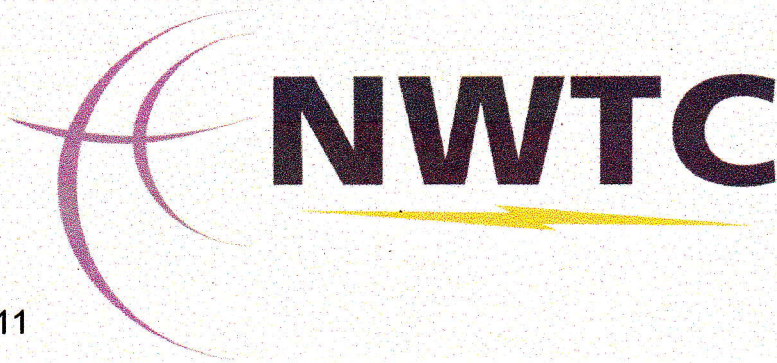




February 8, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Fl.
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories
Application by Niagara West Transformation Corporation ("NWTC") for 2011
Electricity Transmission Rates
Board File No. EB-2010-0345**

Enclosed please find NWTC's responses to the interrogatories filed by Board Staff in the above noted proceeding.

The interrogatory responses are being filed through the Board's web portal and also sent to you and the parties below by e-mail.

Should there be any questions, please do not hesitate to contact me.

Yours truly,

Karen Bubish
Vice President, Administration
Niagara West Transformation Corporation

Cc: Carl Burrell – IESO
Susan Frank – HONI
Edik Zwarenstein - OEB

Niagara West Transformation Corporation ("NWTC")

Responses to

Board Staff Interrogatories Regarding

**Niagara West Transformation Corporation
2011 Electricity Rates for
Transmission Transformation Connection Service**

EB-2010-0345

February 8, 2011

1 Corporate Structure and Existing Agreements

Interrogatory 1: Existing Agreement

Reference: Application/ Pages 29-31/Appendix A: Board Decision and Order, dated March 28, 2005

Question/Request:

- a. Please have the two distributors (Grimsby Power Inc. and Niagara Peninsula Energy Inc. on behalf of its predecessor Peninsula West Utilities Limited) provide a copy of their respective Connection and Cost Recovery Agreements (“CCRA”) with Hydro One Networks Inc. If there are clauses preventing either or both distributors from filing the requested CCRA contracts, please send a request with the CCRAs for confidential treatment and cite the clauses that require such treatment, in accordance with the Board practice for confidential information, available on the Board’s website under Rules of Practice and Procedure.
- b. What is the duration and date of expiry of these two CCRAs?
- c. What are the conditions imposed by the two CCRAs at the end of the respective CCRA term?
- d. Please provide copies of the annual statements indicating the amounts recorded for payments for incremental transformation load, which NWTC filed with the Board as directed at Reference (1) on page 31 of the Application under the Board Order, item 3.
- e. Please provide a legible and clear copy of the Overview Operating Diagram of which a photocopy is provided at pages 8 and 9 of the application.
- f. Please provide a legible and clear copy of the station circuit diagram indicating the protections and metering instrumentation.

Response:

- a. NWTC contacted Grimsby Power Inc. ("GPI") and Niagara Peninsula Energy Inc. ("NPEI") and requested a copy of their respective Connection and Cost Recovery Agreements ("CCRA") with Hydro One Networks Inc. Both distributors do not understand the need for this information within the context of a rate application for NWTC. As a result, both distributors are not prepared to provide the requested information. NWTC would suggest that after Board Staff has reviewed the responses to the interrogatories and still believes this information is relevant to NWTC's rate application then Board Staff may want to consider contacting the two distributors directly to request the information.
- b. Not applicable based on the response to a.
- c. Not applicable based on the response to a.
- d. In responding to this interrogatory NWTC believes it is important to provide its understanding of "incremental transformation load" as it relates to the base load trigger point mentioned in the Board Decision and Order, dated March 28, 2005. Any operational and financial agreements associated with the base load trigger points between GPI and Hydro One as well as NPEI on behalf of its predecessor Peninsula West Utilities Limited and Hydro One are dealt with between these parties. In other words, NWTC does not have any operational and/or financial commitments to Hydro One or any other party in regards to the base load trigger points. As a result, the "incremental transformation load" is the total load provided by NWTC to GPI and NPEI. For 2007 to 2009, the actual annual load provided by NWTC to GPI and NPEI is outlined in Table 4 of the application. These actual values are used to forecast the load provided to GPI and NPEI in 2011 also shown in Table 4.

