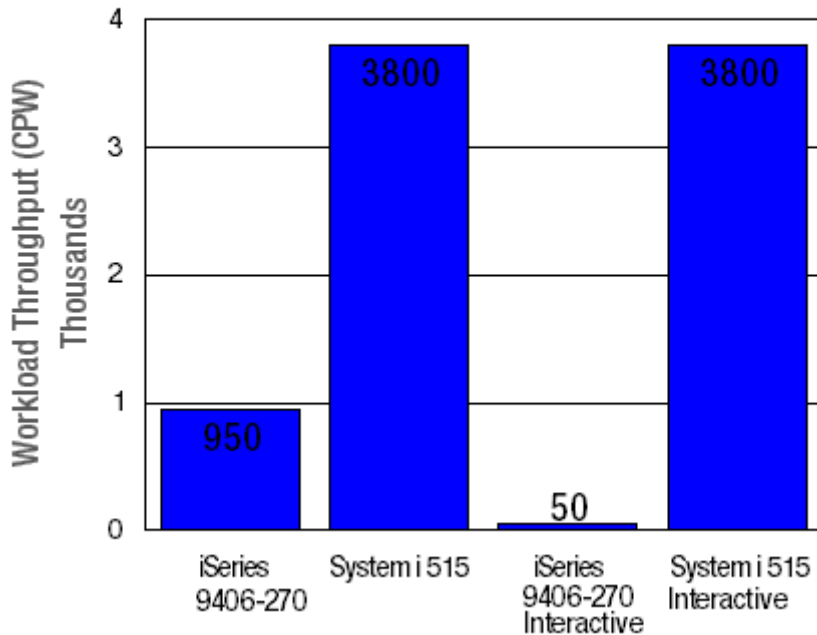
36-month System i lease included in model 515 costs



The preceding graph shows a significant monthly savings over our current system.

Performance Comparison*

General & Interactive Workload



The graph above shows a significant performance increase over our current system. This would allow for faster processing of jobs, and a quicker response time for our customer service representatives when handling customer inquiries over the telephone, thus improving customer relations.

Reasons to upgrade to a new server include:

- System i 515 will provide significantly lower software and hardware maintenance costs.
- Dramatic performance improvements over Model 270 to deliver better response times and batch processing throughput.
- New “Edition” packages cost-effectively address specific customer requirements. Model 515 Editions provide high performance and use terms and conditions tailored for Small/Medium Businesses. 515 Express editions provide low cost fully functional systems that include Hardware, Software and Support Services.
- POWER5+ 64-bit processors and other technology provide increased speed, reliability and serviceability. This can lead to enhanced “snappiness” of applications, shorter nightly “batch” run times, reduced backup times and/or less operator intervention.
- Consolidation of multiple operating systems onto a single easy to manage hardware platform. These include AIX, Linux, Windows Server 2003 (via iSCSI/IXA/IXS), and i5/OS. Support of multiple Operating Systems lets you select the best environment for each application.
- Logical Partitioning (LPAR) enhancements include elimination of a “controlling partition” (hardware savings); improved functionality and system availability; and dynamic resource balancing between LPARs.

- i5/OS and the hypervisor used with the System i5 hardware provide “middleware” management assistance functions and faster speed of deployment for both traditional iSeries/AS/400 applications and other supported operating systems.
- System i and i5/OS provide “Virtualization” capabilities – Virtual Ethernet and Storage Area Network (SAN) functionality – between various partitions and Operating Systems running on the i5.
- Applications, connectivity and features not available on Model 270. These include: IP Telephony (with integration of telephony and IT functions); iSCSI connectivity (to IBM BladeCenters and System x servers), and “Smart IOA’s” that do not require IOPs (and make LPAR easier/cheaper to implement).
- The System i5 supports an ever-increasing application portfolio that now includes i5/OS, AIX, Linux, Windows, and telephony applications – and the ability to integrate within a single i5.
- This project cannot be deferred due to the age of the existing AS400 that is leading to reliability issues.

vi) Building Upgrade:

- a) The building upgrade project involves the replacement of the roof systems to the offices of Halton Hills Hydro Inc., located at 43 Alice Street, Acton, ON;
- b) Halton Hills Hydro Inc. contracted a company to perform an assessment on the current roof systems. This company determined that the existing roof systems are nearing the end of their life expectancy and need replacement. The assessment described instances of leaking, vegetation growth, compromised seals and membranes and cracked flashings among other issues. The building has already experienced leaking and water damage.
- c) This project cannot be deferred based on the information listed in (b).

vii) Construction in Progress:

Construction in progress relates to the start-up phase for a new transformer station required as follows:

- a) The GTA West Supply Study found in Appendix C of the OEB Staff Interrogatory responses provides a description of projected growth and load requirement ; and
- b) This project cannot be deferred for reasons stated in the GTA West Supply Study.

c. Ref: Exhibit 2/Tab 3/Schedule 2- Winston Churchill- 5SDRD to Steeles; please explain the cost-sharing arrangement with Hydro One Brampton for this project, including the rationale for the arrangement.

c) Please see b) ii) above for a review of the Winston Churchill – 5 SDRD to Steeles project.

d. The “Metering Upgrade” project is listed under 2007 capital expenditures but has no start date and no anticipated in service date. Please confirm that no expenditures for this project have been included in forecast 2008 rate base.

d) Metering upgrade – the application does not include expenditures for this project in the 2008 rate

e. Please confirm that no projects will be added to rate base before they are commercially in service.

e) In service projects – projects that are completed, capitalized and placed into service during a particular year are added to the rate base in that year. Construction-in-progress projects are not included in the rate base until complete.

f. [ref Exhibit 1/ Tab 3/ Schedule 4]: Regarding the new Municipal 230KV to 27.6KV Transformer Station, what is the estimated total cost (broken down by category), to HHHI? Please provide the business case for this project.

f) Construction-in-progress carried forward from 2006 – the difference of \$785,000 as discussed relates to construction in progress projects from 2006. These projects are detailed per Exhibit 2/Tab 3/Schedule 1/Page 1.

g. [ref Exhibit 1/ Tab 3/ Schedule 4]: Regarding the new Municipal 230KV to 27.6KV Transformer Station, what is the estimated total cost (broken down by category), to HHHI? Please provide the business case for this project.

g) Transformer station – please refer to b) vii) above for an analysis of the requirement for the new transformer station. This project will be capitalized in OEB account #1815 when complete. Past municipal transformer station build costs have averaged from \$8M to \$12M for other local distribution companies. Halton Hills Hydro Inc. is not at the stage to prepare a detailed budget, but expects the aggregate cost for the transformer station to be within this historical range.

4. Load Forecast
Ref. Exhibit 3

- (a) *Please advise whether using normalized data would lead to an overstated consumption across all rate classes, or just the wholesale section.*
- (b) *Please provide a more detailed explanation as to how the various projections for load growth and customer growth found at Exhibits 3/Tab 2/Schedule 3 and 3/Tab 2/Schedule 4 pg. 2 respectively, have been determined. The summary at pg. 1 of Exhibit 3/Tab 2/Schedule 1 says only that HHHI has “used a simple trend growth in customer connections, by class, to forecast Bridge and Test year customer numbers”. There does not appear to be any other explanation.*
- (c) *What methodology was used to derive the weather-normalized consumption shown at Exhibit 3/Tab 2/Schedule 2 pg. 1?*
- (d) *Please expand the table at Exhibit 3/Tab 2/Schedule 2 to include 2007 and 2008.*
- (e) *Please expand the table at Exhibit 3/Tab 2/Schedule 2 pg. 2 to include 2004 and 2005 data. [NOT: this is further to question d. above, and the purpose is to allow for a comparison of actual vs. weather-normal consumption; the evidence as filed only allows that comparison to be made for 2006.]*

In response to these questions a-e, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #29.

- (f) *There appears to be table missing from Exhibit 3/Tab 2/Schedule 2 pg. 3? [the text on the bottom of pg. 2 refers to the “following table” and the next page has a heading but nothing else]*

a.) Exhibit 3/Tab 2/Schedule 2/Page 3 should read “Page left intentionally blank”. There is no missing data. The final sentence of Exhibit 3/Tab 2/Schedule 2/Page 2 should read “Therefore, Halton Hills Hydro Inc. has used the load and customer forecasted numbers in the PRECEDING table”.

- (g) *Ref: Exhibit 1/Tab 3/ Schedule 4: HHHI’s capital expenditures are increasing in 2008 at a much faster rate than in previous years. Some of these expenditures are apparently driven by increased demand. For instance, the new Municipal 230KV to 27.6KV TS is said to be driven by “significant prestige industrial growth along Steeles Ave.” Has this increased demand been incorporated into the load forecast? If so, how?*

b.) This type of load growth comes from the customer class General Service 1,000 to 4,999 kW. Exhibit 3/Tab 2/Schedule 2/Page 2 indicates a large kW increase from 2006 of 257,481 kW to 2007 of 306,000 kW (18.8%) and then to 2008 of 316,000 kW (3.3%).

5. Operations Costs

Ref: Exhibit 4/Tab 1/Schedule 1

(a) *Please provide a copy of the business plan that was used to formulate the forecasted expenditures for 2008.*

a) See Appendix A.

(b) *With respect to Operations expenditures:*

ii) *Please provide a detailed explanation, identifying the cost drivers and explaining any cost variances, for the large increase in expenditures from 2006 Board approved (\$495,401) to 2006 actual (\$700,553)*

iii) *Please provide a detailed explanation for the 9.6% increase in expenditures from 2007 to 2008 (\$715,000 to \$784,000).*

b) Operations expenditures:

i) Cost drivers – operations and maintenance accounts have similar cost drivers: underlying age of the distribution system assets, weather patterns, staffing, labour cost, overtime, overheads, and planned annual projects.

Cost variances – 2006 Board Approved to 2006 Actual – the following projects resulted in cost variances from 2006 Board Approved to 2006 Actual: additional tree trimming activities 2006, load flow optimization in 2006, ESA requirements costs – new 2006, staff cost increases for salary, benefits and overheads, more staff time allocated to operations and maintenance activities than capital work.

ii) Cost variances – 2007 Bridge to 2008 Test – the following projects resulted in cost variances from 2007 Bridge to 2008 Test: additional staff allocated to operations activities, wholesale metering operation costs.

(c) *With respect to Maintenance expenditures, please:*

- i. explain why actual expenditures for 2006 are 23.5% greater than Board approved;*
- ii. explain the 6.6% increase in expenditures from 2006 to 2007;*
- iii. explain the further 10.8% increase from 2007 to 2008*

c) Maintenance expenditures:

- i) Cost drivers - operations and maintenance accounts have similar cost drivers: underlying age of the distribution system assets, weather patterns, staffing, labour cost, overtime, overheads, and planned annual projects.

Cost variances – 2006 Board Approved to 2006 Actual – the following projects resulted in cost variances from 2006 Board Approved to 2006 Actual: PCB testing and pole testing 2006, ESA requirements cost – new 2006, substation – staff now specifically allocated to substation maintenance – ability to take more proactive approach to maintenance of substations (including substation electrician program), staff cost increases for salary, benefits and overheads, more staff time allocated to operations and maintenance activities than capital work.

- ii) Cost variances – 2006 Actual to 2007 Bridge – the following projects resulted in cost variances from 2006 Actual to 2007 Bridge: the overhaul of substation voltage regulators, additional vehicle overhead costs to support maintenance activities.
- iii) Cost variances – 2007 Bridge to 2008 Actual – the following projects resulted in cost variances from 2007 Bridge to 2008 Test: additional tree trimming activities projected for the Test year and additional staff allocated to maintenance activities.

(d) *With respect to Billing and Collecting, please:*

- i. *Explain the 12.5% increase in expenditures in 2008 over 2007.*

d) Billing and Collecting expenditures:

- i) Cost drivers – customer growth, retailer obligations, customer service expectations, customer account automations, staffing, labour cost, overtime, overheads, and planned annual projects.

Cost variances – 2007 Bridge to 2008 Test – The customer growth cost driver accounts for the increase in cost in accounts 5310, 5315 and 5325. The increase in costing account 5320 is due to costs drivers of customer service expectations and retailer obligations.

(e) *Please confirm that no projects will be added to rate base before they are commercially in service. With respect to Administrative and General expenditures, please*

- i) *explain why actual 2006 expenditures were \$505,837 less than Board approved for 2006.*
- ii) *explain the 12.7% increase in Administrative and General Expenses from 2007 to 2008 (from \$2.17 million to \$2.45 million).*

[NOTE regarding above requests: there is some explanation for cost increases in Appendix “D” of the pre-filed evidence, however, it is unclear how the various cost drivers can be mapped to the various department line items at Exhibit 4/1/2 or why some line items appear to increase at much faster rates than others. In some cases, the explanation provided in Appendix D does not appear to explain the full increase in expenditures. For example, the cost drivers shown in Appendix D for “General administrative salaries and expenses” 2008 test over 2007 Bridge total \$101,000. However, at Exhibit 4/1/2, the increase in expenditures for Administrative and General in 2008 over 2007 totals \$277,000 (a 12.7% increase in one year). SEC is seeking a clearly understanding, written, explanation of the cost drivers by department.]

e) General and Administrative expenditures:

- i) Cost drivers – regulatory compliance, financial due diligence, staffing.

Cost variances – 2006 Board Approved to 2006 Actual – Included in account 5665 were Hydro One Low Voltage charges. In 2006 actual they were charge to account number 4075.

- ii.) Cost variances – 2007 Bridge to 2008 Test – 91.6% of the increase is described in detail in Appendix D. Account 5630 increase in due to new building cleaning contract and Account 5635 in for additional Distribution system (conductor and pole) property insurance coverage.

6. Employee Compensation

Ref: Exhibit 4/2/6

- (a) *Exhibit 4/2/6, pg. 1, the average compensation for unionized staff is given \$67,184. However, the total compensation figure of \$2,217,075 divided by 34 unionized employees yields an average of \$65,208? Please explain the discrepancy.*
- a) Average compensation – 2006 Board Approved – the number of unionized employees for 2006 Board Approved was 33, giving an average of \$67,184.
- (b) *Similarly, the average Management compensation for 2008 is listed at \$124,626, but the actual average appears to be \$114,626 (\$1,146,259 divided by 10 management employees). Please explain the discrepancy.*
- b) Average compensation – 2008 Test – the average for Management compensation in 2008 should be stated as \$114,626.
- (c) *Please explain the increase in Unionized average salary from \$65,208 (or \$67,184 as stated in the evidence) in Board approved 2006 to \$75,057 actual.*
- c) Variance analysis – 2006 Board Approved to 2006 Actual unionized compensation – there are a number of factors involved in the variance from 2006 Board Approved to 2006 Actual for unionized employee compensation:
- i) Wage rates – wage rates increased per the union contract at a 2.75% rate for 2005 and 3.25% rate for 2006.
 - ii) Overtime – actual 2006 overtime increased 13.2% over 2006 Board Approved.
 - iii) Position step-up on wage grid – certain employees stepped up on the wage grid for 2006 Actual compared to 2006 Board Approved.
 - iv) Benefits costs – actual increase in benefits costs were 12.8% over 2006 Board Approved.
- (d) *Please explain why the average unionized compensation is expected to stay at the level of 2006 actual for 2007 and 2008.*
- d) Average unionized compensation for 2007 / 2008 – the average unionized compensation level is projected to remain relatively constant over the bridge and test years due to new employees brought in at the lowest wage grid levels.
- (e) *Please explain why actual average Management compensation for 2006 is 12.4% greater than Board approved.*

- e) Variance analysis – 2006 Board Approved to 2006 Actual Management compensation – factors involved in the variance from 2006 Board Approved to 2006 Actual for average management compensation:
- i) Wage rates – wage rates increased at a 2.75% rate for 2005 and a 3.25% rate for 2006.
 - ii) Benefits costs – actual increase in benefits costs were 35.2% over 2006 Board Approved
 - iii) Bonus – management bonus for 2006 Actual was not included in 2006 Board Approved
- (f) *Please explain why average Management salary is expected to remain at 2006 actual levels for 2007 and 2008.*
- f) Average management compensation for 2007 / 2008 – the average management compensation level is projected to remain relatively constant over the bridge and test years due to the remuneration level of new management staff.
- (g) *Please provide details of HHH's Management Incentive Plan.*
- g) Details of the Management Incentive Plan - Included below is an excerpt from Halton Hills Hydro Inc.'s Board of Director minutes dated February 19, 2004. Halton Hills Hydro Inc. management's incentives are industry average incentives. The criteria for safety is "no serious injuries". These incentives have proven effective as HHHI has completed 1,454 working days accident free (as of November 8, 2007), which equates to approximately 500,000 hours; a significant accomplishment. Any "non" LDC bonus is handled through inter-company charges so there is no impact to the LDC.

MANAGEMENT INCENTIVES

"It was RESOLVED that each member of Management of the Corporation whose position is set forth below is eligible to receive a bonus, not exceeding the percentage of their base salary set opposite their position below, determined by the Directors at the end of each calendar year taking into consideration the weighted criteria for the position set forth below:

<i>Position</i>	<i>Percentage Base Salary</i>	<i>Criteria</i>	<i>Weight</i>
<i>President</i>	<i>12.5%</i>	<i>Safety</i>	<i>33%</i>
		<i>LDC (NCFS) Before Tax Net Income</i>	<i>23%</i>
		<i>FIBRE (CFS) Before Tax Net Income</i>	<i>22%</i>
		<i>SWE (CFS) Before Tax Net Income</i>	<i>22%</i>
<i>Vice- President</i>	<i>10.0%</i>	<i>Safety</i>	<i>40%</i>
		<i>LDC (NCFS) Before Tax Net Income</i>	<i>25%</i>
		<i>SWE (CFS) Before Tax Net Income</i>	<i>35%</i>

Chief Financial Officer	10.0%	Safety	33%
		LDC (NCFS) Before Tax Net Income	23%
		Fibre (CFS) Before Tax Net Income	22%
		SWE (CFS) Before Tax Net Income	22%
Engineering & Operations Manager	7.5%	Safety	50%
		LDC (NCFS) Before Tax Net Income	50%
Lines Supervisor	5.0%	Safety	50%
		LDC (NCFS) Before Tax Net Income	50%
Engineering Supervisor	5.0%	Safety	50%
		LDC (NCFS) Before Tax Net Income	50%
Accounting Supervisor	5.0%	Safety	33%
		LDC (CFS) Before Tax Net Income	67%
Customer Care Super.	5.0%	Safety	33%
		LDC (CFS) Before Tax Net Income	67%
Executive Assistant	3.0%	Safety	33%
		LDC (CFS) Before Tax Net Income	67%

For these purposes "LDC" means the Corporation, "Fibre" means Halton Hills Fibre Optics Inc., "SWE" means SouthWestern Energy Inc. and Halton Hills Energy Services Inc., collectively, "Before Tax Net Income" means the before tax net income of the Corporation or the particular subsidiary of the Corporation determined as the case may be, on the basis of either the consolidated, where "(CFS)" is indicated, or the non-consolidated, where "(NCFS)" is indicated, audited financial statements for the Corporation and the financial statements approved for each of the Corporation's subsidiaries by those subsidiaries' directors. An employee shall qualify for a bonus in respect of a calendar year only if the employee is in the employ of the Corporation or a subsidiary of the Corporation at the time that the Directors determine a bonus in respect of such calendar year, it being the intent that, if the employment of an employee is terminated, by the employee or the Corporation or a subsidiary of the Corporation howsoever, before a bonus is determined by the Directors for such calendar year, the employee will not receive a bonus or any portion thereof in respect of such calendar year."