Since 2004, NWTC has provided a copy of its audited financial statements to the Board and the revenues from transformer connection charges shown in these statements are the payments for "incremental transformation load". This is the revenue from GPI and NPEI for the total transformation load provided to them from NWTC. A copy of 2007 and 2009 financial statements have been included in the application. The 2008 financial statements have been provided in response to OEB Staff IR 19.

- e. A legible and clear copy of the Overview Operating Diagram is provided in Appendix OEB Staff 1e. To assist with the readability of this diagram it

has been provided in two pages. To review the diagram, it would be advisable to print the two pages and put them side by side.

- f. A legible and clear copy of the station circuit diagram indicating the protections and metering instrumentation is provided in Appendix OEB Staff 1f.

Interrogatory 2:

Reference: Application/Appendix A/Pages 29-31: Board Decision and Order, dated March 28, 2005.

Preamble:

Board staff wishes to put on the record the mechanics and understanding of the current payment mechanism.

Question/Request:

In regard to the March 28, 2005 Board Decision and Order please indicate:

- a. Who makes the monthly payments to NWTC i.e. Hydro One directly, or the IESO?
- b. What form does the payment take i.e. cheque, electronic transfer?
- c. What have the payments been and what were the corresponding loads for each month since the payments were instituted?
- d. Please provide a recent typical monthly statement which would accompany a payment to NWTC.

Response:

- a. GPI and NPEI are the only parties making monthly payments to NWTC.
- b. NWTC receives cheques from GPI and NPEI.

- c. The monthly load and payments since the payments were instituted are provided in the following table

Month	Load	Payment
Mar-04	23,299	\$34,949
Apr-04	21,486	\$32,229
May-04	22,976	\$34,464
Jun-04	30,071	\$45,107
Jul-04	26,888	\$40,332
Aug-04	25,283	\$37,925
Sep-04	21,427	\$32,141
Oct-04	21,850	\$32,775
Nov-04	25,016	\$37,524
Dec-04	28,318	\$42,477
Jan-05	27,343	\$41,015
Feb-05	24,849	\$37,274
Mar-05	24,382	\$36,573
Apr-05	21,388	\$32,082
May-05	20,790	\$31,185
Jun-05	36,139	\$54,209
Jul-05	35,667	\$53,501
Aug-05	35,368	\$53,052
Sep-05	31,183	\$46,775
Oct-05	25,262	\$37,893
Nov-05	26,575	\$39,863
Dec-05	28,427	\$42,641
Jan-06	26,270	\$39,405
Feb-06	26,022	\$39,033
Mar-06	25,192	\$37,788
Apr-06	22,941	\$34,412
May-06	34,810	\$52,215
Jun-06	32,664	\$48,996
Jul-06	42,899	\$64,349
Aug-06	45,243	\$67,865
Sep-06	29,600	\$44,400
Oct-06	26,323	\$39,485
Nov-06	28,726	\$43,089
Dec-06	31,450	\$47,175
Jan-07	31,983	\$47,975
Feb-07	34,266	\$51,399
Mar-07	31,755	\$47,633
Apr-07	28,356	\$42,534
May-07	34,915	\$52,373
Jun-07	42,696	\$64,044
Jul-07	43,252	\$64,878