From HHHI Board of Directors February 19, 2004 minutes.

7. Shared Services

Ref: Exhibit 4/ Tab 2/ Schedules 3 and 4

- a. *For services provided by HHHI to its non-regulated affiliates, are the non-regulated affiliates charged on a rate that is entirely cost-based or a rate that includes a return? If HHHI's fees do include a mark-up or return, what is the amount and how is it calculated? Please provide any source documents detailing how the amount, percentage, or formula for any mark-up or return was initially established.*

a)

Table 2 – Affiliate Costs

	2006 Actual	2007 Bridge	2008 Test	
Shared Services Expense:				
Billing Services	54,000	55,500	56,500	FMV
Collecting Services	19,000	19,500	20,100	FMV
Customer Services ** Includes Bills, Postage, Meter Reading	112,000	115,800	117,700	FMV
Distribution Poles	48,600	49,800	50,000	CBP
Office Space	22,400	23,100	20,100	FMV
Office Equipment	22,550	23,200	23,900	FMV
Administration	75,000	82,000	54,500	FMV
Warehouse Services	4,800	4,900	5,000	FMV
Total Expense	358,350	373,700	329,700	

Water Billing: The allocation of costs in for water billing includes:

Type of Cost	Allocator
Salaries and Benefits	Estimated time
Supplies – bills, envelopes, postage	% of water meters to total meters
Meter Reading	Actual # of reads
Occupancy	Sq footage of space
Office equipment	Estimate of usage

Salaries and Benefits:

Halton Hills Hydro Inc. performs water billing activities for the Region of Halton. The LDC allocates customer care staffing costs based on an estimate of time spent by staff to perform the water billing functions. The allocation includes a portion of our call centre staff, billing staff, payment processing staff and supervisory time.

Supplies:

Supplies include envelopes, bills, postage and printer supplies. Halton Hills Hydro Inc. divides the number of water bills by the total number of bills to determine the proper allocation.

Meter Reading:

Meter reading costs are split on a 50/50 basis for any dual read locations.

Occupancy:

HHHI allocates occupancy costs based on an estimate of square footage used to perform this service.

Office Equipment:

HHHI allocates a percentage of annual operating costs for printers, mailing machine and AS400.

Hot Water Tank Rentals: The allocation of costs for water heater rentals includes:

Type of Cost	Allocator
Salaries and Benefits	Estimated time
Supplies – bills, envelopes, postage	% of bills
Occupancy	Sq footage of space
Office equipment	Estimate of usage

Salaries and Benefits:

Halton Hills Hydro Inc. performs water heater activities for the affiliate SouthWestern Energy Inc. HHHI allocates operating staffing costs based on an estimate of time spent by staff to perform the water heater functions. The allocation includes a portion of stores and operations clerk plus supervisory time.

Supplies:

Supplies include envelopes, bills, postage and printer supplies. HHHI calculates the total number of bills that include water heater charges to determine the proper allocation.

Occupancy:

HHHI allocates occupancy costs based on an estimate of square footage used to perform this service.

Office Equipment:

HHHI allocates a percentage of annual operating costs for printers, mailing machine and AS400.

Fibre Optics Services: The allocation of costs for Fibre Optics Services:

Type of Cost	Allocator
Salaries and Benefits	Estimated time
Occupancy	Sq footage of space
Office equipment	Estimate of usage
Poles	# of poles

Salaries and Benefits:

Halton Hills Hydro Inc. performs billing activities for the affiliate Halton Hills Fibre Optics Inc.. HHHI allocates operating staffing costs based on an estimate of time spent by staff to perform the billing functions. The allocation includes a portion of accounts payable/receivable clerk and supervisory time.

Occupancy:

HHHI allocates occupancy costs based on an estimate of square footage used to perform this service.

Office Equipment:

HHHI allocates a percentage of annual operating costs for printers, mailing machine and AS400.

Poles:

HHHI charges Halton Hills Fibre Optics the same rate per pole attachment as is charged to Bell Canada.

- b. Please provide a summary of amounts charged by HHHI to its non-regulated affiliates for 2005-2008 by service category, separating cost and mark-up.*

b)

Table 3

Year	Collected from SWE	Collected from Fibre
2005 - Actual	271,506	63,480
2006 – Actual	308,008	79,476
2007 – Budget	308,965	102,518
2008 - Budget	309,000	103,000

- c. Please file a copy of the shared services agreements between HHHI and its affiliates.*

c) See Appendix B.

8. Distribution Loss Factor

Ref. Exhibit 4/ Tab 2/ Schedule 9:

- (a) *Please provide a detailed rationale for HHHI's proposal to increase the distribution loss factor from 3.68% to 4.99%.*
- a. Due to previously less accurate data gathering, the 2007 loss factor of 1.0368 and the actual 2006 loss factor of 1.0357 were incorrectly determined. In addition, an increase in the discover of un-metered power has resulted in historical loss factors being under calculated. Also, additional staff training was instituted to ensure consistency across all customer accounts.
- (b) *Did HHHI commission any expert report to support the increase? If so, please provide a copy.*
- b. HHHI commissioned an IT programmer consultant to review data collecting queries. New programs were written to more accurately accumulate and report on the data. There is no report except for the details of the queries programmed.
- (c) *Did HHHI prepare any internal reports regarding distribution loss factors? If so, please provide a copy.*
- c. HHHI did not prepare any internal reports regarding distribution loss factor.

9. Cost of Capital
Ref: Exhibit 6/Tab 1/Schedule 1

Capital Structure

(a) *HHHI states that its capital structure complies with the OEB's Report on Cost of Capital and 2nd Generation incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006, which requires that distributors phase in a 60/40 (debt/equity) capital structure by 2010. How does HHHI intend to complete the phase-in by 2010 given that it will, presumably, be entering a three-year incentive regulation framework after its 2008 rates are set in this proceeding?*

a) The only way Halton Hills Hydro Inc. will be able to comply with the OEB's Report on Cost of Capital and 2nd Generation incentive Regulation for Ontario's Electricity Distributors will be to borrow additional funds in 2009 and 2010. Halton Hills Hydro Inc. indicated in the self-nomination process that we may be filing a rate application in 2010 that will address this concern.

Cost of Equity

(b) *Please advise what methodology was used to determine the requested return on equity of 8.93%.*

b)

Table 4

<u>Government of Canada Bond Yields</u>		Appendix E – Rates on Survey Data – 10 year Government Bond Yield – End Oct 07, End Jul 08
3-month forecast of the 10-year bond yield	4.80%	
12-month forecast of the 10-year bond yield	4.90%	
Average actual prior month 30-year bond yield	4.20%	
Average actual prior month 10-year bond yield	4.11%	Bank of Canada Website
Long Canada Bond Forecast (LCBF)	4.94%	
Return On Equity	8.93%	

(c) *Please confirm that HHHI will update its return on equity using the January 2008 data from Consensus Forecasts and the Bank of Canada, in accordance with the methodology documented in Appendix B of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation, issued December 20, 2006.*

c) Halton Hills Hydro Inc. is proposing an 8.93% ROE for purposes of the application. HHHI is not seeking to depart from the Board's Cost of Capital guidelines. HHHI expects the rate to be updated using January 2008 Consensus Forecasts


Cost of Debt

(d) *It appears that the bulk of HHHI's long-term debt is affiliate debt issued by the Town of Halton Hills? Please confirm.*

d) The Town of Halton Hills holds the majority of our long-term debt.

- (e) *The Board policy on affiliate debt is that it can be recovered at the lower of the contracted rate and the deemed long-term debt rate, which is calculated as “the Long Canada Bond Forecast plus an average spread with ‘A/BBB rate corporate bond yields.” [See OEB’s Report on Cost of Capital and 2nd Generation incentive Regulation for Ontario’s Electricity Distributors dated December 20, 2006, pg. 13] It appears that HHHI’s has sought recovery of the cost rate for its long-term debt issued by the Town of Halton Hills, 6.25%, but has made no comment on whether that rate complies with the OEB Guideline as set out above. Please either confirm that the cost rate sought to be recovered for the Halton Hills debt complies with the OEB Guidelines or make the necessary corrections to HHHI’s cost of debt.*

e) Halton Hills complies with the OEB Guidelines.

 BANK OF CANADA BANQUE DU CANADA		
WEEKLY (WEDNESDAY) Series:		
V121796: CHARTERED BANK ADMINISTERED INTEREST RATES: PRIME BUSINESS (as at Wednesday)		
14/11/2007	6.25	

- (f) *Please reconcile short-term debt amount on Ex6/T1/S2/pg 1 & Ex6/T1/S3/pg1. Specifically, there is no short-term debt component shown at Ex.6/T1/S2, but at Ex.6/T1/S3, short-term debt in the amount of \$250,000 is shown in each of 2006, 2007 and 2008.*

f) Exhibit 6/Tab 1/Schedule 2 has been updated (see Table 5). This revised schedule matches the information provided in Exhibit 6/Tab 1/Schedule 2.

Table 5 – Capital Structure
2006 Board Approved

Elements		Dollars (\$)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt-Municipal		16,141,970	49.20	6.25	
Deposits		500,000	1.50	Prime-2%	
Common equity		16,161,063	49.30		9.00
Total		32,803,033			

2007 Bridge

Elements		Dollars (\$)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt-Municipal		16,141,970	42.41	6.25	
Deposits		621,888	1.63	Prime-2%	
Common equity		21,297,057	55.96		9.00
Total		38,060,915			

2008 Test

Elements		Dollars (\$)	Ratio (%)	Cost Rate (%)	Return (%)
Long-term debt-Municipal		16,141,970	34.97	6.25	
Long-term debt-Financial Institution		7,200,000	15.60	5.78	
Deposits		621,888	1.35	Prime-2%	
Common equity		22,201,336	48.08		8.93
Total		46,165,194			

10. Exhibit 7: Determination of Utility Income
Ref: Exhibit 7/Tab 1/Schedule 1

- (a) *In calculating its 2008 net utility income and revenue deficiency, it appears HHHI used its 2007 Distribution Revenue and Other Operating Revenue rather than its assumed 2008 revenue using 2008 load at existing (2007) rates. Please explain. If this was done in error, please recalculate the utility income and revenue deficiency using 2008 load at 2007 approved rates.*

In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #37.

a.) .

- (b) *Please provide a reference for reported interest expense of \$1,266,740.*

b.) Table 6 summarizes the interest expense.

Table 6 – Interest Expense

Principle	2008 Interest
Note Payable - \$16,141,970	\$1,008,873
Additional Borrowing + Short Term Debt	\$ 257,867
Total	\$1,266,740

11. Cost Allocation

Ref: Exhibit 8/ Tab 1/ Schedule 1

- (a) *Please provide the re-calculate the revenue to cost ratios shown at pg. 3 of Exhibit 8/ Tab1/ Schedule 1 using the “Proposed Fixed Charge” shown in the table at Exhibit 8, Tab 1, Schedule 2 pg. 1.*

a)

Table 7 – Revenue to Cost

Rate Classification	Revenue to Cost Ratio - Existing	Revenue to Cost Ratio - Proposed
Residential	88.37%	94.60%
General Service less than 50 kW	81.87%	94.44%
General Service 50 to 999 kW	156.93%	134.81%
General Service 1,000 to 4,999 kW	164.17%	131.92%
Street Lights	15.14%	24.27%
Sentinel Lights	36.74%	53.43%
Un-metered Scattered Load	106.77%	103.37%

- (b) *Please explain in greater detail how the proposed fixed charges were derived.*

- b.) Our methodology was to obtain approximately one third to one half movement in all rate classes from existing Revenue to Cost ratios to Proposed Revenue to Cost Ratios. This method was used to smooth and rate issues in future years.

12. SSM Adjustments
Ref: Exhibit 9

Preamble

At Exhibit 9/ Tab 1/Schedule 2, HHHI states that its SSM amount included for recovery in this application is calculated by grossing up the after tax amount of \$21,453 by the marginal tax rate of 36.12% to calculate a pre-tax amount for recovery of \$33,583. HHHI states that its proposal “is consistent with the Board’s Decision in EB-2007-0096. In EB-2007-0096, the Board rejected Toronto Hydro Electric System Ltd.’s (“THESL’s) proposal to gross up the SSM amount for taxes, stating in part:

The Decision which touches most directly on this issue is that referenced above on the Pollution Probe Motion (RP-2004-0203).

As noted, the Board in that case adopted the Pollution Probe “plan” for SSM. That plan very clearly did not contemplate that the relevant amounts would be grossed up to account for PILS, and this is clear from the record in that case, and the transcript of the Technical Conference in this case.

As part of the Pollution Probe Motion, it filed an Affidavit outlining its plan for the SSM. There is no reasonable construction of the plan described in that affidavit that would lead to a conclusion that it contemplated a grossing up for PILS.

During the Technical Conference, Pollution Probe (the author of the SSM plan adopted by the Board) reacted strongly and negatively to the suggestion by Toronto Hydro that it understood that it provided for the grossing up applied by the utility.²

To be fair, in submissions made later in the proceeding Pollution Probe attempted to soften its approach on the issue, suggesting that grossing up may not be inappropriate.

But this revisionism cannot change the fact that the plan the Board approved did not contemplate grossing up.

Further, the Board does not accept the argument advanced by Toronto Hydro, that the SSM should be presumed to be a post-PILS amount simply because of some presumption that it is related to return on equity and that return on equity is presumed to be a post-tax amount.

First, such a presumption cannot displace the simple fact that the Board adopted a plan that did not contemplate grossing up for PILS. Second, there is no compelling reason to align the SSM with return on equity.

The Board observes that the natural gas utilities in Ontario do not gross up their respective SSM incentive amounts for taxes and the amounts approved by the Board are pre-tax.

The Board rejects the suggestion that an SSM of 5 percent on a pre-tax basis is a retroactive change.

Accordingly, Toronto Hydro must recast its claim to reflect this finding that the SSM is not subject to grossing up to account for PILS.

*[EB-2007-0096, Decision and Order dated September 11, 2007, pp. 3-4.
Emphasis added]*

Questions:

- a. Please advise how HHHI's proposal is consistent with this decision as it appears HHHI's proposal is the exact opposite of what the Board's decision (i.e. the Board found THESL was not entitled to gross up the SSM amount for taxes, and HHHI has grossed up the SSM amount for taxes);***

(a) In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #42.
- b. Please advise whether HHHI plans on changing its SSM calculation in view of the Board's decision in EB-2007-0096;***

(b) In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #42.
- c. If HHHI does not plan on doing so, please state on what basis HHHI seeks treatment different than that given THESL.***

(c) In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #42.

13. LRAM Adjustment

Ref: Exhibit 9, Tab 1, Schedule 3

Preamble

At pg. 1, HHI says that it did not reduce its LRAM calculation to account for free ridership, and said that this is “in accordance with the Board’s decision in EB-2007-0096. In EB-2007-0096, the Board stated in part as follows:

The LRAM ensures utilities receive revenue on energy volumes they would have sold if they had not implemented CDM programs. Toronto Hydro applied to recover an LRAM amount of \$3,111,432. The load reductions that form the basis of the LRAM amount were not adjusted for free riders³. Toronto Hydro’s proposal to include lost revenue associated with free riders was supported only by the Electricity Distributors Association.

All other parties that commented on the issue argued that lost revenue associated with free ridership should be excluded in the calculation of the LRAM amount to be recovered from ratepayers. Pollution Probe also suggested that the lost revenue should include carrying charges.

Toronto Hydro’s rationale for its position is that the utility’s load forecast at the time it filed for 2006 rates did not, explicitly or implicitly, account for autonomous conservation (free ridership). In Toronto Hydro’s view it is not reasonable to expect Toronto Hydro to have created a forecasting model that accounted for CDM where programs such as those approved by the Board had not been implemented previously in Ontario, and where even early results from the Toronto Hydro programs, implemented in 2005 and 2006, would not have been available until 2006 at the earliest.

The Board does not accept Toronto Hydro’s proposal. The LRAM adopted by the Board is to include the appropriate free ridership rates.

Toronto Hydro should not be compensated through the LRAM for revenue reduction that did not result from its CDM programs.... The Board therefore finds that it is appropriate for the LRAM amount to be reduced in accordance with the free ridership rates found throughout this Decision.

[EB-2007-0096 Decision and Order dated September 11, 2007, pg. 5; emphasis added]

Questions:

a. Please advise how HHHI’s decision to not reduce the calculated load reduction for free ridership is consistent with the Board’s decision in EB-2007-0096;

(a) In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #41.

b. Please advise whether HHHI plans on revising its LRAM to account for the Board's decision in EB-2007-0096 and if not, why not.

(b) In response to this question, please refer to OEB Staff Interrogatory responses from Halton Hills Hydro Inc. #41.

14. LRAM/SSM recovery

- a. *On page 2 of Ex9/T1/S4, it states that “HHHI would also propose that the LRAM and SSM rate riders be combined into, and recovered through a single distribution rate rider and be implemented effective May 1, 2008 for a period of three years ending April 30, 2011.” On page 1 of Ex9/T1/S4, it states that “Recovery (of 2005 and 2006 LRAM and SSM amounts) is to be based on a volumetric rate rider commencing May 1, 2008, HHH is proposing a one year recover period effective until April 30, 2009.” Please advise whether HHH proposes to recover 2005 & 2006 LRAM and SSM amounts over a one-year period or over a three-year period.*

Halton Hills Hydro Inc. is requesting a one year recovery of LRAM and SSM amounts.

SEC INTERROGATORIES

APPENDIX A

2007 Business Plan Summary Overview



2007 Business Plan Summary and Overview

November 10, 2006

Strategic Focus

Growth will be an integral part of our strategic focus. Internally (within Halton Hills) this will occur through new development like 410/407/Steeles, and residential subdivisions. Externally, the Transfer Tax exemption may create opportunities to acquire additional distribution assets.

Two major government initiatives will again be key drivers to the business in 2006, specifically, Conservation and Demand Management (new OPA program) and Smart Metering. Management will continue efforts to increase Shareholder value.

Threats, Risks & Uncertainty

Affiliate Relationships Code compliance is a risk because of the OEB's unsettled position on acceptable operating situations for LDC affiliates.

Cost of capital study impact on utility performance measures.

Attempts to purchase our corporation.

Operational Focus

Capital Budgets.

Staffing – complement increase: smart metering and underground locate requirements.

Safety

Reliability and Customer Service

Improvement in developer relations



Implementation Strategies.

Safety:

- Will continue to promote and educate the “Seriously Fun Safety” program.
- Will work toward EUSA silver award.
- Regular safety training, meetings and tailboards.
- No lost-time injuries.

Staffing:

- Two additional complements required. Additional settlement analyst to accommodate smart metering and service layouts/locates person - Q3 of 2007.

Smart Metering:

- RFP results available in early 2007.
- Pilot project implementation in Q1 2007.
- Use of affiliate infrastructure to facilitate communications.
- Funding expected to be \$4M to \$6M by 2010. Recoverable through rates.

Conservation and Demand Management:

- Continue to deliver programs initiated in 2005, specifically customer information/residential programs (coupon program, water heater load control).
- Expand effort with projects supported by new OPA CDM fund.

Capital Budgets:

- Funding for 2007 will continue to be derived internally through and combination of amortization and net income after tax.
- Borrowing may become a consideration for capital budget requirements in 2008.

Reliability:

- Continued investment in load monitoring equipment.
- Replacement of aging rear-lot plant.

Shareholder Value:

- Growth in customer base.
- Contributions to community.
- Payments to Shareholder.
- Increasing equity.

SEC INTERROGATORIES

APPENDIX B

Shared Services Agreements

Halton Hills Fibre Optics SouthWestern Energy

SERVICES AGREEMENT

(Hydro –Fibre Optics)

THIS AGREEMENT made effective the 1st day of January, 2001,

B E T W E E N:

HALTON HILLS HYDRO INC., an Ontario corporation having offices within the Town of Halton Hills, in the Province of Ontario (hereinafter referred to as “Hydro”)

– and –

HALTON HILLS FIBRE OPTICS INC., an Ontario corporation having offices within the Town of Halton Hills, in the Province of Ontario (hereinafter referred to as “Fibre”)

WHEREAS Fibre is engaged in the business of providing varied and sundry telecommunications services and for such purposes has need of personnel, office premises and equipment; and

WHEREAS Hydro is engaged in the business of the local distribution of electricity and for such purposes has personnel, office premises and equipment that it could make available to Fibre; and

WHEREAS Hydro and Fibre have agreed as to the basis upon which the personnel, office premises and equipment of Hydro may be made available to Fibre and Hydro and Fibre wish to enter into this agreement to record their agreements.

NOW THEREFORE, in consideration of the premises hereto and the covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged by each party hereto to the other party hereto, the parties hereto covenant and agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 Words and Phrases Defined

In this Agreement, unless the subject matter or context is inconsistent therewith, the words and phrases set forth below shall have the meanings attributed below:

“Affiliate” has the meaning attributable thereto pursuant to the Ontario *Business Corporations Act*.

“Agreement” means this Agreement and includes all schedules to this Agreement and, further, includes all amendments and supplements as may be made from time to time.

“Available Hours” means the hours in a calendar year that an employee of Hydro is available to provide services to Hydro.

“Business Day” means a day that is not a Saturday, Sunday or a public or bank holiday in the Province of Ontario.

“Codes” means the Affiliate Relationships Code and all other codes, legislation, regulation and rules applicable to Hydro and Fibre from time to time.

“Default” shall have the meaning provided therefor in Section 17.1.

“Dispute Resolution Provisions” means the provisions of Article 20.

“Force Majeure” means in relation to the performance of any obligation under this Agreement, any cause, condition or event of any nature whatsoever which is beyond the reasonable control of the party responsible for such obligation which prevents in whole or in part the performance by either party of its respective obligations including without limitation, acts of war, revolution, riot, sabotage, vandalism, earthquakes, storms, flooding, lightning and other acts of God, local or national emergencies, strikes, lockouts, work slowdowns and all other labour disputes, whether lawful or unlawful.

“Hydro Equipment” shall have the meaning provided therefor in Section 6.1 and includes tools, machinery and vehicles but does not include materials expected to be consumed in the course of operations and not returned to Hydro.

“Lowest Competitive Price” means a price for a particular service and/or provision of equipment which is no more than the price charged by Hydro to anyone other than Fibre for a similar service and/or provision of similar equipment under similar circumstances.

“Management and Office Personnel” means the President, Vice President, Controller, Accounting Supervisor, Administrative Assistant, Cashiers, Billing Clerks, Billing and Customer Service Supervisor, Customer Service Clerks, Accounts Payable Clerk of Hydro, from time to time.

“Notice” shall have the meaning provided therefor in Section 23.1.

“Person” means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

“Prescribed Rate” means the rate of interest allowed, from time to time, to Hydro on its debt for the purposes of calculating the electricity distribution rates for Hydro pursuant to Performance Based Regulation of Hydro by the Ontario Energy Board.

“Service Personnel” means engineering and operations staff of Hydro excepting those thereof that are Management and Office Personnel.

“Support Structures” means the supporting structures, including poles, conduits, support strands, anchors and manholes, which Hydro owns or which Hydro does not own but has the right to permit others to use.

“Term” means the period of time that this Agreement is in effect pursuant to the provisions of Article 14.

1.2 Derivations

Where a word or phrase is defined for the purposes of this Agreement, a derivative of that word or phrase shall have a corresponding meaning.

1.3 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include all Persons.

1.4 Accounting Terms

All accounting terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with Canadian generally accepted accounting principles, except where inappropriate in the context in which such accounting term is used in this Agreement.

1.5 Industry Terms

Unless expressly defined herein, words having well known technical or trade meanings within the electricity distribution and related industries shall be so construed.

ARTICLE 2: INTERPRETATION

2.1 Interpretation of Agreement and Schedules

The body of this Agreement and all the Schedules to this Agreement constitute one and the entire agreement between the parties hereto and, accordingly, the body of this Agreement and all such Schedules hereto shall be interpreted and enforced as though the provisions of such Schedules were set forth in the body of this Agreement prior to the execution page hereof and without giving paramountcy to the provisions of the body of this Agreement or any of the Schedules to this Agreement over the provisions of the other.

2.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario and shall be treated in all respects as an Ontario contract.

2.3 Legislation, Regulations and Rules

Any reference in this Agreement to all or any part of any statute, regulation or rule shall, unless otherwise expressly stated herein, be a reference to the statute, regulation or rule, or part thereof, as amended from time to time.

2.4 Article, Section, Subsection and Item References

The division of this Agreement into Articles, Sections and Subsections are for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this Agreement. References in this Agreement or in an Schedule to this Agreement to an Article, Section or Subsection shall mean a reference to an Article, Section or Subsection within the body of this Agreement. References herein to an Item without identifying the Section in which the Item is contained shall mean a reference to the Item in the same Section where the reference is made.

2.5 Headings

The headings of Articles, Sections and Subsections herein and in the Schedules to this Agreement and the Table of Contents are inserted for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this Agreement.

2.6 “Hereof” Etc.

The terms “hereof”, “hereunder”, “herein”, “hereto” and similar expressions refer to this Agreement in its entirety and not to any particular Article, Section, Subsection or other portion of this Agreement.

2.7 Currency of Contract

All references in this Agreement to money shall denote the lawful currency of Canada, except as may be otherwise expressly stated.

2.8 Accounting Principles

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken in accordance with generally accepted accounting principles.

2.9 Waiver of Contra-Proferentem Rule

Each party to this Agreement acknowledges and agrees that it has participated in the drafting of this Agreement and, accordingly, this Agreement shall not be interpreted either more or less favorably in favor of any party to this Agreement by virtue of the fact that one party or its counsel has been principally responsible for the drafting of all or a portion of this Agreement.

ARTICLE 3 –MANAGEMENT AND OFFICE PERSONNEL

3.1 Supply

Hydro shall, throughout the Term of this Agreement, supply the services of the Management and Office Personnel to provide to Fibre the same services as the Management and Office Personnel provide to Hydro and, in addition, to provide such other services as may be requested of them by the Management and Office Personnel to whom they are responsible.

3.2 Responsibilities of Management and Office Personnel

The Management and Office Personnel shall fulfill the same responsibilities with respect, to Fibre that the Management and Office Personnel fulfill with respect to Hydro and, in addition, shall fulfil such other responsibilities as may be requested of them by the Management and Office Personnel to whom they are responsible.

3.3 Conflicts of Interest and Release

Fibre acknowledges that the Management and Office Personnel are officers and employees of Hydro and, as such, they will have a conflict of interest with respect to any matter which would involve business or other relations between Hydro and Fibre inasmuch as Hydro is the sole shareholder of Fibre. Fibre agrees that, insofar as this Agreement is concerned, the obligations that each of the Management and Office Personnel has to Hydro is paramount to the obligations that the Management and Office Personnel has to Fibre. Accordingly, in each event of a such a conflict of interest in the obligations that any Management and Office Personnel owes to Hydro and Fibre, the Management and Office Personnel is excused from performing such obligation and the particular event shall be referred to officers or employees

of Fibre that do not have such a conflict or, failing that, to the Board of Directors for resolution. Further, Fibre hereby releases the Management and Office Personnel, and each of them, and Hydro from all liability that may arise or be associated with any conflict of interest that any of the Management and Office Personnel may have as a result of being an officer of both Fibre and Hydro, performing any of the responsibilities associated with being an officer of Fibre or providing services to Fibre pursuant to this Agreement.

3.4 Indemnity and Release

Fibre shall indemnify and hold harmless Hydro and each of the Management and Office Personnel from and against all loss, claims and liability whatsoever that arises howsoever from or is associated with the performance of the Management and Office Personnel of their responsibilities to Fibre except such thereof as results from the negligence or wilful misconduct of the Management and Office Personnel, or any of them.

3.5 Not Employees

The Management and Office Personnel are not, and shall in no event become, employees of Fibre. In no event shall Fibre become obligated howsoever to pay, or make any contribution to Hydro in respect of, the salaries, wages, benefits or other compensation payable by Hydro to the Management and Office Personnel except to pay to Hydro any amount payable by Fibre to Hydro pursuant to Section 3.6. In no event shall the use by Fibre of the services of the Management and Office Personnel become the basis for any right of any labour union or similar organization to become the bargaining agent for the employees of Fibre.

3.6 Charge for Management and Office Personnel Services

Based upon the estimates agreed to by the parties hereto of the amount of time of the Management and Office Personnel that will be required in order for the Management and

Office Personnel to provide the services and to fulfil their obligations pursuant to this Agreement, Fibre shall pay Hydro the amount of Two Thousand Dollars (\$2,700.00) monthly for the services of the Management and Office Personnel. The amount payable by Fibre to Hydro pursuant to this Section for the services of the Management and Office Personnel includes;

- (i) compensation to Hydro for indeterminable costs of the equipment and supplies used by the Management and Office Personnel for the equipment used by them to provide their services and fulfil their responsibilities to Fibre pursuant to this Agreement;
- (ii) a fair and reasonable allocation of gross payroll and benefits costs of Hydro attributable to the Management and Office Personnel in respect of the time that the Management and Office Personnel spend to provide their services and fulfil their responsibilities to Fibre pursuant to this Agreement, such allocation being based upon Available Hours; and
- (iii) a mark-up consistent with market circumstances on the actual cost to Hydro of the Management and Office Personnel and provided by Hydro to Fibre.

Hydro shall, from time to time, calculate the amounts to be charged to Fibre for the Management and Office Personnel provided by Hydro to Fibre pursuant to this Agreement and shall give Fibre Notice thereof and of each change thereto. In the event that Fibre disputes that any charge for the Management and Office Personnel is calculated in accordance with the provisions of this Agreement, then Fibre shall give Notice of its dispute to Hydro whereupon Hydro and Fibre shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Fibre may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

In consideration of the payments by Fibre to Hydro pursuant to this Section, Fibre shall not be required or expected to make any contribution to the provision of the offices, equipment, support staff or other requirements that the Management and Office Personnel may require to provide their services and fulfil their responsibilities to Fibre under this Agreement.

ARTICLE 4 – SERVICE PERSONNEL

4.1 Supply

Fibre may, at any time and from time to time, request Hydro to provide the Service Personnel, or any of them, to provide services to Fibre. Each such request by Fibre to Hydro for Service Personnel shall be in writing, and may be in the form of a purchase order, and shall specify:

- (i) the number and type of Service Personnel required;
- (ii) the equipment which is to accompany the Service Personnel;
- (iii) the period of time for which the Service Personnel are required, including a contingency period which shall be separately specified;
- (iv) the purpose for which the Service Personnel are required, including the specific tasks that the various Service Personnel will be performing; and

(v) the location or area in which the Service Personnel will be providing their services, unless Hydro and Fibre shall otherwise agree.

4.2 Obligation to Supply and Conditions

Upon receipt by Hydro of a request from Fibre for Service Personnel satisfying the requirements of Section 4.1, Hydro shall supply the requested Service Personnel to Fibre for the purposes requested subject to the following conditions:

- (i) Hydro determines, in its sole unfettered judgement, that it has the requested Service Personnel available that are capable of performing the specified tasks, during the period of time and in the location or area indicated in the request made by Fibre;
- (ii) the supply of Service Personnel is subject to interruption due to emergency requirements of Hydro, as determined by Hydro in its sole and unfettered judgement, for the purposes of its own business, but not otherwise;
- (iii) Hydro determines, in its sole unfettered judgement, that it has the equipment available which will allow the requested Service Personnel to perform the tasks for which they have been requested by Fibre, provided, however, that Hydro shall provide the requested Service Personnel notwithstanding that Hydro may have determined that it does not have the equipment available which will allow the requested Service Personnel to perform the tasks for which they have been requested by Fibre in the event that Fibre undertakes to provide the necessary equipment;
- (iv) Fibre will provide and/or otherwise reimburse Hydro for all fuel, lubricants and other consumables consumed in the operation of the equipment used by the Service Personnel;
- (v) Fibre will reimburse Hydro for the cost of all materials provided by Hydro to Fibre for the purposes of completing the assignment of the Service Personnel;
- (vi) Hydro shall not be required to supply or continue the supply of Service Personnel if, in the sole and unfettered judgement of Hydro, the work environment in which the Service Personnel are or will be providing their services does not satisfy applicable safety laws and/or regulations;
- (vii) Hydro shall not be required to supply or continue the supply of Service Personnel if, in the sole and unfettered judgement of Hydro, the services being or to be provided by the Service Personnel do not satisfy the requirements of Section 13.1; and
- (viii) Fibre shall indemnify and hold harmless Hydro and each of the Service Personnel from and against all loss, claims and liability whatsoever that arises howsoever from

or is associated with the performance of the Service Personnel of their responsibilities to Fibre except such thereof as results from the negligence or willful misconduct of the Service Personnel, or any of them.

4.3 Equipment

The Service Personnel provided by Hydro to Fibre pursuant to this Agreement shall, subject to the provisions of Section 4.2(iii), be accompanied by the equipment required by the Service Personnel in order to perform the tasks in respect of which the Service Personnel were requested.

4.4 Time Sheets/Work Orders

Hydro shall cause each of the Service Personnel to make a written record, which may be in the form of time sheets or work orders, of the time spent by such Service Personnel providing services to Fibre pursuant to this Agreement and the charges of Hydro to Fibre for the services of the Service Personnel shall be calculated on the basis of such written records.

4.5 Charges for Service Personnel

Fibre shall pay Hydro for the services of the Service Personnel charges which represent the fair market value thereof and, otherwise, which:

- (i) do not exceed the Lowest Competitive Price;
- (ii) includes in the calculation of such charges a fair and reasonable allocation of gross payroll and benefits costs of Hydro attributable to the Service Personnel in respect of the time that the Service Personnel spend to provide their services and fulfil their responsibilities to Fibre pursuant to this Agreement, such allocation being based upon Available Hours, being based only on actual charges paid to third parties and not including any notional calculations;
- (iii) include with respect to equipment provided with Service Personnel only charges consistent with the provisions of Article 5; and

- (iv) include a mark-up consistent with market circumstances on the actual cost to Hydro of the Service Personnel and equipment provided by Hydro to Fibre.

Hydro shall, from time to time, calculate the amounts to be charged to Fibre for the Service Personnel provided by Hydro to Fibre pursuant to this Agreement and shall give Fibre Notice thereof and of each change thereto. In the event that Fibre disputes that any charge for the Service Personnel is calculated in accordance with the provisions of this Agreement, then Fibre shall give Notice of its dispute to Hydro whereupon Hydro and Fibre shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Fibre may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

In consideration of the payments by Fibre to Hydro pursuant to this Section, Fibre shall not be required or expected to make any contribution to the provision of the offices, equipment, support staff or other requirements that the Service Personnel may require to provide their services and fulfil their responsibilities to Fibre under this Agreement.

4.6 Not Employees

The Service Personnel are not, and shall in no event become, employees of Fibre. In no event shall Fibre become obligated howsoever to pay, or make any contribution to Hydro in respect of, the salaries, wages, benefits or other compensation payable by Hydro to the Service Personnel except to pay to Hydro any amount payable by Fibre to Hydro pursuant to Section 4.4. In no event shall the use by Fibre of the services of the Service Personnel become the basis for any right of any labour union or similar organization to become the bargaining agent for the employees of Fibre.

4.7 Limited Warranty

Fibre acknowledges that, except as set forth in this Agreement Hydro makes no warranty, representation or indemnity, express or implied, with respect to any of the Service Personnel and equipment provided by Hydro to Fibre pursuant to this Article or for any work performed by the Service Personnel and equipment provided by Hydro to Fibre pursuant to this Article, including any and all warranties of design, merchantability or fitness for particular purpose or arising from a course of dealing, usage or trade, and each party hereto hereby expressly waives and disclaims all such warranties, representations and indemnities except that the Service Personnel are properly trained and fully qualified to perform the services that they are intended to perform for Fibre pursuant to this Article and the equipment provided by Hydro to the Service Personnel are adequate and safe for use by the Service Personnel to perform the services to be performed by the Service Personnel for Fibre pursuant to this Article. The warranties set forth in this Agreement constitute the only warranties made by a party hereto to the other party hereto with respect to this Agreement and are made in lieu of all other warranties or conditions, written or oral, statutory, express or implied.