Month	Load	Payment
Aug-07	44,526	\$66,789
Sep-07	39,680	\$59,520
Oct-07	30,716	\$46,074
Nov-07	37,440	\$56,160
Dec-07	40,274	\$60,411
Jan-08	37,429	\$56,144
Feb-08	38,015	\$57,023
Mar-08	31,467	\$47,201
Apr-08	28,823	\$43,235
May-08	27,875	\$41,813
Jun-08	43,713	\$65,570
Jul-08	43,053	\$64,580
Aug-08	40,030	\$60,045
Sep-08	40,749	\$61,124
Oct-08	31,070	\$46,605
Nov-08	34,002	\$51,003
Dec-08	37,066	\$55,599
Jan-09	36,857	\$55,286
Feb-09	35,441	\$53,162
Mar-09	34,095	\$51,143
Apr-09	30,313	\$45,470
May-09	28,181	\$42,272
Jun-09	40,969	\$61,454
Jul-09	36,292	\$54,438
Aug-09	47,479	\$71,219
Sep-09	34,199	\$51,299
Oct-09	30,484	\$45,726
Nov-09	33,298	\$49,947
Dec-09	35,914	\$53,871
Jan-10	35,495	\$53,243
Feb-10	35,326	\$52,989
Mar-10	31,130	\$46,695
Apr-10	29,638	\$44,457
May-10	41,663	\$62,495
Jun-10	37,235	\$55,853
Jul-10	47,986	\$71,979
Aug-10	48,069	\$72,104
Sep-10	46,137	\$69,206
Oct-10	28,566	\$42,849
Nov-10	34,172	\$51,258
Dec-10	29,430	\$44,145

- d. A recent typical monthly statement to NPEI is provided in Appendix Board Staff 2d.

Interrogatory 3:

Reference: Application/Page 31/ Board order of March 28, 2005

Preamble:

The Board, in part 2 of the referenced Board order required that the NWTC establish accounts to record the income and the cost of transformation and provide these to the Board and the proposed accounting treatment and in part 3 required that NWTC provide annual statements to the Board indicating that the amounts recorded represent payment for incremental transformation load only.

Question/Request:

In order to complete the record in this proceeding, please provide the documentation that was to be provided as specified in the Board's order as

- a. item 2 and
- b. item 3 (this was also requested under interrogatory 1 and need not be duplicated, but please provide a reference).

Response:

As outlined in response to Board Staff IR 1d, since 2004, NWTC has provided a copy of it's annual financial statements to the Board, it is NWTC's understanding that these statement provided the requested information outlined in items 2 and 3 of the referenced Board order.

Interrogatory 4:

Reference: Application/Operating Costs /Page 11/First paragraph

Preamble:

It appears that administrative services are handled by Niagara Peninsula Energy Inc. through the service agreement and that there is no staff directly in the employ of NWTC.

Question/Request:

- a. Please confirm if this statement is correct.
- b. Who handles the regulatory applications for NWTC?
- c. Does NWTC anticipate that it will continue with its current service agreements rather than hire dedicated staff?

Response:

- a. NWTC confirms this statement is **not** correct. Administrative services are handled by NWTC under the leadership of Karen Bubish, Vice President, Administration, NWTC.
- b. See response to a.
- c. NWTC anticipates that it will continue with its current operational service agreements.

2. Cost of Service

Interrogatory 5 : Budget Overview

Reference: Application/Page 11/Paragraph 3/Lines 15-19

Preamble:

At Reference (1) NWTC stated in part that:

To confirm budgeted maintenance expenditures for the 2011 test year, NWTC used the information gathered through inspections, testing and asset condition assessments. All directors were involved in the process and approved the results at a regular board meeting in a resolution that was approved by all.

Question/Request:

- a. Please provide summary descriptions of the information noted at Reference (1) and also noted in the excerpt in the Preamble above in regard to inspection, testing and asset condition assessment.
- b. Please describe how the noted information qualitatively and quantitatively was used in preparing the 2011 budget.

Response:

- a. For the first four years since energization, NWTC contracted with K-Line, K Tek to undertake regular annual maintenance on the transformer station. The type of work undertook by K-Line, K Tek each year varied depending on the equipment inspection and test needs. NWTC was not particularly satisfied with the performance, response, costs and test/inspection reports. As a result, NWTC opted to change the company providing annual maintenance and signed a five year agreement with Rondar. For the last two years inspection and testing have been undertaken by Rondar and NWTC is very satisfied with the service provided.
- b. Over a five year period, NWTC expects to save 23% in costs using the alternative company. Rondar also has a certified oil test lab enabling sample oil testing to be undertaken locally. As with the original inspection and testing company each year's maintenance program

with Rondar is different depending on the equipment to be inspected and tested. Year two of the maintenance/testing program was in 2010 and was mainly a visual inspection at a value of \$3,787. Year three of the program occurs in 2011 and covers considerable more work at a value of \$25,917. The 2011 maintenance program generally includes:

- Visual inspection of all 230kV equipment, structure, bus, insulators;
- Ultra sonic survey;
- GIS gas pressure inspection and logs;
- Thermo graphic inspection of all equipment;
- Main transformer inspection;
- Main transformer, turn ratio on all taps, operation of on load tap changer, winding resistance, insulation resistance windings and core, doable power factor test, oil and sudden pressure alarm tests, oil samples and complete tests;
- Grounding system inspection and tests;
- 230kV main bus inspection, cleaning and resistance tests;
- 27.6kV switch gear instrument transformer turns ratio and insulation tests; resistance testing, ratio testing, polarity testing, etc.
- Protection relay setting verification and testing and;
- DC battery/charger inspection and testing.

Interrogatory 6: Operating Costs – Bell Canada Circuit Charges

Reference: (1) Application/Page 19/Paragraph 1/Lines 1-4
(2) NPEI Application for Cost of Service for 2011 distribution rates,
(EB-20 10-0138)/Exhibit 1/page 68

Preamble:

At Reference (1), NWTC indicated that the amount of \$33,604 is for circuit charges that cover all electronic circuits used for the connections to Hydro One and NPEI.

At Reference (2), NPEI indicated that since 2004 it also owns a transformer station that steps the voltage down from 115 kV to 13.8 kV.

Question/Request:

- a. Please indicate whether the Bell Canada circuit charges of \$33,604 noted in Reference (1), relates solely to the 230 kV: 27.6 kV transformer station owned by NWTC or whether it also includes circuit charges related to the 115 kV: 13.8 kV transformer station owned by NPEI per Reference (2).
- b. If the answer to 1. above indicates that the Bell Canada cost of \$33,604 is only for the transformer station owned by NWTC, please provide evidence showing a breakdown of the \$33,604 costs for Bell Canada circuit charges, for the various services provided to the NWTC transformer Station as well as evidence to indicate how much Bell Canada is charging NPEI for circuit charges that covers all electronic circuits for connection to Hydro One control centre.
- c. Please provide a copy of the contract between Bell Canada and NWTC. If there are clauses preventing NWTC from filing such a contract, please send a request with the contract copy for confidential treatment and cite the clause that require such treatment.

Response:

- a. The Bell Canada circuit charges of \$33,604 noted in Reference (1), relates solely to the 230 kV: 27.6 kV transformer station owned by NWTC.

- b. The forecast of Bell Canada circuit charges for 2010 and 2011 of \$33,604 was set equal to actual amount for 2009. NWTC does not have a detailed breakdown of \$33,604 for the various services provided. However, Appendix OEB Staff 6b has been provided to illustrate how a typically monthly charge of \$2,421.85 is broken down into the various type of Bell Canada equipment used by NWTC.
- c. A copy of the contract between Bell Canada and NWTC is not available.

Interrogatory 7: Operating Costs – Directors Fees

Reference: (1) Application/Page 10/Chart identifying NWTC corporate and utility structure

(2) Application/Page 18/Table 6 & Page 19/ paragraph 2/lines 6-9

Question/Request:

- a. Since the human resources structure of the company is unique, please indicate for each year referred to in Reference (2), Table 6, how many directors, and how many meetings took place, and how many are forecast for 2011.
- b. At Reference (1), it is shown that NWTC has 6 Directors on its Board and it is helpful for the record to have NWTC provide a short summary on each of the 6 member Board of Directors, covering:
 - (i) The relationship of each Board member to any related company to NWTC in terms of ownership or services rendered or received;
 - (ii) Additional managerial functions performed by the director to NWTC, and any specific monetary compensation/salary for performing such functions.
- c. At Reference (2), Table 6, page 18 the “Directors Fees” cost is estimated to be \$15,300, and at page 19 it is indicated that the Budget costs for 2010 and forecast amount for 2011 is \$15,300, and at Reference (2), page 19 it is indicated that the Director Fees are \$200 per month plus \$150 per meeting for recording secretary. Please confirm that this indicates that the NWTC Board intends to meet 6 times in 2011, based on:
 - (i) The annual directors fees is calculated to be \$14,400 (6 Directors multiplied by \$200/month and by 12 months);
 - (ii) The \$900 remainder (\$15,300 less \$14,400) divided by \$150 per meeting for the recording secretary would indicate that 6 meetings for 2011 are expected.