ARTICLE 5 - CONTRACTORS

5.1 Reimbursement

Fibre shall reimburse Hydro for a percentage of the actual cost to Hydro of each provider of services to Hydro under contract with Hydro equal to the percentage of the services of such service provider used by Fibre is of the total services provided by such service provider to both Hydro and Fibre. In the event that Fibre might make available to Hydro the services of a service provider under contract with Fibre, Hydro shall reimburse Fibre for a percentage of the actual cost to Fibre of such service provider equal to the percentage of the services of such service provider used by Hydro is of the total services provided by such service provider to both Hydro and Fibre.

ARTICLE 6 – EQUIPMENT

6.1 Supply

Fibre may, at any time and from time to time, request equipment from Hydro for use by Fibre without Service Personnel (such equipment being referred to as “Hydro Equipment”). Each request by Fibre to Hydro for Hydro Equipment shall be in writing, and may be in the form of a purchase order, and shall specify:

- (i) the type and number or quantity of Hydro Equipment required;
- (iii) the period of time for which the Hydro Equipment is required, including a contingency period which shall be separately specified;

- (iv) the purpose for which the Hydro Equipment is required, including the specific tasks for which the various Hydro Equipment will be used; and
- (v) the location or area in which the Hydro Equipment will be used.

6.2 Obligation and Conditions of Supply

Upon receipt by Hydro of a request from Fibre for Hydro Equipment satisfying the requirements of Section 6.1, Hydro shall supply the requested Hydro Equipment to Fibre for the purposes requested subject to the following conditions:

- (i) Hydro determines, in its sole unfettered judgement, that it has the requested Hydro Equipment available that is capable of performing the specified tasks, during the period of time and in the location or area indicated in the request made by Fibre;
- (ii) the supply of Hydro Equipment is subject to interruption due to emergency requirements of Hydro for the purposes of its own business, but not otherwise, determined by Hydro in its sole and unfettered judgement;
- (iii) Hydro determines, in its sole and unfettered judgement, that the persons that will be operating and maintaining the Hydro Equipment are properly qualified and that the Hydro Equipment will be operated safely;
- (iv) Hydro determines, in its sole and unfettered judgement, that the persons that adequate insurance is being carried by Fibre with respect to loss or damage to the Hydro Equipment and with respect to the persons who will be operating the Hydro Equipment;
- (v) Fibre will provide and/or otherwise reimburse Hydro for all fuel, lubricants and other consumables consumed in the operation of the Hydro Equipment;
- (vi) all Hydro Equipment is provided pursuant and subject to Hydro's conditions, from time to time, for the supply of equipment;
- (vii) Fibre shall reimburse Hydro for any damage to the Hydro Equipment, reasonable wear and tear excepted; and
- (viii) Fibre shall indemnify and hold harmless Hydro from and against all loss, claims and liability whatsoever that arises howsoever from or is associated with the use by Fibre of the Hydro Equipment except such thereof as is attributable to the Hydro Equipment itself and not to the manner of use thereof.

6.3 Charges for Hydro Equipment

Fibre shall pay Hydro for the use of Hydro Equipment charges which represent the fair market value thereof and, otherwise, which:

- (i) do not exceed the Lowest Competitive Price;
- (ii) include with respect to equipment provided with Service Personnel only charges consistent with the provisions of Article 4; and
- (iii) include a mark-up consistent with market circumstances on the actual cost to Hydro of the Hydro Equipment provided by Hydro to Fibre.

Hydro shall, from time to time, calculate the amounts to be charged to Fibre for the Hydro Equipment provided by Hydro to Fibre pursuant to this Agreement and shall give Fibre Notice thereof and of each change thereto. In the event that Fibre disputes that any charge for the Hydro Equipment is calculated in accordance with the provisions of this Agreement, then Fibre shall give Notice of its dispute to Hydro whereupon Hydro and Fibre shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Fibre may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

6.4 No liability

Fibre shall have no liability to Hydro related to the use of the Hydro Equipment associated with ordinary wear and tear associated or with usage of the Hydro Equipment not involving negligence or wilful misuse. It is the intent of the parties hereto that the amounts payable by Fibre to Hydro for use of the Hydro Equipment includes an amount to compensate Hydro for the ordinary wear and tear that would result from the customary useage of the Hydro Equipment.

6.5 No Warranty

Fibre acknowledges that, except as expressly set forth in this Agreement Hydro makes no warranty, representation or indemnity, express or implied, with respect to the design, merchantability or fitness for particular purpose of any of the Hydro Equipment or arising from a course of dealing, usage or trade, and Fibre hereby expressly waives and disclaims all such warranties, representations and indemnities except that the Hydro

Equipment is in industry standard condition for useage at the time that it is delivered to Fibre for useage. The warranties set forth in this Agreement constitute the only warranties made by a party hereto to the other party hereto with respect to this Agreement and are made in lieu of all other warranties or conditions, written or oral, statutory, express or implied.

ARTICLE 7 - SYSTEMS

7.1 No Charge

The parties hereto agree that the various charges by Hydro to Fibre pursuant to this Agreement include a component compensating Hydro for the use made by the Management, Office and Service Personnel of the computer hardware and software used by such Personnel in order to provide services to Fibre pursuant to this Agreement and, accordingly there shall not be any separate charge by Hydro to Fibre in relation to such use of computer hardware and software.

7.2 Reimbursement for Consumables

Notwithstanding the provisions of Section 7.1, Fibre shall reimburse Hydro for the cost to Hydro of any materials consumed through the use of Hydro's computer systems (for example, invoice formats acquired by Hydro for use in invoicing Fibre's customers) in the course of Hydro performing its obligations to Fibre hereunder.

ARTICLE 8 - BILLING, COLLECTION, CUSTOMER SERVICES & TAXES

8.1 Allowed Functions

Hydro agrees that the Management, Office and Service Personnel may be used by Fibre to bill and collect bills issued by Fibre to its customers and to provide customer service to the customers of Fibre and that the charges for the Management, Office and Service Personnel so doing are included in the monthly charge payable by Fibre to Hydro pursuant to Section 3.6.

8.2 Taxes

The amounts stated in this Agreement to be payable by Fibre to Hydro pursuant to this Agreement do not include any taxes. Fibre shall be responsible for the payment of, and shall pay or reimburse Hydro if paid by Hydro, all Goods and Services Tax, Provincial Sales Tax and other taxes of a similar nature applicable to, or arising from the price or value, purchase or sale or the provision or use of any of the personnel, services and equipment provided by Hydro to Fibre pursuant to this Agreement, regardless of the period or entity actually taxed.

ARTICLE 9 – SUPPORT STRUCTURES ATTACHMENTS

9.1 Authorization

Hydro hereby grants Fibre the right to place and maintain attachments upon or within the Support Structures of Hydro, subject to the conditions and prices imposed generally by Hydro upon those authorized by Hydro to make attachments upon or within the Support Structures of Hydro or, if there are no

others so authorized by Hydro, subject to the conditions and prices agreed by Hydro and Fibre or, failing such agreement, settled pursuant to the Dispute Resolution Provisions having regard to the Codes.

ARTICLE 10 – PREMISES

10.1 Provision

Hydro shall, upon receipt of Notice from Fibre so requesting, make available to Fibre premises within the offices of Hydro located in the main offices, from time to time, of Hydro in Acton, Ontario for the conduct by Fibre of its business, subject to Hydro determining, in its sole and unfettered judgement, that it has space that could be made available to Fibre for such purposes. At Fibre's request and expense, any offices provided by Hydro to Fibre pursuant to this Section shall be separate, and shall have separate access, from the offices of Hydro.

10.2 Codes Compliance

Hydro and Fibre shall co-operate and take all reasonable measures to insure that any premises made available by Hydro to Fibre pursuant to this Article are so made available in compliance with the requirements of the Codes.

10.3 Vacating Premises

In the event that:

- (i) Hydro at any time determines that it needs the premises made available to Fibre pursuant to this Article in order for Hydro to conduct its own business; or
- (ii) the Codes no longer allow Hydro to make available to Fibre premises within the offices of Hydro located in the of Hydro,

then Fibre shall vacate the premises made available by Hydro to Fibre pursuant to this Article within six (6) months of receipt of Notice to vacate from Hydro.

10.4 Office Equipment

Fibre shall be allowed the use of office equipment and supplies as part of the premises made available by Hydro to Fibre pursuant to this Article.

10.5 Payment

Fibre shall pay Hydro Three hundred and Twelve Dollars and Fifty Cents (\$312.50) monthly for the premises and the use of office equipment and supplies made available by Hydro to Fibre pursuant to this Article. It is intended that the amount payable by Fibre to Hydro for the premises, equipment and supplies made available by Hydro to Fibre pursuant to this Article represents the fair market value thereof and either party hereto may at any time, but not more frequently than every six months, require the other party hereto to enter into discussions and agree to a new amount to be paid by Fibre to Hydro pursuant to this Article as representing the fair market value at the time of the premises, equipment and supplies made available by Hydro to Fibre pursuant to this Article and, failing such agreement, the matter may be resolved pursuant to the Dispute Resolution Provisions.

ARTICLE 11 – PAYMENTS, INTEREST AND ADJUSTMENTS

11.1 Payments

All amounts payable by a party hereto pursuant to this Agreement shall be paid within thirty (30) days of the receipt of the invoice therefor.

11.2 Interest

All amounts not paid by a party hereto within the time herein provided for the payment thereof shall bear interest until paid at the Prescribed Rate and all such interest payable by a party hereto shall be paid at the same time as the amount to which such interest relates is paid.

11.3 Adjustments

Upon the request of either party hereto, the parties hereto shall negotiate in good faith any change to this Agreement reasonably sought by a party hereto, without any obligation upon the parties hereto to agree to any change to this Agreement and, subject to express provision otherwise made elsewhere in this Agreement, the Dispute Resolution Provisions shall not apply to such negotiations.

11.4 Set-Off

A party hereto obliged to make a payment to the other party hereto may set off against the amount otherwise payable any amount to which the first party is then entitled to receive from the other party and to remit the other party the amount by which the amount owed by the first party to the other party exceeds the amount owed to it by the other party, if any, provided the first party informs the other party of it having so done prior to the date upon which the other party is obliged to remit to the first party the amount which the first party has set off against the amount otherwise payable by the first party to the other party.

ARTICLE 12 – INDUSTRY CODES

12.1 Compliance is Objective

It is the expressed intent of both of the parties hereto that the arrangements provided for herein shall at all times be in compliance with the Codes as they apply to the parties hereto from time to time.

12.3 Best Efforts

Each party hereto shall use all reasonable efforts to comply with the Codes insofar as the Codes apply to the particular party. Each party hereto shall use all reasonable efforts (excepting such as would have an adverse economic consequence to the party) to adapt its conduct so as to allow the other party hereto to comply with the Codes insofar as the Codes apply to that other party.

12.2 Amendment

In the event that the parties hereto cannot voluntarily adapt their conduct so as to comply to the requirements of the Codes or if to so do would have adverse economic consequences to either party hereto, then either party may require the other party hereto to amend this Agreement such that both parties hereto would be in compliance with the requirements of the Codes and to adjust the economic provisions of this Agreement such that the burden of such compliance is properly borne by the party which had the obligation to change this Agreement in order for it to comply with the Codes and, failing such agreement, the parties may have recourse to the Dispute Resolution Provisions to resolve the matter.

12.4 Code Session

Forthwith upon complete execution of this Agreement the parties hereto shall jointly host a meeting of all Administrative and Service Personnel that might be expected to provide services pursuant to this Agreement for the purposes of explaining the requirements of the Codes with respect to their provision of services and equipment to Fibre on behalf of Hydro pursuant to this Agreement.

ARTICLE 13 - STANDARDS

13.1 Standards of Performance

Except as specifically set forth herein, for the purpose of this Agreement the standards and practices of performance within the telecommunication and the electricity transmission, distribution and generation industries in the Province of Ontario shall be the measure of the performance of a party hereto.

ARTICLE 14 - TERM

14.1 Original Term

Subject to Sections 14.2 and 14.3, the term of this Agreement shall begin on the date of this Agreement and will terminate at the end of the day preceding the first anniversary of the date hereof, such period being referred to as the "Original Term".

14.2 Extension of Original Term

Unless either party hereto gives the other party hereto written notice of termination of this Agreement at least ninety (90) days prior to the end of the Original Term or of any extension thereof pursuant to this Section, as the case may be, this Agreement shall automatically be renewed at the end of the Original Term and of any such extension thereof, as the case may be, for a one (1) year period upon the same terms and conditions in effect under this Agreement at the end of the Original Term or the end of the preceding extension thereof, as the case may be.

14.3 Termination by Agreement

This Agreement may be terminated at any time by the agreement of both parties hereto, a matter not to be determined pursuant to the Dispute Resolution Provisions.

ARTICLE 15 – TERMINATION

15.1 Expiry of Term

Upon expiration or termination of this Agreement the rights granted by each party hereto to the other party hereto shall immediately terminate and neither party hereto shall have any further obligations to the other party hereto except:

- (i) to finally settle accounts between the parties hereto as regards the activities of the parties hereto during the Term of this Agreement;
- (ii) as regards those matters that this Agreement provides will be done upon termination of this Agreement; and
- (iii) as expressly otherwise provided in this Agreement.

15.2 Removal

Promptly upon termination of this Agreement for any reason, each party hereto shall, at its sole cost and expense, remove all of its equipment, facilities and other associated property from the property and facilities of the other party hereto under the supervision of such other party should such other party desire. Should a party fail to effect such removal within thirty (30) days following termination of this Agreement, the equipment,

facilities and other associated property of the party shall be deemed abandoned and may be removed by the other party at the expense of the party whose property is removed.

15.3 Effect of Termination

Notwithstanding the foregoing or any other provision of this Agreement, no termination or expiration of this Agreement shall effect the rights or obligations of any party hereto:

- (i) with respect to any prior breach or any then existing defaults or the obligation to make any payment hereunder attributable to the period prior to the date of termination or expiration; or
- (ii) with respect to those provisions of this Agreement which survive the expiry of the Term of the Agreement by virtue of the express provisions of this Agreement or necessary implication based upon the terms of this Agreement or the course of dealing between the parties to the Agreement.

ARTICLE 16 – FORCE MAJEURE

16.1 Generally

No party hereto shall be liable to the other party hereto for any default in performance or compliance with provisions of this Agreement if such default is due to any circumstance beyond the reasonable control of the affected party including, without limitation of the foregoing, any act of God, fire, flood, lack of or delay in transportation, the adoption or amendment of government codes, ordinances, laws, rules, regulations or restrictions that materially impair the affected parties performance hereunder, war or civil disorder, strikes, law, codes or other labour disputes. Notwithstanding anything in the preceding

sentence of this Section, none of the foregoing shall excuse any default in payment of any amount payable pursuant to this Agreement.

ARTICLE 17 – DEFAULT

17.1 Events of Default

A party hereto shall be in default under this Agreement (a “Default”) if:

- (i) it fails to pay any amount which is due and unpaid within thirty (30) days of receipt from the party hereto to which the amount is due of a written notice (a “Payment Notice”) that the amount is due and unpaid; or
- (ii) the other party hereto gives it written notice that it has given it three (3) or more Payment Notices in any given twelve (12) month period;
- (iii) in the case of any other material breach of this Agreement, it fails to cure such breach within thirty (30) days after notice specifying such breach, provided that if the breach is of a nature that cannot be cured within thirty (30) days, a default shall not have occurred so long as the breaching party has commenced to cure the breach within said time period and thereafter diligently pursues such cure to completion;
- (iv) it becomes insolvent or bankrupt or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding being instituted by or against it; or
- (v) the private or court appointment of a receiver or receiver and manager or officer with similar powers over any part of its property.

17.2 Remedies

In the event of a Default by a party hereto, the non-defaulting party may avail itself of one or more of the following remedies:

- (i) take such actions as it determines, in its sole discretion, to correct the default; or

- (ii) pursue any legal remedies it may have under applicable law or principles of equity, including specific performance; or
- (iii) terminate this Agreement upon thirty (30) days prior written notice to the defaulting party.

Except as set forth to the contrary herein, any right or remedy of a party hereto shall be cumulative and without prejudice to any other right or remedy, whether contained herein or not.

ARTICLE 18 – TRANSFER

18.1 Prohibition

This Agreement may be not assigned in whole or in part by either party hereto without the prior written consent of the other party hereto. Each party hereto shall have the right to arbitrarily withhold, delay or condition such consent.

18.2 Exception re: Security

Notwithstanding any other provision of this Agreement, a party hereto may assign this Agreement as collateral security to a lender.

18.3 Exception re: Affiliate

Notwithstanding any other provision of this Agreement, either party hereto may assign this Agreement to an Affiliate or delegate the performance of its obligations under this Agreement to an Affiliate provided that the party hereto making any such assignment or delegation shall remain jointly liable with its assignee or delegate to the other party hereto with respect to the performance of this Agreement or of the obligations under this Agreement delegated.

18.4 Change in Control

In the event of a change in control of a party hereto, the other party hereto shall have the right to terminate this Agreement by giving Notice of termination to the party hereto who has had a change in Control. For the purposes of this Section, “Control” shall have the meaning given thereto for the purposes of the Ontario *Business Corporations Act*.

ARTICLE 19 - INSURANCE

19.1 Maintenance

During the term of this Agreement and at its sole expense, each party hereto shall maintain commercial general liability insurance which shall have a minimum limit of liability of five million dollars (\$5,000,000.00) per occurrence and shall include premises and operations liability, contractor's contingency liability with respect to the operations of subcontractors, completed operations liability and contractual liability.

19.2 Added Insured

Upon request by Fibre to Hydro, and subject to Hydro being reasonably able to do so and conditional upon Fibre paying any incremental cost to Hydro for so doing, Hydro shall add Fibre as an insured under the insurance policies of Hydro so as to make Fibre insured under such insurance policies.

ARTICLE 20 – DISPUTE RESOLUTION PROVISIONS

20.1 Generally

Should any dispute or disagreement of any kind arise at any time with respect to the interpretation or application of this Agreement or the carrying out by a party of its obligations hereunder, the parties hereto agree that good faith negotiations shall take place between the parties hereto with the objective of resolving such dispute or disagreement, and the dispute or disagreement shall thereafter be referred to the Chief Executive Officers of the parties hereto who shall attempt in good faith to resolve such dispute or disagreement. If within the next following thirty (30) day period, the dispute or disagreement has not been resolved to the satisfaction of the parties hereto, the parties hereto to whose satisfaction such dispute or disagreement has not been resolved (the "Aggrieved Party") may refer the dispute or disagreement to binding arbitration pursuant to the *Arbitration Act*, 1991 (Ontario) in accordance with this Section by notice in writing to the other party hereto. Within ten (10) days of giving of such notice of arbitration, the parties hereto shall jointly select a single arbitrator who shall be independent of and acceptable to the parties. In the event that the parties hereto are unable to agree upon a suitable arbitrator within such ten (10) day period, the arbitrator shall be selected by a Justice of the Ontario Superior Court of Justice upon application by any party hereto.