- d. Based on historical records, and notwithstanding the special circumstances surrounding the fire that took place in 2008, please describe the topics covered in the Board of Directors meetings of a typical year. Please file the minutes of a typical meeting for illustrative purposes.

Response:

- a. The following table provides the requested details to support the cost data shown under the "Director Fees" category in Table 6 of the application for 2007 to 2011.

YEAR	RATE	# DIRECTORS	#OF MTG	COST	TOTAL
2007	\$200.00	5	12	\$12,000	
	\$200.00	1	11	\$2,200	\$14,200
2008	\$200.00	5	12	\$12,000	
	\$200.00	1	11	\$2,200	\$14,200
2009	\$200.00	5	12	\$12,000	
	\$200.00	1	7	\$1,400	\$13,400
2010	\$200.00	6	12	\$14,400	
	\$150.00	1	6	\$900	\$15,300
2011	\$200.00	6	12	\$14,400	
	\$150.00	1	6	\$900	\$15,300

- b. On September 29, 2010, NWTC filed an application with the Board under section 60 of the Ontario Energy Board Act, 1998 for renewal of its electricity transmitter licence (EB-2010-0294). The application by NWTC to renew its electricity transmitter licence was granted on December 24, 2010 and was effective to December 23, 2030. As part of material filed under the licence application information on each director was provided and also has been provided as follows. The directors are listed as outlined on page 10 of this rate application.

Director	Information provided in
Roger Hayes	Appendix OEB Staff 7b - Doc 1
Joesph Panetta	Appendix OEB Staff 7b - Doc 2
David Wilson	Appendix OEB Staff 7b - Doc 3
Shafee Bacchus	Appendix OEB Staff 7b - Doc 4
Karen Bubish	Appendix OEB Staff 7b - Doc 5
Peter Wicks	Appendix OEB Staff 7b - Doc 6

Shafee Bacchus is also a director of Niagara Power Inc. Joseph Panetta and David Wilson are also directors of GPI.

Director, Peter Wicks performs additional managerial functions as the Vice President, Operations at \$100 per hour. Director, Karen Bubish performs two managerial functions as the Vice President, Administration at \$50 per hour and Recording Secretary at \$150 per meeting.

- c. There are 12 Board of Directors meeting per year - 6 directors times 12 meetings times \$200 per meeting is \$14,400. There are 6 meeting per year that a recording secretary is paid – one recording secretary times 6 meetings times \$150 per meeting is \$900. For a total of \$15,300. The other 6 meetings are recorded by an outside service and are charged under bookkeeping services
- d. The typical topics covered at a monthly Board of Directors meeting are the minutes from the previous meeting, financial statements, disbursement listing, and monthly operation issues. The minutes of a typical meeting are provided in Appendix Board Staff 7d.

Interrogatory 8: Operating Costs – Bookkeeping Fees Reference:

Application/Page 18/Table 6

Questions/Requests:

It is noted that between 2007 and 2010, bookkeeping fees have doubled; please provide a breakdown of the reasons for the cost increase.

Response:

In the start up years until 2009 a director had been used for bookkeeping services. The NWTC Board of Directors decided at the end of 2008 that it would be in the best interests of NWTC to have an outside service provide a full time bookkeeping and accounting service to promote better business practices. Thus the increase in costs.

Interrogatory 9: Operating Costs – Legal Fees

Reference: Application/Page 18/Table 6

Questions/Clarifications:

Please provide descriptions of the work performed in the year 2007 showing \$12,298 under Legal Fees.

- a. Please provide details in regard to the work expected to be performed in 2010 costing \$ 5,500 under Legal Fees, and explain the reasons that show a marked reduction for 2011 being \$2,000 under Legal Fees.
- b. What is the hourly rate for the charges by counsel to NWTC in terms of hourly rate?
- c. Please provide details of any contracts or agreements for work to be done under this category

Response:

- a. The work performed in 2010 was for resolutions for the Annual General Meeting, updating minute book and updating corporate records. In addition, there was work completed on the TD Bank covenants agreement and PPSA registration fee which are not expected to occur in 2011. As a result, there is a marked reduction for 2011 being \$2,000 for forecasted Legal Fees.
- b. The hourly rate for senior legal support is \$325 per hour and for junior legal support \$250 per hour.
- c. There are no contracts or agreements being considered for work to be done under this category.