20.2 Fees and Expenses

The fees and expenses of the arbitrator shall be split equally between the parties to the dispute.

20.3 **Procedures**

The arbitrator shall fix the appropriate procedures which may include an oral hearing. Unless the parties wish to mutually set the points at issue, the arbitrator shall order the parties to file statements pursuant to Section 25 of the Ontario *Arbitration Act, 1991*. The arbitrator may order interest on any award and the arbitrator may award costs to either party. In the absence of any such award of costs, each of the parties shall bear its own costs of any arbitration pursuant to this Section. The arbitrator shall be strictly bound by legal principles and the nature of this Agreement in rendering his decision.

20.4 **Private Arbitration**

The arbitration shall be completely private (subject to the regulatory requirements of any party or its Affiliates as a public company or regulated company) and shall take place in Toronto, Ontario unless the parties agree otherwise.

20.5 **Arbitration Binding**

The Parties agree that good faith negotiations and arbitration shall all be without recourse to the Courts and that the award of the arbitrator or arbitrators shall be final and binding, except that:

- (i) either party may appeal an arbitration award to the Courts of the Province of Ontario on a question of law; and
- (ii) either party may apply to a court of competent jurisdiction for an interim measure of protection.

ARTICLE 21 – INTELLECTUAL PROPERTY

21.1 **No transfer of Rights**

Except as otherwise expressly provided herein, this Agreement does not convey to a party hereto any right, title, estate or interest whatsoever in or to any of the copyrights, patent rights and other intellectual property rights of the other party hereto.

21.2 **Jointly Developed Rights**

The parties hereto shall own jointly and equally any copyrights, patent rights and other intellectual property rights that are developed by the parties pursuant to this Agreement. Should a party hereto wish to sell any or all of its interest in any jointly owned copyrights, patent rights and other intellectual property rights then the other party hereto shall have a Right of First Offer with respect to the interests wished to be sold, the terms of which shall be settled by arbitration pursuant

to the Dispute Resolution Provisions in the event that such terms cannot be agreed by the parties hereto.

21.3 Logos

Fibre shall not use Hydro's name, logo or other distinguishing characteristics: (i) without the prior written consent of Hydro; and (ii) in the event use thereof by Fibre is consented to by Hydro, in a manner which would mislead consumers as to the distinction between Hydro and Fibre.

ARTICLE 22 - NON-DISCLOSURE

22.1 Definitions

For the purposes of this Agreement:

"Information" means: (i) all business, financial and technical information and data, whether oral or written, in whatever media or form, which is disclosed, directly or indirectly, by either party hereto to the other party hereto whether before, on or after the date hereof including, without limiting the generality of the foregoing, any other information or data relating to, comprising, describing or incorporating a party's current or proposed products, services, prices, suppliers, customers, dealers, agents, employees, businesses, business opportunities, addresses, locations, systems, specifications, drawings, sketches, designs, ideas, creations, inventions, formulas, improvements, models, samples, processes, codes, equipment, methods, techniques, experiments, demonstrations, prototypes, procedures, design methodology, evaluation methodology and criteria, trade secrets, business operations, reports, plans, forecasts, costs, salaries, sales, income, profit, profitability, pricing, business information, financial information and situation, business or marketing plans, distribution and other business strategies, current or historical data, test data, research, technology, computer systems, computer programs, source, object and any other codes, routines and other software and documentation, scientific, computer or technical information and network architecture maps, specifications and service; (ii) any information marked "private", "restricted", "confidential", "proprietary" (or otherwise marked or described so as to indicate confidentiality) or which, by the nature of the circumstances surrounding the disclosure thereof, ought in good faith be treated as confidential, in all cases in its original form or whether it is converted to different forms or combined with additional information, and including any information relating to third parties contained therein; and (iii) any notes, memoranda, summaries, analyses, compilations or any other writings relating howsoever to any of the foregoing prepared relative thereto by the receiving party or on its behalf.

22.2 Obligations Arising From Disclosure

During the course of the relationship established between the parties pursuant to this Agreement, each party may disclose to the other party or permit the other party access to certain Information, either directly or indirectly. Each disclosure of Information will be made or permitted upon the basis of the confidential relationship established between the parties by this Agreement and upon each party's agreement that, unless otherwise specifically authorized in writing by the other, it will:

- (i) *use the Information solely for the purpose for which it was disclosed;*
- (ii) *take all reasonable care and precautions, at least as great as the care and precautions that it takes to protect its own confidential or proprietary information, to keep the Information confidential;*
- (iii) *not disclose, or allow the disclosure of, any Information before or after the termination of this Agreement, except as permitted by this Agreement;*
- (iv) *restrict disclosure of the Information only to its employees or other personnel, advisors, consultants and agents (collectively, "Representatives") with a need to know the Information and who are bound to maintain the Information confidential;*
- (v) *notify each Representative that receives any Information of the requirements of this Agreement and of the restrictions on use and disclosure of Information imposed by this Agreement;*
- (vi) *insure that no Representative breaches or causes or allows to be breached any of the receiving party's obligations hereunder and direct each Representative to abide by the terms of this Agreement;*
- (vii) *not use, or allow to be used, howsoever any Information to compete with or in a manner detrimental or adverse to the commercial interests of the disclosing party;*
- (viii) *except in connection with the purpose for which Information is disclosed, not copy or duplicate such Information or knowingly allow anyone else to copy or duplicate such Information; and*
- (ix) promptly return to the disclosing party, upon its request made before or after termination of this Agreement, or certify as destroyed, the Information in whatever form and regardless of whether such Information was made or compiled by the receiving party or furnished by the disclosing party, together with all copies thereof, howsoever made.

22.3 Exceptions

The obligations under this Agreement shall not apply to any Information that the receiving party can demonstrate to the disclosing party's reasonable satisfaction:

- (i) *became public and generally known through no act or omission of the receiving party or its Representatives;*
- (ii) *was disclosed on a non-confidential basis in good faith to the receiving party by a third party which the receiving party had reasonable grounds to believe had legitimate possession thereof and the right to make such disclosure;*
- (iii) *was in legitimate possession of the receiving party prior to its disclosure by the disclosing party to the receiving party;*
- (iv) *that the receiving party is required by law, judicial or arbitration process to disclose, provided that, prior to disclosing any Information, the receiving party shall promptly notify the disclosing party of such requirement to disclose and take such steps as*

are reasonably necessary, and cooperate with the disclosing party, to lawfully limit such disclosure and to maintain the confidentiality of the Information in the hands of the receiving party, including obtaining appropriate protective orders; or

- (v) *is approved in writing by the disclosing party for release or other use by the receiving party according to the terms set out in such written approval.*

The burden of demonstrating the applicability of any exception in this Section shall be upon the party seeking to rely upon any such exception.

22.4 Discretionary Disclosure

Each party acknowledges that, notwithstanding the execution of this Agreement, each party maintains the sole and absolute discretion to determine what, if any, Information it will release to the other party. The receiving party acknowledges that the Information disclosed in any manner whatsoever is proprietary to the disclosing party.

22.5 No Warranty

Each party warrants that it has all requisite authorization to enter into this Agreement and that it has the right to disclose any Information disclosed to the other party. Each party acknowledges and understands that the other party makes no other representation or warranty in relation to any Information disclosed including, without limiting the generality of the foregoing, as to its adequacy, accuracy, or suitability for any purpose and, except as expressly agreed in writing, shall not be liable for any loss or damage arising from the use of the Information howsoever caused.

22.6 Intellectual Property

Each party acknowledges and agrees that all Information shall be owned solely by the disclosing party. Each party further agrees that nothing contained in this Agreement shall be construed as granting any rights, by licence or otherwise, under any intellectual property rights in, or concerning any of, the disclosing party's Information.

22.7 Indemnity

The receiving party shall indemnify and save harmless the disclosing party from and against all losses, liabilities, damages, costs and expenses (including reasonable legal fees and disbursements) suffered or incurred by the disclosing party as a result of a breach of a term of this Agreement by the receiving party or its Representatives.

22.8 Equitable Remedies

In the event of a breach or threatened breach of any term of this Agreement, the receiving party agrees that the harm suffered or that may be suffered by the disclosing party would not be compensable by monetary damages alone and, accordingly, that the disclosing party shall, in addition to other available legal or equitable remedies, be entitled to the issuance of immediate injunctive relief, specific performance and any other remedies in law or equity for such breach or threatened breach of the receiving party's obligations

hereunder. The receiving party shall reimburse the disclosing party for all reasonable costs and expenses, including reasonable legal fees and disbursements, incurred by the disclosing party in attempting to enforce the obligations under this Agreement of the receiving party or its Representatives.

22.9 Independent Activities

Each party, as a disclosing party, understands that the receiving party may currently or in the future be developing information internally, or receiving information from a third party that may be similar to the disclosing party's Information. Accordingly, nothing in this Agreement shall be construed as a representation or warranty that the receiving party will not develop products or services, or have products or services developed for it, or enter into any arrangement that, without violation of any of the provisions of this Agreement, compete with the products or services which are contemplated by, or which are the subject of, the disclosing party's Information or the purpose for which Information was disclosed.

22.10 No Implied Obligations

Neither this Agreement, nor the disclosure or receipt of any Information, shall imply or confirm any intention to enter into any contract or other business relationship, or to purchase any product or service, by either of the parties or any commitment by either of the parties with respect to the present or future development, production or distribution of any product or service.

22.11 Termination and Survival

Either party may terminate this Agreement at any time upon prior written notice to the other party. In the event that this Agreement is terminated, this Agreement shall not apply to any Information disclosed after such termination but, notwithstanding the termination of this Agreement, shall continue to apply to any and all Information disclosed prior to the termination of this Agreement.

ARTICLE 23 – NOTICES

23.01 Addresses

All notices and other communications from one party hereto to another (a “Notice”) that are required or permitted under this Agreement shall be in writing and shall be delivered by hand or by courier, transmitted by facsimile, sent by mail or sent by e-mail to the party hereto to whom it is to be given at the address for such party below:

(i) to Hydro:

Postal Address: Halton Hills Hydro Inc.
43 Alice Street
Halton Hills (Acton), Ontario
L7J 2A9

Attention: The President

Telefacsimile Number: (519) 853-4148

Attention: The President

E-mail Address: guatto@hhhydro.on.ca

(ii) to Fibre:

Postal Address: Halton Hills Fibre Optics Inc.
43 Alice Street
Halton Hills (Acton), Ontario
L7J 2A9

Attention: The Chief Financial Officer

Telefacsimile Number: (519) 853-4148

Attention: The Chief Financial Officer

E-mail Address: askidmore@hhhydro.on.ca

23.02 Time of Receipt

A Notice will be received for the purposes of this Agreement when actually received by intended recipient thereof. Notices shall be deemed to have been received in the following circumstances:

- (i) when transmitted by facsimile or e-mail transmission, at 10:00 in the forenoon (local time of the recipient) on the next Business Day following the day upon which the Notice is transmitted, provided that another copy of the Notice is received or deemed received by the recipient by delivery, courier or post within ten days of the date of deemed receipt of the Notice by facsimile or e-mail transmission; and
- (ii) by mail, on the tenth day (days upon which there is an interruption of postal service in Canada or the United States of America excepted) following the day on which the Notice was mailed.

23.03 Change of Address

A party hereto may change its address for the purposes of Section 23.01 by giving notice to the other party hereto and in such event all notices thereafter given to that party shall be to such changed address.

ARTICLE 24 – GENERAL

24.1 Prior Agreements

This Agreement supersedes and terminates all prior agreements, understandings or writings between the parties hereto and their predecessors, whether written or oral and whether legally enforceable or not, in connection with the matters dealt with in this Agreement.

24.2 Inurement

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns as provided for herein, receivers, receiver-managers and trustees.

24.3 Relationship of Parties

The relationship between the parties hereto shall not be that of partners, agents, or joint venturers for one another, and nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between them for any purposes, including, but not limited, to federal or provincial income tax purposes. The parties hereto, in performing any of their obligations hereunder, shall be independent contractors or independent parties and shall discharge their contractual obligations at their own risk subject, however, to the terms and conditions of this Agreement.

24.4 Waiver in Writing

No waiver by a party hereto of any provision, or the breach of any provision, of this Agreement shall be effective unless it is contained in a written instrument signed by authorized officers or representatives of the party hereto. Such written waiver shall affect only the matter specifically identified in the instrument granting the waiver and shall not extend to any other matter, provision or breach.

24.5 Delay Not Waiver

The failure of a party hereto to give notice to any other party hereto or to take any other steps in exercising any right, or in respect of the breach or nonfulfillment of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

24.6 Acceptance of Payment Not Waiver

Acceptance of payment by a party hereto after the breach or nonfulfillment of any provision of this Agreement by another party shall not constitute a waiver of the provisions of this Agreement, other than any breach cured by such payment.

24.7 Amendments

This Agreement may only be amended by a written agreement executed on behalf of both parties hereto by their duly authorized representatives in such regards.

24.8 Time of the Essence

Time shall be of the essence of this Agreement.

24.9 Further Assurances

Each of the parties hereto shall at its own cost and expense, from time to time and without further consideration, execute or cause to be executed all documents and shall take or refrain from taking all actions which are reasonably necessary or reasonably desirable to give effect to the provisions of this Agreement.

24.10 Severability

In the event that any provision of this Agreement shall be adjudged to be invalid for any reason whatsoever, such invalidity shall not affect the operation of any other provision of this Agreement and such invalid provision shall be deemed to have been deleted from this Agreement.

24.11 Use of Name

Each party hereto agrees that it will not use, suffer or permit to be used, directly or indirectly, the name of any other party hereto for any purpose whatsoever without, in each instance, first obtaining the written consent of such other party.

24.12 Waiver of Relief

The parties acknowledge that any default, forfeiture or assignment provisions contained in this Agreement are, in view of the risks inherent in the business to be conducted by parties hereto, reasonable and equitable. Each party hereto waives any and all rights which it may have at law or in equity against default, forfeiture or penalty if such provisions herein are invoked.

24.13 No Third Party Beneficiaries

Nothing in this Agreement shall entitle any Person other than the parties hereto and their respective successors to any claim, cause of action, remedy or right of any kind in respect of this Agreement or the subject matter of this Agreement.

24.14 Attornment

Each party hereto irrevocably submits to and accepts the jurisdiction of the courts of the Province of Ontario, Canada and all courts of appeal therefrom as regards any legal proceedings relative to this Agreement. Each party hereto irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the

maintenance in the courts of the Province of Ontario and all courts of appeal therefrom as regards any legal proceedings relative to this Agreement. Each of the parties hereto agrees that a final judgement of the courts of the Province of Ontario, Canada or any court of appeal therefrom and in respect of which all appeal periods have expired without appeal shall be conclusive and may be enforced in other jurisdictions by legal proceedings on the judgement or in any other manner provided by law.

24.15 Good Faith

Each of the parties hereto shall have a duty to act in good faith in the performance and enforcement of this Agreement. All actions, activities, consents, approvals and other undertakings of the parties hereto shall be performed in a reasonable and timely manner.

24.16 Language of Agreement

The parties to this Agreement have expressly agreed that this Agreement be drawn in the English language. Les parties aux presentes ont expressement convenu que le present contrat soit redige en anglais.

24.17 Entire Agreement

This instrument (including all Schedules hereto, if any) states and comprises the entire agreement between the parties hereto relative to the subject matter hereof. There is no representation, warranty or collateral agreement relating to this transaction except as expressly set forth herein.

24.18 Counterpart and Facsimile Execution

This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. This Agreement may be executed by facsimile and the facsimile execution pages will be binding upon the executing Party to the same extent as the original executed pages. The executing Party covenants to provide originals of the facsimile execution pages for insertion into the original Agreement in place of the facsimile pages.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement effective as of the date first above written.

HALTON HILLS FIBRE OPTICS INC.

By: _____
Daniel F. Guatto,
President

By: _____
Adrian A. Phillips,
Secretary

HALTON HILLS HYDRO INC.

By: _____
Bryan D. Boyce,
Chairman

By: _____
Adrian A. Phillips,
Secretary

AMENDING AGREEMENT

(HHHI – HHFOI Services Agreement)

THIS AGREEMENT made this 1st day of January, 2007,

BETWEEN:

HALTON HILLS HYDRO INC.

- and -

HALTON HILLS FIBRE OPTICS INC.

WHEREAS the parties hereto are parties to a Services Agreement made effective the 1st day of January, 2001 and such agreement, as previously amended, is herein referred to as the “Services Agreement”; and

WHEREAS the parties hereto wish to amend the Services Agreement in the manner hereinafter provided.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy whereof being hereby acknowledged by each party hereto to the other party hereto, the parties hereto covenant and agree as follows:

1. **CONTINUATION OF CHARGE FOR MANAGEMENT AND OFFICE PERSONNEL SERVICES**

It is agreed that the charges presently provided in Section 3.6 of the Services Agreement shall continue to be Two Thousand Seven Hundred Dollars (\$2,700.00) monthly throughout 2007.

2. **CONTINUATION OF CHARGE FOR PREMISES AND OFFICE EQUIPMENT AND SUPPLIES**

It is agreed that the charges presently provided in Section 10.5 of the Services Agreement shall continue to be Three Hundred Dollars (\$300.00) monthly throughout 2007.

3. **ADDITION OF CHARGE FOR GEORGETOWN POP SITE**

The Services Agreement is hereby amended by adding thereto the following Article 10A:

“ARTICLE 10A – GEORGETOWN POP SITE

10A.1 Provision

Hydro shall make available to Fibre a mutually agreed area within the boundaries of the property upon which Hydro's Georgetown Substation is located upon which Fibre may construct and occupy a building for use by Fibre as a POP location. Upon Fibre's request and at Fibre's expense, any building constructed by Fibre on Hydro's Georgetown Substation site pursuant to this Section shall have access secure and separate from Hydro's access to such site.

10A.2 Codes Compliance

Hydro and Fibre shall co-operate and take all reasonable measures to insure that any building constructed and occupied by Fibre on Hydro's Georgetown Substation site pursuant to this Article and the use thereof by Fibre are in compliance with the requirements of the Codes.

10A.3 Vacating Property

In the event that:

- (i) Hydro at any time determines that it needs the site upon which any building constructed by Fibre on Hydro's Georgetown Substation site pursuant to this Article is located in order for Hydro to conduct its own business; or
- (ii) the Codes no longer allow Hydro to make available to Fibre property within the boundaries of Hydro's Georgetown Substation for use by Fibre to locate and use a building for the purposes for which Fibre is then using such building,

then Fibre shall, within six (6) months of receipt of Notice to vacate from Hydro, vacate such building, join with Hydro in executing all documents necessary to terminate Fibre's rights under this Article and to transfer title to such building to Hydro and, upon such transfer, Hydro shall pay Fibre the fair market value of such building determined by agreement between Hydro and Fibre or, failing such agreement, pursuant to the Dispute Resolution Provisions.

10A.4 Payment

Fibre shall pay Hydro Six Hundred Dollars (\$600.00) monthly throughout 2007 for the property made available by Hydro to Fibre pursuant to this Article. It is intended that the amount payable by Fibre to Hydro for the property made available by Hydro to Fibre pursuant to this Article represents the fair market value thereof and either party hereto may at any time, but not more frequently than every six months, require the other party hereto to enter into discussions and agree to a new amount to be paid by Fibre to Hydro pursuant to this Article as representing the fair market value at the time of the property made available by Hydro to Fibre pursuant to this Article and, failing such agreement, the matter may be resolved pursuant to the Dispute Resolution Provisions."

4. RATIFICATION

Except as in this Agreement expressly otherwise provided, the Services Agreement is hereby ratified and confirmed and declared to continue and be in effect and binding upon the parties hereto in accordance with its terms as amended by the provisions of this Agreement.

5. FURTHER ASSURANCES

Each of the parties hereto shall, from time to time and at all times hereafter, at the request of the other party hereto and without further consideration, execute and deliver all documents, take or refrain from taking all actions and deliver all further assurances as may be reasonably required to give effect to the terms and intent of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement on the date first above written.

HALTON HILLS FIBRE OPTICS INC.

By: _____
Arthur A. Skidmore,
Chief Financial Officer

HALTON HILLS HYDRO INC.

By: _____
Daniel F. Guatto,
President

SERVICES AGREEMENT

(Hydro – Services)

THIS AGREEMENT made effective the 1st day of January, 2001,

B E T W E E N:

HALTON HILLS HYDRO INC., an Ontario corporation
having offices within the Town of Halton Hills, in the Province
of Ontario (hereinafter referred to as “Hydro”)

– and –

HALTON HILLS ENERGY SERVICES INC., an Ontario
corporation having offices within the Town of Halton Hills, in
the Province of Ontario (hereinafter referred to as “Services”)

WHEREAS Services is engaged in the business of providing varied and sundry services related to the electrical industry and for such purposes has need of personnel, office premises and equipment; and

WHEREAS Hydro is engaged in the business of the local distribution of electricity and for such purposes has personnel, office premises and equipment that it could make available to Services; and

WHEREAS Hydro and Services have agreed as to the basis upon which the personnel, office premises and equipment of Hydro may be made available to Services and Hydro and Services wish to enter into this agreement to record their agreements.

NOW THEREFORE, in consideration of the premises hereto and the covenants and agreements herein and other good and valuable consideration, the receipt and sufficiency of such consideration being hereby acknowledged by each party hereto to the other party hereto, the parties hereto covenant and agree as follows:

ARTICLE 1 – DEFINITIONS

1.1 Words and Phrases Defined

In this Agreement, unless the subject matter or context is inconsistent therewith, the words and phrases set forth below shall have the meanings attributed below:

“Affiliate” has the meaning attributable thereto pursuant to the Ontario *Business Corporations Act*.

“Agreement” means this Agreement and includes all schedules to this Agreement and, further, includes all amendments and supplements as may be made from time to time.

“Available Hours” means the hours in a calendar year that an employee of Hydro is available to provide services to Hydro.

“Business Day” means a day that is not a Saturday, Sunday or a public or bank holiday in the Province of Ontario.

“Codes” means the Affiliate Relationships Code and all other codes, legislation, regulation and rules applicable to Hydro and Services from time to time.

“Default” shall have the meaning provided therefor in Section 17.1.

“Dispute Resolution Provisions” means the provisions of Article 20.

“Force Majeure” means in relation to the performance of any obligation under this Agreement, any cause, condition or event of any nature whatsoever which is beyond the reasonable control of the party responsible for such obligation which prevents in whole or in part the performance by either party of its respective obligations including without limitation, acts of war, revolution, riot, sabotage, vandalism, earthquakes, storms, flooding, lightning

and other acts of God, local or national emergencies, strikes, lockouts, work slowdowns and all other labour disputes, whether lawful or unlawful.

“Hydro Equipment” shall have the meaning provided therefor in Section 6.1 and includes tools, machinery and vehicles but does not include materials expected to be consumed in the course of operations and not returned to Hydro.

“Lowest Competitive Price” means a price for a particular service and/or provision of equipment which is no more than the price charged by Hydro to anyone other than Services for a similar service and/or provision of similar equipment under similar circumstances.

“Management and Office Personnel” means the President, Vice President, Controller, Accounting Supervisor, Administrative Assistant, Cashiers, Billing Clerks, Billing and Customer Service Supervisor, Customer Service Clerks, Accounts Payable Clerk of Hydro, from time to time.

“Notice” shall have the meaning provided therefor in Section 23.1.

“Person” means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

“Prescribed Rate” means the rate of interest allowed, from time to time, to Hydro on its debt for the purposes of calculating the electricity distribution rates for Hydro pursuant to Performance Based Regulation of Hydro by the Ontario Energy Board.

“Service Personnel” means engineering and operations staff of Hydro excepting those thereof that are Management and Office Personnel.

“Term” means the period of time that this Agreement is in effect pursuant to the provisions of Article 14.

1.2 Derivations

Where a word or phrase is defined for the purposes of this Agreement, a derivative of that word or phrase shall have a corresponding meaning.

1.3 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include all Persons.

1.4 Accounting Terms

All accounting terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with Canadian generally accepted accounting principles,

except where inappropriate in the context in which such accounting term is used in this Agreement.

1.5 Industry Terms

Unless expressly defined herein, words having well known technical or trade meanings within the electricity distribution and related industries shall be so construed.

ARTICLE 2: INTERPRETATION

2.1 Interpretation of Agreement and Schedules

The body of this Agreement and all the Schedules to this Agreement constitute one and the entire agreement between the parties hereto and, accordingly, the body of this Agreement and all such Schedules hereto shall be interpreted and enforced as though the provisions of such Schedules were set forth in the body of this Agreement prior to the execution page hereof and without giving paramountcy to the provisions of the body of this Agreement or any of the Schedules to this Agreement over the provisions of the other.

2.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario and shall be treated in all respects as an Ontario contract.

2.3 Legislation, Regulations and Rules

Any reference in this Agreement to all or any part of any statute, regulation or rule shall, unless otherwise expressly stated herein, be a reference to the statute, regulation or rule, or part thereof, as amended from time to time.

2.4 Article, Section, Subsection and Item References

The division of this Agreement into Articles, Sections and Subsections are for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this Agreement. References in this Agreement or in an Schedule to this Agreement to an Article, Section or Subsection shall mean a reference to an Article, Section or Subsection within the body of this Agreement. References herein to an Item without identifying the Section in which the Item is contained shall mean a reference to the Item in the same Section where the reference is made.

2.5 Headings

The headings of Articles, Sections and Subsections herein and in the Schedules to this Agreement and the Table of Contents are inserted for convenience of reference only and shall not affect or be considered to affect the construction or interpretation of the provisions of this Agreement.

2.6 "Hereof" Etc.

The terms “hereof”, “hereunder”, “herein”, “hereto” and similar expressions refer to this Agreement in its entirety and not to any particular Article, Section, Subsection or other portion of this Agreement.

2.7 Currency of Contract

All references in this Agreement to money shall denote the lawful currency of Canada, except as may be otherwise expressly stated.

2.8 Accounting Principles

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken in accordance with generally accepted accounting principles.

2.9 Waiver of Contra-Proferentem Rule

Each party to this Agreement acknowledges and agrees that it has participated in the drafting of this Agreement and, accordingly, this Agreement shall not be interpreted either more or less favorably in favor of any party to this Agreement by virtue of the fact that one party or its counsel has been principally responsible for the drafting of all or a portion of this Agreement.

ARTICLE 3 –MANAGEMENT AND OFFICE PERSONNEL

3.1 Supply

Hydro shall, throughout the Term of this Agreement, supply the services of the Management and Office Personnel to provide to Services the same services as the Management and Office Personnel provide to Hydro and, in addition, to provide such other services as may be requested of them by the Management and Office Personnel to whom they are responsible.

3.2 Responsibilities of Management and Office Personnel

The Management and Office Personnel shall fulfill the same responsibilities with respect, to Services that the Management and Office Personnel fulfill with respect to Hydro and, in addition, shall fulfil such other responsibilities as may be requested of them by the Management and Office Personnel to whom they are responsible.

3.3 Conflicts of Interest and Release

Services acknowledges that the Management and Office Personnel are officers and employees of Hydro and, as such, they will have a conflict of interest with respect to any matter which would involve business or other relations between Hydro and Services inasmuch as Hydro is the sole shareholder of Services. Services agrees that, insofar as this Agreement is concerned, the obligations that each of the Management and Office Personnel has to Hydro is paramount to the obligations that the Management and Office Personnel has to Services. Accordingly, in each event of a such a conflict of interest in the obligations that any Management and Office Personnel owes to Hydro and Services, the Management and Office Personnel is excused from performing such obligation and the particular event shall be referred to officers or employees of Services that do not have such a conflict or, failing that, to the Board of Directors for resolution. Further, Services hereby releases the Management and Office Personnel, and each of them, and Hydro from all liability that may arise or be associated with any conflict of interest that any of the Management and Office Personnel may have as a result of being an officer of both Services and Hydro, performing any of the responsibilities associated with being an officer of Services or providing services to Services pursuant to this Agreement.

3.4 Indemnity and Release

Services shall indemnify and hold harmless Hydro and each of the Management and Office Personnel from and against all loss, claims and liability whatsoever that arises howsoever from or is associated with the performance of the Management and Office Personnel of their responsibilities to Services except such thereof as results from the negligence or wilful misconduct of the Management and Office Personnel, or any of them.

3.5 Not Employees

The Management and Office Personnel are not, and shall in no event become, employees of Services. In no event shall Services become obligated howsoever to pay, or make any

contribution to Hydro in respect of, the salaries, wages, benefits or other compensation payable by Hydro to the Management and Office Personnel except to pay to Hydro any amount payable by Services to Hydro pursuant to Section 3.6. In no event shall the use by Services of the services of the Management and Office Personnel become the basis for any right of any labour union or similar organization to become the bargaining agent for the employees of Services.

3.6 Charge for Management and Office Personnel Services

Based upon the estimates agreed to by the parties hereto of the amount of time of the Management and Office Personnel that will be required in order for the Management and Office Personnel to provide the services and to fulfil their obligations pursuant to this Agreement, Services shall pay Hydro the amount of Twelve Thousand Five Hundred Fifty-Nine Dollars (\$12,559.00) monthly for the services of the Management and Office Personnel. The amount payable by Services to Hydro pursuant to this Section for the services of the Management and Office Personnel includes;

- (i) compensation to Hydro for indeterminable costs of the equipment and supplies used by the Management and Office Personnel for the equipment used by them to provide their services and fulfil their responsibilities to Services pursuant to this Agreement;

- (ii) a fair and reasonable allocation of gross payroll and benefits costs of Hydro attributable to the Management and Office Personnel in respect of the time that the Management and Office Personnel spend to provide their services and fulfil their responsibilities to Services pursuant to this Agreement, such allocation being based upon Available Hours; and
- (iii) a mark-up consistent with market circumstances on the actual cost to Hydro of the Management and Office Personnel and provided by Hydro to Services.

Hydro shall, from time to time, calculate the amounts to be charged to Services for the Management and Office Personnel provided by Hydro to Services pursuant to this Agreement and shall give Services Notice thereof and of each change thereto. In the event that Services disputes that any charge for the Management and Office Personnel is calculated in accordance with the provisions of this Agreement, then Services shall give Notice of its dispute to Hydro whereupon Hydro and Services shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Services may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

In consideration of the payments by Services to Hydro pursuant to this Section, Services shall not be required or expected to make any contribution to the provision of the offices, equipment, support staff or other requirements that the Management and Office Personnel may require to provide their services and fulfil their responsibilities to Services under this Agreement.

ARTICLE 4 – SERVICE PERSONNEL

4.1 Supply

Services may, at any time and from time to time, request Hydro to provide the Service Personnel, or any of them, to provide services to Services. Each such request by Services to Hydro for Service Personnel shall be in writing, and may be in the form of a purchase order, and shall specify:

- (i) the number and type of Service Personnel required;
- (ii) the equipment which is to accompany the Service Personnel;
- (iii) the period of time for which the Service Personnel are required, including a contingency period which shall be separately specified;
- (iv) the purpose for which the Service Personnel are required, including the specific tasks that the various Service Personnel will be performing; and
- (v) the location or area in which the Service Personnel will be providing their services,

unless Hydro and Services shall otherwise agree.

4.2 Obligation to Supply and Conditions

Upon receipt by Hydro of a request from Services for Service Personnel satisfying the requirements of Section 4.1, Hydro shall supply the requested Service Personnel to Services for the purposes requested subject to the following conditions:

- (i) Hydro determines, in its sole unfettered judgement, that it has the requested Service Personnel available that are capable of performing the specified tasks, during the period of time and in the location or area indicated in the request made by Services;
- (ii) the supply of Service Personnel is subject to interruption due to emergency requirements of Hydro, as determined by Hydro in its sole and unfettered judgement, for the purposes of its own business, but not otherwise;

- (iii) Hydro determines, in its sole unfettered judgement, that it has the equipment available which will allow the requested Service Personnel to perform the tasks for which they have been requested by Services, provided, however, that Hydro shall provide the requested Service Personnel notwithstanding that Hydro may have determined that it does not have the equipment available which will allow the requested Service Personnel to perform the tasks for which they have been requested by Services in the event that Services undertakes to provide the necessary equipment;
- (iv) Services will provide and/or otherwise reimburse Hydro for all fuel, lubricants and other consumables consumed in the operation of the equipment used by the Service Personnel;
- (v) Services will reimburse Hydro for the cost of all materials provided by Hydro to Services for the purposes of completing the assignment of the Service Personnel;
- (vi) Hydro shall not be required to supply or continue the supply of Service Personnel if, in the sole and unfettered judgement of Hydro, the work environment in which the Service Personnel are or will be providing their services does not satisfy applicable safety laws and/or regulations;
- (vii) Hydro shall not be required to supply or continue the supply of Service Personnel if, in the sole and unfettered judgement of Hydro, the services being or to be provided by the Service Personnel do not satisfy the requirements of Section 13.1; and
- (viii) Services shall indemnify and hold harmless Hydro and each of the Service Personnel from and against all loss, claims and liability whatsoever that arises howsoever from or is associated with the performance of the Service Personnel of their responsibilities to Services except such thereof as results from the negligence or willful misconduct of the Service Personnel, or any of them.

4.3 Equipment

The Service Personnel provided by Hydro to Services pursuant to this Agreement shall, subject to the provisions of Section 4.2(iii), be accompanied by the equipment required by the Service Personnel in order to perform the tasks in respect of which the Service Personnel were requested.

4.4 Time Sheets/Work Orders

Hydro shall cause each of the Service Personnel to make a written record, which may be in the form of time sheets or work orders, of the time spent by such Service Personnel

providing services to Services pursuant to this Agreement and the charges of Hydro to Services for the services of the Service Personnel shall be calculated on the basis of such written records.

4.5 Charges for Service Personnel

Services shall pay Hydro for the services of the Services Personnel charges which represent the fair market value thereof and, otherwise, which:

- (i) do not exceed the Lowest Competitive Price;
- (ii) includes in the calculation of such charges a fair and reasonable allocation of gross payroll and benefits costs of Hydro attributable to the Service Personnel in respect of the time that the Service Personnel spend to provide their services and fulfil their responsibilities to Services pursuant to this Agreement, such allocation being based upon Available Hours, being based only on actual charges paid to third parties and not including any notional calculations;
- (iii) include with respect to equipment provided with Service Personnel only charges consistent with the provisions of Article 5; and
- (iv) include a mark-up consistent with market circumstances on the actual cost to Hydro of the Service Personnel and equipment provided by Hydro to Services.

Hydro shall, from time to time, calculate the amounts to be charged to Services for the Service Personnel provided by Hydro to Services pursuant to this Agreement and shall give Services Notice thereof and of each change thereto. In the event that Services disputes that any charge for the Service Personnel is calculated in accordance with the provisions of this Agreement, then Services shall give Notice of its dispute to Hydro whereupon Hydro and Services shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Services may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

In consideration of the payments by Services to Hydro pursuant to this Section, Services shall not be required or expected to make any contribution to the provision of the offices, equipment, support staff or other requirements that the Service Personnel may require to provide their services and fulfil their responsibilities to Services under this Agreement.

4.6 Not Employees

The Service Personnel are not, and shall in no event become, employees of Services. In no event shall Services become obligated howsoever to pay, or make any contribution to Hydro in respect of, the salaries, wages, benefits or other compensation payable by Hydro to the Service Personnel except to pay to Hydro any amount payable by Services to Hydro pursuant to Section 4.4. In no event shall the use by Services of the services of the Service Personnel become the basis for any right of any labour union or similar organization to become the bargaining agent for the employees of Services.

4.7 Limited Warranty

Services acknowledges that, except as set forth in this Agreement Hydro makes no warranty, representation or indemnity, express or implied, with respect to any of the Service Personnel and equipment provided by Hydro to Services pursuant to this Article or for any work performed by the Service Personnel and equipment provided by Hydro to Services pursuant to this Article, including any and all warranties of design, merchantability or fitness for particular purpose or arising from a course of dealing, usage or trade, and each party hereto hereby expressly waives and disclaims all such warranties, representations and indemnities except that the Service Personnel are properly trained and fully qualified to perform the services that they are intended to perform for Services pursuant to this Article and the equipment provided by Hydro to the Service Personnel are adequate and safe for use by the Service Personnel to perform the

services to be performed by the Service Personnel for Services pursuant to this Article.

The warranties set forth in this Agreement constitute the only warranties made by a party hereto to the other party hereto with respect to this Agreement and are made in lieu of all other warranties or conditions, written or oral, statutory, express or implied.

ARTICLE 5 - CONTRACTORS

5.1 Meter Readers

Services shall reimburse Hydro for a percentage of the actual cost to Hydro of persons who read meters for Hydro under contract with Hydro equal to the percentage that the total number of water meters read by such persons is of the total number of electricity and water meters read by such persons.

5.2 Other Contractors

Services shall reimburse Hydro for a percentage of the actual cost to Hydro of each provider of services to Hydro under contract with Hydro equal to the percentage of the services of such service provider used by Services is of the total services provided by such service provider to both Hydro and Services. In the event that Services might make available to Hydro the services of a service provider under contract with Services, Hydro shall reimburse Services for a percentage of the actual cost to Services of such service provider equal to the percentage of the services of such service provider used by Hydro is of the total services provided by such service provider to both Hydro and Services.

ARTICLE 6 - EQUIPMENT

6.1 Supply

Services may, at any time and from time to time, request equipment from Hydro for use by Services without Service Personnel (such equipment being referred to as “Hydro Equipment”). Each request by Services to Hydro for Hydro Equipment shall be in writing, and may be in the form of a purchase order, and shall specify:

- (i) the type and number or quantity of Hydro Equipment required;
- (iii) the period of time for which the Hydro Equipment is required, including a contingency period which shall be separately specified;
- (iv) the purpose for which the Hydro Equipment is required, including the specific tasks for which the various Hydro Equipment will be used; and
- (v) the location or area in which the Hydro Equipment will be used.

6.2 Obligation and Conditions of Supply

Upon receipt by Hydro of a request from Services for Hydro Equipment satisfying the requirements of Section 6.1, Hydro shall supply the requested Hydro Equipment to Services for the purposes requested subject to the following conditions:

- (i) Hydro determines, in its sole unfettered judgement, that it has the requested Hydro Equipment available that is capable of performing the specified tasks, during the period of time and in the location or area indicated in the request made by Services;
- (ii) the supply of Hydro Equipment is subject to interruption due to emergency requirements of Hydro for the purposes of its own business, but not otherwise, determined by Hydro in its sole and unfettered judgement;
- (iii) Hydro determines, in its sole and unfettered judgement, that the persons that will be operating and maintaining the Hydro Equipment are properly qualified and that the Hydro Equipment will be safely operated;
- (iv) Hydro determines, in its sole and unfettered judgement, that the persons that adequate insurance is being carried by Services with respect to loss or damage to the Hydro Equipment and with respect to the persons who will be operating the Hydro Equipment;
- (v) Services will provide and/or otherwise reimburse Hydro for all fuel, lubricants and other consumables consumed in the operation of the Hydro Equipment;
- (vi) all Hydro Equipment is provided pursuant and subject to Hydro's conditions, from time to time, for the supply of equipment;
- (vii) Services shall reimburse Hydro for any damage to the Hydro Equipment, reasonable wear and tear excepted; and
- (viii) Services shall indemnify and hold harmless Hydro from and against all loss, claims and liability whatsoever that arises howsoever from or is associated with the use by Fibre of the Hydro Equipment except such thereof as is attributable to the Hydro Equipment itself and not to the manner of use thereof.

6.3 Charges for Hydro Equipment

Services shall pay Hydro for the use of Hydro Equipment charges which represent the fair market value thereof and, otherwise, which:

- (i) do not exceed the Lowest Competitive Price;

- (ii) include with respect to equipment provided with Service Personnel only charges consistent with the provisions of Article 4; and
- (iii) include a mark-up consistent with market circumstances on the actual cost to Hydro of the Hydro Equipment provided by Hydro to Services.

Hydro shall, from time to time, calculate the amounts to be charged to Services for the Hydro Equipment provided by Hydro to Services pursuant to this Agreement and shall give Services Notice thereof and of each change thereto. In the event that Services disputes that any charge for the Hydro Equipment is calculated in accordance with the provisions of this Agreement, then Services shall give Notice of its dispute to Hydro whereupon Hydro and Services shall endeavor in good faith to resolve the dispute provided, however, that either Hydro or Services may at any time refer the dispute for resolution pursuant to the Dispute Resolution Provisions.

6.4 No liability

Services shall have no liability to Hydro related to the use of the Hydro Equipment associated with ordinary wear and tear associated or with usage of the Hydro Equipment not involving negligence or wilful misuse. It is the intent of the parties hereto that the amounts payable by Services to Hydro for use of the Hydro Equipment includes an amount to compensate Hydro for the ordinary wear and tear that would result from the customary useage of the Hydro Equipment.

6.5 No Warranty

Services acknowledges that, except as expressly set forth in this Agreement Hydro makes no warranty, representation or indemnity, express or implied, with respect to the design, merchantability or fitness for particular purpose of any of the Hydro Equipment or arising from a course of dealing, usage or trade, and Services hereby expressly waives and disclaims all such warranties, representations and indemnities except that the Hydro Equipment is in industry standard condition for useage at the time that it is delivered to Services for useage. The warranties set forth in this Agreement constitute the only

warranties made by a party hereto to the other party hereto with respect to this Agreement and are made in lieu of all other warranties or conditions, written or oral, statutory, express or implied.

ARTICLE 7 - SYSTEMS

7.1 No Charge

The parties hereto agree that the various charges by Hydro to Services pursuant to this Agreement include a component compensating Hydro for the use made by the Management, Office and Service Personnel of the computer hardware and software used by such Personnel in order to provide services to Services pursuant to this Agreement and, accordingly there shall not be any separate charge by Hydro to Services in relation to such use of computer hardware and software.

7.2 Reimbursement for Consumables

Notwithstanding the provisions of Section 7.1, Services shall reimburse Hydro for the cost to Hydro of any materials consumed through the use of Hydro's computer systems (for example, invoice formats acquired by Hydro for use in invoicing Services' customers) in the course of Hydro performing its obligations to Services hereunder.

7.3 Meter Readers

Notwithstanding the provisions of Section 7.1, Services shall reimburse Hydro for a percentage of the amortization of the cost of Itron Meter Readers used to read water meter and electricity meters equal to the percentage that the total number of water meters read by such devices is of the total number of electricity and water meters read by such devices.

ARTICLE 8 - BILLING, COLLECTION, CUSTOMER SERVICES & TAXES

8.1 Allowed Functions

Hydro agrees that the Management, Office and Service Personnel may be used by Services to bill and collect bills issued by Services to its customers and to provide customer service to the customers of Services and that the charges for the Management, Office and Service Personnel so doing are included in the monthly charge payable by Services to Hydro pursuant to Section 3.6.

8.2 Services' Charges on Hydro's Invoices

Hydro agrees that, as part of the services provided by Hydro to Services pursuant hereto and paid for by Services by the payments made by Services to Hydro pursuant to Section 3.6, Hydro shall include reasonable space on the invoices sent by Hydro to its customers who are also customers of Services for the charges of Services to that customer. Hydro shall, promptly after receipt, remit to Services any amount received by Hydro on account of payment by a customer of charges by Services to the customer included on an invoice of Hydro.

8.3 Postage

Notwithstanding the provisions of Section 7.1, Services shall reimburse Hydro for the cost to Hydro to mail invoices to the water customers of The Regional Municipality of Halton by paying to hydro a percentage of the cost to Hydro to mail water and electricity invoices equal to the percentage that the total number of water invoices mailed is of the total number of electricity and water invoices mailed.

8.4 Taxes

The amounts stated in this Agreement to be payable by Services to Hydro pursuant to this Agreement do not include any taxes. Services shall be responsible for the payment of, and shall pay or reimburse Hydro if paid by Hydro, all Goods and Services Tax, Provincial Sales Tax and other taxes of a similar nature applicable to, or arising from the price or value, purchase or sale or the provision or use of any of the personnel, services and equipment provided by Hydro to Services pursuant to this Agreement, regardless of the period or entity actually taxed.

ARTICLE 9 – PROVISION OF INSURANCE COVERAGE

9.1 Coverage upon Request

Upon request by Services to Hydro, and subject to Hydro being reasonably able to do so and conditional upon Services paying any incremental cost to Hydro for so doing, Hydro shall add Services as an insured under the insurance policies of Hydro so as to make Services insured under such insurance policies.

ARTICLE 10 – PREMISES

10.1 Provision

Hydro shall, upon receipt of Notice from Services so requesting, make available to Services premises within the offices of Hydro located in the main offices, from time to time, of Hydro in Acton, Ontario for the conduct by Services of its business, subject to Hydro determining, in its sole and unfettered judgement, that it has space that could be made available to Services for such purposes. Any offices provided by Hydro to Services pursuant to this Section shall be separate, and shall have separate access from the offices of Hydro.

10.2 Codes Compliance

Hydro and Services shall co-operate and take all reasonable measures to insure that any premises made available by Hydro to Services pursuant to this Article are so made available in compliance with the requirements of the Codes.

10.3 Vacating Premises

In the event that:

- (i) Hydro at any time determines that it needs the premises made available to Services pursuant to this Article in order for Hydro to conduct its own business; or
- (ii) the Codes no longer allow Hydro to make available to Services premises within the offices of Hydro located in the of Hydro,

then Services shall vacate the premises made available by Hydro to Services pursuant to this Article within six (6) months of receipt of Notice to vacate from Hydro.

10.4 Office Equipment

Services shall be allowed the use of office equipment and supplies as part of the premises made available by Hydro to Services pursuant to this Article.

10.5 Payment

Services shall pay Hydro One Thousand Eight Hundred Thirty-Six Dollars and Forty-One Cents (\$1,836.41) monthly for the premises and the use of office equipment and supplies made available by Hydro to Services pursuant to this Article. It is intended that the amount payable by Services to Hydro for the premises, equipment and supplies made available by Hydro to Services pursuant to this Article represents the fair market value thereof and either party hereto may at any time, but not more frequently than every six months, require the other party hereto to enter into discussions and agree to a new amount to be paid by Services to Hydro pursuant to this Article as representing the fair market value at the time of the premises, equipment and supplies made available by Hydro to Services pursuant to this Article and, failing such agreement, the matter may be resolved pursuant to the Dispute Resolution Provisions.

ARTICLE 11 – PAYMENTS, INTEREST AND ADJUSTMENTS

11.1 Payments

All amounts payable by a party hereto pursuant to this Agreement shall be paid within thirty (30) days of the receipt of the invoice therefor.

11.2 Interest

All amounts not paid by a party hereto within the time herein provided for the payment thereof shall bear interest until paid at the Prescribed Rate and all such interest payable by a party hereto shall be paid at the same time as the amount to which such interest relates is paid.

11.3 Adjustments

Upon the request of either party hereto, the parties hereto shall negotiate in good faith any change to this Agreement reasonably sought by a party hereto, without any obligation upon the parties hereto to agree to any change to this Agreement and, subject to express provision otherwise made elsewhere in this Agreement, the Dispute Resolution Provisions shall not apply to such negotiations.

11.4 Set-Off

A party hereto obliged to make a payment to the other party hereto may set off against the amount otherwise payable any amount to which the first party is then entitled to receive from the other party and to remit the other party the amount by which the amount owed by the first party to the other party exceeds the amount owed to it by the other party, if any, provided the first party informs the other party of it having so done prior to the date upon which the other party is obliged to remit to the first party the amount which the first party has set off against the amount otherwise payable by the first party to the other party.

ARTICLE 12 – INDUSTRY CODES

12.1 Compliance is Objective

It is the expressed intent of both of the parties hereto that the arrangements provided for herein shall at all times be in compliance with the Codes as they apply to the parties hereto from time to time.

12.3 Best Efforts

Each party hereto shall use all reasonable efforts to comply with the Codes insofar as the Codes apply to the particular party. Each party hereto shall use all reasonable efforts (excepting such as would have an adverse economic consequence to the party) to adapt its conduct so as to allow the other party hereto to comply with the Codes insofar as the Codes apply to that other party.

12.2 Amendment

In the event that the parties hereto cannot voluntarily adapt their conduct so as to comply to the requirements of the Codes or if to so do would have adverse economic consequences to either party hereto, then either party may require the other party hereto to amend this Agreement such that both parties hereto would be in compliance with the requirements of the Codes and to adjust the economic provisions of this Agreement such that the burden of such compliance is properly borne by the party which had the obligation to change this Agreement in order for it to comply with the Codes and, failing such agreement, the parties may have recourse to the Dispute Resolution Provisions to resolve the matter.

12.4 Code Session

Forthwith upon complete execution of this Agreement the parties hereto shall jointly host a meeting of all Administrative and Service Personnel that might be expected to provide services pursuant to this Agreement for the purposes of explaining the requirements of

the Codes with respect to their provision of services and equipment to Services on behalf of Hydro pursuant to this Agreement.

ARTICLE 13 - STANDARDS

13.1 Standards of Performance

Except as specifically set forth herein, for the purpose of this Agreement the standards and practices of performance within the electricity transmission, distribution and generation industry in the Province of Ontario shall be the measure of the performance of a party hereto.

ARTICLE 14 - TERM

14.1 Original Term

Subject to Sections 14.2 and 14.3, the term of this Agreement shall begin on the date of this Agreement and will terminate at the end of the day preceding the first anniversary of the date hereof, such period being referred to as the "Original Term".

14.2 Extension of Original Term

Unless either party hereto gives the other party hereto written notice of termination of this Agreement at least ninety (90) days prior to the end of the Original Term or of any extension thereof pursuant to this Section, as the case may be, this Agreement shall automatically be renewed at the end of the Original Term or of any such extension thereof, as the case may be, for a one (1) year period upon the same terms and conditions in effect under this Agreement at the end of the Original Term or the end of the preceding extension thereof, as the case may be.

14.3 Termination by Agreement

This Agreement may be terminated at any time by the agreement of both parties hereto, a matter not to be determined pursuant to the Dispute Resolution Provisions.

ARTICLE 15 – TERMINATION

15.1 Expiry of Term

Upon expiration or termination of this Agreement the rights granted by each party hereto to the other party hereto shall immediately terminate and neither party hereto shall have any further obligations to the other party hereto except:

- (i) to finally settle accounts between the parties hereto as regards the activities of the parties hereto during the Term of this Agreement;
- (ii) as regards those matters that this Agreement provides will be done upon termination of this Agreement; and
- (iii) as expressly otherwise provided in this Agreement.

15.2 Removal

Promptly upon termination of this Agreement for any reason, each party hereto shall, at its sole cost and expense, remove all of its equipment, facilities and other associated property from the property and facilities of the other party hereto under the supervision of such other party should such other party desire. Should a party fail to effect such removal within thirty (30) days following termination of this Agreement, the equipment, facilities and other associated property of the party shall be deemed abandoned and may be removed by the other party at the expense of the party whose property is removed.

15.3 **Effect of Termination**

Notwithstanding the foregoing or any other provision of this Agreement, no termination or expiration of this Agreement shall effect the rights or obligations of any party hereto:

- (i) with respect to any prior breach or any then existing defaults or the obligation to make any payment hereunder attributable to the period prior to the date of termination or expiration; or
- (ii) with respect to those provisions of this Agreement which survive the expiry of the Term of the Agreement by virtue of the express provisions of this Agreement or necessary implication based upon the terms of this Agreement or the course of dealing between the parties to the Agreement.

ARTICLE 16 – FORCE MAJEURE

16.1 **Generally**

No party hereto shall be liable to the other party hereto for any default in performance or compliance with provisions of this Agreement if such default is due to any circumstance beyond the reasonable control of the affected party including, without limitation of the foregoing, any act of God, fire, flood, lack of or delay in transportation, the adoption or amendment of government codes, ordinances, laws, rules, regulations or restrictions that materially impair the affected parties performance hereunder, war or civil disorder, strikes, law, codes or other labour disputes. Notwithstanding anything in the preceding sentence of this Section, none of the foregoing shall excuse any default in payment of any amount payable pursuant to this Agreement.

ARTICLE 17 – DEFAULT

17.1 Events of Default

A party hereto shall be in default under this Agreement (a “Default”) if:

- (i) it fails to pay any amount which is due and unpaid within thirty (30) days of receipt from the party hereto to which the amount is due of a written notice (a “Payment Notice”) that the amount is due and unpaid; or
- (ii) the other party hereto gives it written notice that it has given it three (3) or more Payment Notices in any given twelve (12) month period;
- (iii) in the case of any other material breach of this Agreement, it fails to cure such breach within thirty (30) days after notice specifying such breach, provided that if the breach is of a nature that cannot be cured within thirty (30) days, a default shall not have occurred so long as the breaching party has commenced to cure the breach within said time period and thereafter diligently pursues such cure to completion;
- (iv) it becomes insolvent or bankrupt or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding being instituted by or against it; or
- (v) the private or court appointment of a receiver or receiver and manager or officer with similar powers over any part of its property.

17.2 Remedies

In the event of a Default by a party hereto, the non-defaulting party may avail itself of one or more of the following remedies:

- (i) take such actions as it determines, in its sole discretion, to correct the default; or
- (ii) pursue any legal remedies it may have under applicable law or principles of equity, including specific performance; or

- (iii) terminate this Agreement upon thirty (30) days prior written notice to the defaulting party.

Except as set forth to the contrary herein, any right or remedy of a party hereto shall be cumulative and without prejudice to any other right or remedy, whether contained herein or not.

ARTICLE 18 – TRANSFER

18.1 Prohibition

This Agreement may be not assigned in whole or in part by either party hereto without the prior written consent of the other party hereto. Each party hereto shall have the right to arbitrarily withhold, delay or condition such consent.

18.2 Exception re: Security

Notwithstanding any other provision of this Agreement, a party hereto may assign this Agreement as collateral security to a lender.

18.3 Exception re: Affiliate

Notwithstanding any other provision of this Agreement, either party hereto may assign this Agreement to an Affiliate or delegate the performance of its obligations under this Agreement to an Affiliate provided that the party hereto making any such assignment or delegation shall remain jointly liable with its assignee or delegate to the other party hereto with respect to the performance of this Agreement or of the obligations under this Agreement delegated.

18.4 Change in Control

In the event of a change in control of a party hereto, the other party hereto shall have the right to terminate this Agreement by giving Notice of termination to the party hereto who has had a change in Control. For the purposes of this Section, “Control” shall have the meaning given thereto for the purposes of the Ontario *Business Corporations Act*.

ARTICLE 19 - INSURANCE

19.1 Maintenance

During the term of this Agreement and at its sole expense, each party hereto shall maintain commercial general liability insurance which shall have a minimum limit of liability of five million dollars (\$5,000,000.00) per occurrence and shall include premises and operations liability, contractor's contingency liability with respect to the operations of subcontractors, completed operations liability and contractual liability.

ARTICLE 20 – DISPUTE RESOLUTION PROVISIONS

20.1 Generally

Should any dispute or disagreement of any kind arise at any time with respect to the interpretation or application of this Agreement or the carrying out by a party of its obligations hereunder, the parties hereto agree that good faith negotiations shall take place between the parties hereto with the objective of resolving such dispute or disagreement, and the dispute or disagreement shall thereafter be referred to the Chief Executive Officers of the parties hereto who shall attempt in good faith to resolve such dispute or disagreement. If within the next following thirty (30) day period, the dispute or disagreement has not been resolved to the satisfaction of the parties hereto, the parties hereto to whose satisfaction such dispute or disagreement has not been resolved (the "Aggrieved Party") may refer the dispute or disagreement to binding arbitration pursuant to the *Arbitration Act*, 1991 (Ontario) in accordance with this Section by notice in writing to the other party hereto. Within ten (10) days of giving of such notice of arbitration, the parties hereto shall jointly select a single arbitrator who shall be independent of and acceptable to the parties. In the event that the parties hereto are unable to agree upon a suitable arbitrator within such ten (10) day period, the arbitrator shall be selected by a Justice of the Ontario Superior Court of Justice upon application by any party hereto.

20.2 Fees and Expenses

The fees and expenses of the arbitrator shall be split equally between the parties to the dispute.

20.3 Procedures

The arbitrator shall fix the appropriate procedures which may include an oral hearing. Unless the parties wish to mutually set the points at issue, the arbitrator shall order the parties to file statements pursuant to S. 25 of the *Arbitration Act*, 1991. The arbitrator may order interest on any award and the arbitrator may award costs to either party. In the absence of any such award of costs, each of the parties shall bear its own costs of any arbitration pursuant to this Section. The arbitrator shall be strictly bound by legal principles and the nature of this Agreement in rendering his decision.

20.4 Private Arbitration

The arbitration shall be completely private (subject to the regulatory requirements of any party or its Affiliates as a public company or regulated company) and shall take place in Toronto, Ontario unless the parties agree otherwise.

20.5 Arbitration Binding

The Parties agree that good faith negotiations and arbitration shall all be without recourse to the Courts and that the award of the arbitrator or arbitrators shall be final and binding, except that:

- (i) either party may appeal an arbitration award to the Courts of the Province of Ontario on a question of law; and
- (ii) either party may apply to a court of competent jurisdiction for an interim measure of protection.

ARTICLE 21 – INTELLECTUAL PROPERTY

21.1 No transfer of Rights

Except as otherwise expressly provided herein, this Agreement does not convey to a party hereto any right, title, estate or interest whatsoever in or to any of the copyrights, patent rights and other intellectual property rights of the other party hereto.

21.2 Jointly Developed Rights

The parties hereto shall own jointly and equally any copyrights, patent rights and other intellectual property rights that are developed by the parties pursuant to this Agreement. Should a party hereto wish to sell any or all of its interest in any jointly owned copyrights, patent rights and other intellectual property rights then the other party hereto shall have a Right of First Offer with respect to the interests wished to be sold, the terms of which shall be settled by arbitration pursuant to the Dispute Resolution Provisions in the event that such terms cannot be agreed by the parties hereto.

21.4 Logos

Services shall not use Hydro's name, logo or other distinguishing characteristics: (i) without the prior written consent of Hydro; and (ii) in the event use thereof by Services is consented to by Hydro, in a manner which would mislead consumers as to the distinction between Hydro and Services.

ARTICLE 22 - NON-DISCLOSURE

22.1 Definitions

For the purposes of this Agreement:

"Information" means: (i) all business, financial and technical information and data, whether oral or written, in whatever media or form, which is disclosed, directly or indirectly, by either party hereto to the other party hereto whether before, on or after the date hereof including, without limiting the generality of the foregoing, any other information or data relating to, comprising, describing or incorporating a party's current or proposed products, services, prices, suppliers, customers, dealers, agents, employees, businesses, business opportunities, addresses, locations, systems, specifications, drawings, sketches, designs, ideas, creations, inventions, formulas, improvements, models, samples, processes, codes, equipment, methods, techniques, experiments, demonstrations, prototypes, procedures, design methodology, evaluation methodology and criteria, trade secrets, business operations, reports, plans, forecasts, costs, salaries, sales, income, profit, profitability, pricing, business information, financial information and situation, business or marketing plans, distribution and other business strategies, current or historical data, test data, research, technology, computer systems, computer programs, source, object and any other codes, routines and other software and documentation, scientific, computer or technical information and network architecture maps, specifications and service; (ii) any information marked "private", "restricted", "confidential", "proprietary" (or otherwise marked or described so as to indicate confidentiality) or which, by the nature of the circumstances surrounding the disclosure thereof, ought in good faith be treated as confidential, in all cases in its original form or whether it is converted to different forms or combined with additional information, and including any information relating to third parties contained therein; and (iii) any notes, memoranda, summaries, analyses, compilations or any other writings relating howsoever to any of the foregoing prepared relative thereto by the receiving party or on its behalf.

22.2 Obligations Arising From Disclosure

During the course of the relationship established between the parties pursuant to this Agreement, each party may disclose to the other party or permit the other party access to certain Information, either directly or indirectly. Each disclosure of Information will be made or permitted upon the basis of the confidential relationship established between the parties by this Agreement and upon each party's agreement that, unless otherwise specifically authorized in writing by the other, it will:

- (i) *use the Information solely for the purpose for which it was disclosed;*
- (ii) *take all reasonable care and precautions, at least as great as the care and precautions that it takes to protect its own confidential or proprietary information, to keep the Information confidential;*
- (iii) *not disclose, or allow the disclosure of, any Information before or after the termination of this Agreement, except as permitted by this Agreement;*
- (iv) *restrict disclosure of the Information only to its employees or other personnel, advisors, consultants and agents (collectively, "Representatives") with a need to know the Information and who are bound to maintain the Information confidential;*
- (v) *notify each Representative that receives any Information of the requirements of this Agreement and of the restrictions on use and disclosure of Information imposed by this Agreement;*

- (vi) *insure that no Representative breaches or causes or allows to be breached any of the receiving party's obligations hereunder and direct each Representative to abide by the terms of this Agreement;*
- (vii) *not use, or allow to be used, howsoever any Information to compete with or in a manner detrimental or adverse to the commercial interests of the disclosing party;*
- (viii) *except in connection with the purpose for which Information is disclosed, not copy or duplicate such Information or knowingly allow anyone else to copy or duplicate such Information; and*
- (ix) promptly return to the disclosing party, upon its request made before or after termination of this Agreement, or certify as destroyed, the Information in whatever form and regardless of whether such Information was made or compiled by the receiving party or furnished by the disclosing party, together with all copies thereof, howsoever made.

22.3 Exceptions

The obligations under this Agreement shall not apply to any Information that the receiving party can demonstrate to the disclosing party's reasonable satisfaction:

- (i) *became public and generally known through no act or omission of the receiving party or its Representatives;*
- (ii) *was disclosed on a non-confidential basis in good faith to the receiving party by a third party which the receiving party had reasonable grounds to believe had legitimate possession thereof and the right to make such disclosure;*
- (iii) *was in legitimate possession of the receiving party prior to its disclosure by the disclosing party to the receiving party;*
- (iv) *that the receiving party is required by law, judicial or arbitration process to disclose, provided that, prior to disclosing any Information, the receiving party shall promptly notify the disclosing party of such requirement to disclose and take such steps as are reasonably necessary, and cooperate with the disclosing party, to lawfully limit such disclosure and to maintain the confidentiality of the Information in the hands of the receiving party, including obtaining appropriate protective orders; or*
- (v) *is approved in writing by the disclosing party for release or other use by the receiving party according to the terms set out in such written approval.*

The burden of demonstrating the applicability of any exception in this Section shall be upon the party seeking to rely upon any such exception.

22.4 Discretionary Disclosure

Each party acknowledges that, notwithstanding the execution of this Agreement, each party maintains the sole and absolute discretion to determine what, if any, Information it will release to the other party. The receiving party acknowledges that the Information disclosed in any manner whatsoever is proprietary to the disclosing party.

22.5 No Warranty

Each party warrants that it has all requisite authorization to enter into this Agreement and that it has the right to disclose any Information disclosed to the other party. Each party acknowledges and understands that the other party makes no other representation or warranty in relation to any Information disclosed including, without limiting the generality of the foregoing, as to its adequacy, accuracy, or suitability for any purpose and, except as expressly agreed in writing, shall not be liable for any loss or damage arising from the use of the Information howsoever caused.

22.6 Intellectual Property

Each party acknowledges and agrees that all Information shall be owned solely by the disclosing party. Each party further agrees that nothing contained in this Agreement shall be construed as granting any rights, by licence or otherwise, under any intellectual property rights in, or concerning any of, the disclosing party's Information.

22.7 Indemnity

The receiving party shall indemnify and save harmless the disclosing party from and against all losses, liabilities, damages, costs and expenses (including reasonable legal fees and disbursements) suffered or incurred by the disclosing party as a result of a breach of a term of this Agreement by the receiving party or its Representatives.

22.8 Equitable Remedies

In the event of a breach or threatened breach of any term of this Agreement, the receiving party agrees that the harm suffered or that may be suffered by the disclosing party would not be compensable by monetary damages alone and, accordingly, that the disclosing party shall, in addition to other available legal or equitable remedies, be entitled to the issuance of immediate injunctive relief, specific performance and any other remedies in law or equity for such breach or threatened breach of the receiving party's obligations hereunder. The receiving party shall reimburse the disclosing party for all reasonable costs and expenses, including reasonable legal fees and disbursements, incurred by the disclosing party in attempting to enforce the obligations under this Agreement of the receiving party or its Representatives.

22.9 Independent Activities

Each party, as a disclosing party, understands that the receiving party may currently or in the future be developing information internally, or receiving information from a third party that may be similar to the disclosing party's Information. Accordingly, nothing in this Agreement shall be construed as a representation or warranty that the receiving party will not develop products or services, or have products or services developed for it, or enter into any arrangement that, without violation of any of the provisions of this Agreement, compete with the products or services which are contemplated by, or which are the subject of, the disclosing party's Information or the purpose for which Information was disclosed.

22.10 No Implied Obligations

Neither this Agreement, nor the disclosure or receipt of any Information, shall imply or confirm any intention to enter into any contract or other business relationship, or to purchase any product or service, by either of the parties or any commitment by either of the parties with respect to the present or future development, production or distribution of any product or service.

22.11 Termination and Survival

Either party may terminate this Agreement at any time upon prior written notice to the other party. In the event that this Agreement is terminated, this Agreement shall not apply to any Information disclosed after such termination but, notwithstanding the termination of this Agreement, shall continue to apply to any and all Information disclosed prior to the termination of this Agreement.

ARTICLE 23 – NOTICES

23.1 Addresses

All notices and other communications from one party hereto to another (a “Notice”) that are required or permitted under this Agreement shall be in writing and shall be delivered by hand or by courier, transmitted by facsimile, sent by mail or sent by e-mail to the party hereto to whom it is to be given at the address for such party below:

(i) to Hydro:

Postal Address: Halton Hills Hydro Inc.
43 Alice Street
Halton Hills (Acton), Ontario
L7J 2A9

Attention: The President

Telefacsimile Number: (519) 853-4148

Attention: The President

E-mail Address: guatto@hhhydro.on.ca

(ii) to Services:

Postal Address: Halton Hills Energy Services Inc.
43 Alice Street
Halton Hills (Acton), Ontario
L7J 2A9

Attention: The Vice President

Telefacsimile Number: (519) 853-4148

Attention: The Vice President

E-mail Address: gebersberger@hhhydro.on.ca

23.2 Time of Receipt

A Notice will be received for the purposes of this Agreement when actually received by intended recipient thereof. Notices shall be deemed to have been received in the following circumstances:

- (i) when transmitted by facsimile or e-mail transmission, at 10:00 in the forenoon (local time of the recipient) on the next Business Day following the day upon which the Notice is transmitted, provided that another copy of the Notice is received or deemed received by the recipient by delivery, courier or post within ten days of the date of deemed receipt of the Notice by facsimile or e-mail transmission; and
- (ii) by mail, on the tenth day (days upon which there is an interruption of postal service in Canada or the United States of America excepted) following the day on which the Notice was mailed.

23.3 Change of Address

A party hereto may change its address for the purposes of Section 23.1 by giving notice to the other party hereto and in such event all notices thereafter given to that party shall be to such changed address.

ARTICLE 24 – GENERAL

24.1 Prior Agreements

This Agreement supersedes and terminates all prior agreements, understandings or writings between the parties hereto and their predecessors, whether written or oral and whether legally enforceable or not, in connection with the matters dealt with in this Agreement.

24.2 Inurement

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns as provided for herein, receivers, receiver-managers and trustees.

24.3 Relationship of Parties

The relationship between the parties hereto shall not be that of partners, agents, or joint venturers for one another, and nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between them for any purposes, including, but not limited, to federal or provincial income tax purposes. The parties hereto, in performing any of their obligations hereunder, shall be independent contractors or

independent parties and shall discharge their contractual obligations at their own risk subject, however, to the terms and conditions of this Agreement.

24.4 Waiver in Writing

No waiver by a party hereto of any provision, or the breach of any provision, of this Agreement shall be effective unless it is contained in a written instrument signed by authorized officers or representatives of the party hereto. Such written waiver shall affect only the matter specifically identified in the instrument granting the waiver and shall not extend to any other matter, provision or breach.

24.5 Delay Not Waiver

The failure of a party hereto to give notice to any other party hereto or to take any other steps in exercising any right, or in respect of the breach or nonfulfillment of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

24.6 Acceptance of Payment Not Waiver

Acceptance of payment by a party hereto after the breach or nonfulfillment of any provision of this Agreement by another party shall not constitute a waiver of the provisions of this Agreement, other than any breach cured by such payment.

24.8 Amendments

This Agreement may only be amended by a written agreement executed on behalf of both parties hereto by their duly authorized representatives in such regards.

24.8 Time of the Essence

Time shall be of the essence of this Agreement.

24.9 Further Assurances

Each of the parties hereto shall at its own cost and expense, from time to time and without further consideration, execute or cause to be executed all documents and shall take or refrain from taking all actions which are reasonably necessary or reasonably desirable to give effect to the provisions of this Agreement.

24.10 Severability

In the event that any provision of this Agreement shall be adjudged to be invalid for any reason whatsoever, such invalidity shall not affect the operation of any other provision of this Agreement and such invalid provision shall be deemed to have been deleted from this Agreement.

24.11 Use of Name

Each party hereto agrees that it will not use, suffer or permit to be used, directly or indirectly, the name of any other party hereto for any purpose whatsoever without, in each instance, first obtaining the written consent of such other party.

24.12 Waiver of Relief

The parties acknowledge that any default, forfeiture or assignment provisions contained in this Agreement are, in view of the risks inherent in the business to be conducted by parties hereto, reasonable and equitable. Each party hereto waives any and all rights which it may have at law or in equity against default, forfeiture or penalty if such provisions herein are invoked.

24.13 No Third Party Beneficiaries

Nothing in this Agreement shall entitle any Person other than the parties hereto and their respective successors to any claim, cause of action, remedy or right of any kind in respect of this Agreement or the subject matter of this Agreement.

24.43 Attornment

Each party hereto irrevocably submits to and accepts the jurisdiction of the courts of the Province of Ontario, Canada and all courts of appeal therefrom as regards any legal proceedings relative to this Agreement. Each party hereto irrevocably waives, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance in the courts of the Province of Ontario and all courts of appeal therefrom as regards any legal proceedings relative to this Agreement. Each of the parties hereto agrees that a final judgement of the courts of the Province of Ontario, Canada or any court of appeal therefrom and in respect of which all appeal periods have expired without appeal shall be conclusive and may be enforced in other jurisdictions by legal proceedings on the judgement or in any other manner provided by law.

24.54 Good Faith

Each of the parties hereto shall have a duty to act in good faith in the performance and enforcement of this Agreement. All actions, activities, consents, approvals and other undertakings of the parties hereto shall be performed in a reasonable and timely manner.

24.16 Language of Agreement

The parties to this Agreement have expressly agreed that this Agreement be drawn in the English language. Les parties aux presentes ont expressement convenu que le present contrat soit redige en anglais.

24.17 Entire Agreement

This instrument (including all Schedules hereto, if any) states and comprises the entire agreement between the parties hereto relative to the subject matter hereof. There is no representation, warranty or collateral agreement relating to this transaction except as expressly set forth herein.

24.17 Counterpart and Facsimile Execution

This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. This Agreement may be executed by facsimile and the facsimile execution pages will be binding upon the executing Party to the same extent as the original executed pages. The executing Party covenants to provide originals of the facsimile execution pages for insertion into the original Agreement in place of the facsimile pages.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement effective as of the date first above written.

**HALTON HILLS ENERGY SERVICES
INC.**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

HALTON HILLS HYDRO INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

AMENDING AGREEMENT

(HHHI – SWE Services Agreement)

THIS AGREEMENT made this 1st day of January, 2007,

BETWEEN:

HALTON HILLS HYDRO INC.

- and -

SOUTHWESTERN ENERGY INC.

(Previously named Halton Hills Energy Services Inc.)

WHEREAS the parties hereto are parties to a Services Agreement made effective the 1st day of January, 2001 and such agreement, as heretofore amended, is herein referred to as the "Services Agreement"; and

WHEREAS the parties hereto wish to amend the Services Agreement in the manner hereinafter provided.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy whereof being hereby acknowledged by each party hereto to the other party hereto, the parties hereto covenant and agree as follows:

1. AMENDMENT TO CHARGE FOR MANAGEMENT AND OFFICE PERSONNEL SERVICES FOR 2007

The Services Agreement is hereby amended with respect to 2007 by deleting the words and numbers "Nine Thousand Six Hundred Fifty-One Dollars (\$9,651.00)" from Section 3.6 of the Services Agreement and by substituting therefor the words and numbers "Nine Thousand Eight Hundred Thirty-Two Dollars and Fifty Cents (\$9,832.50)".

2. CONTINUATION OF CHARGE FOR PREMISES AND OFFICE EQUIPMENT AND SUPPLIES THROUGHOUT 2007

It is agreed that the charges presently provided in Section 10.5 of the Services Agreement shall continue to be Five Thousand Dollars (\$5,000.00) monthly throughout 2007.

3. EFFECTIVE DATE OF AMENDMENTS

The amendments of the Services Agreement made in this Agreement shall be effective on the date of this Agreement and shall apply only to the calendar year following the date of this Agreement.

4. RATIFICATION

Except as in this Agreement expressly otherwise provided, the Services Agreement is hereby ratified and confirmed and declared to continue and be in effect and binding upon the parties hereto in accordance with its terms as amended by the provisions of this Agreement.

5. FURTHER ASSURANCES

Each of the parties hereto shall, from time to time and at all times hereafter, at the request of the other party hereto and without further consideration, execute and deliver all documents, take or refrain from taking all actions and deliver all further assurances as may be reasonably required to give effect to the terms and intent of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement on the date first above written.

SOUTHWESTERN ENERGY INC.

By: _____
Arthur A. Skidmore,
Chief financial Officer

HALTON HILLS HYDRO INC.

By: _____
Daniel F. Guatto,
President