Interrogatory 10: Operating Costs – Insurance

Reference: (1) Application/Page 18/Table 6 & Page 19/Paragraph 4/Lines 19 - 21

(2) Application/Page 21/ Full-paragraph 5/Lines 20 -22

(3) Application/Page 21/Full-paragraph 6/Lines 24 -26

Preamble:

At Reference (1), Table 6, the forecasted cost under “Insurance” for 2011 is shown to be \$60,000, which is an increase over the amount of \$28,752 for 2009 of more than 200%.

At Reference (1), Page 19, NWTC stated that:

Insurance for liability is with MEARIE and due to a difficult year from claims in general insurance, not just our claim for the fire, and aging assets, on average most property subscribers saw a 100% increase in premiums.

At Reference (2), Page 21, NWTC stated that:

Arcon Engineering issued a report indicating that the five year old transformer requiring oil processing for water and particle contamination would, in itself, suggest that there was something inherently wrong with the transformer.

Question/Request:

- a. Please provide a copy of the insurance policy. If there are clauses preventing NWTC from filing such a policy, please send a copy of the policy with request for confidential treatment and cite the clause that require such treatment.
- b. Please quantify the impact of the fire on the insurance premiums/fees, and a valuation of the percentage input in the cost increase in insurance premiums/fees.
- c. Did NWTC investigate an alternative insurance provider following the fire? If yes, please provide a breakdown of the different bids / cost-service options that were presented. Please also indicate why the current alternative was

the preferred one. If no, please indicate the reasons for not pursuing a more cost effective alternative.

- d. At Reference (2), page 21, full-paragraph 5, please confirm whether or not the transformer which Arcon Engineering had issued a report on is the Instrument Transformer which was the cause of the April, 2008 accident. If not please provide details about that transformer.
- e. Please indicate how many Instrument Transformers are from the same vintage and make as the one that caused the April, 2008 accident, and what are the responsibilities of the manufacturer, Trench, in regard to replacement of these transformers
- f. At Reference (3), page 21, full-paragraph 6, please provide a breakdown of the \$359,401.70 amount of compensation received from MEARIE in regard to the fire of April 17, 2008.
- g. Is there a back-up plan that would ensure continued reliable service to the distributors in the event of a forced outage of a) one power transformer and b) both power transformers, for an extended length of time, e.g. 3 months? If so please provide details.

Response:

- a. A copy of the requested insurance policies are provided in Appendix OEB Staff 10a – Doc 1, Appendix OEB Staff 10a – Doc 2 and Appendix OEB Staff 10a – Doc 3.
- b. Information is not available to determine the impact of the fire on the insurance premiums/fees.
- c. NWTC did not investigate an alternative insurance provider following the fire since there are few insurers and MEARIE had provided good service in the past. MEARIE was also very supportive of NWTC through the fire claim. As a result, the Board of Directors did not see a need to make a change in the insurance provider.
- d. The Arcon Engineering report was on the destroyed Trench 230kV Instrument Transformer ("IT").

- e. There are six – 230kV ITs that are installed and manufactured by Trench. All six are of the same vintage. One IT failed and caught fire and was replaced by a new IT. The other five were returned to the plant to be rebuilt with new internal insulation. The six IT's were reworked under warranty at no cost to NWTC. However, all other associated cost to remove and replace these units were at NWTC expense.

The result of this failure shut half of the station down for some 14 months. This long term shut down resulted in additional necessary work to the equipment that was NWTC expense.

- f. The following provides a breakdown of the \$359,401.70 amount of compensation received from MEARIE in regards to the fire of April 17, 2008.

INSURANCE CLAIMS RECONCILIATIONS

	<u>GROSS</u>	<u>GST</u>	<u>TOTAL</u>
Aug-08 K-LINE MAINTENANCE AND CONSTRUCTION LTD	66837.75	3182.75	\$ 63,655.00
SWITCHGEAR TECHNICAL SERVICES INC	11250.00		\$ 11,250.00
K-LINE MAINTENANCE AND CONSTRUCTION LTD	32308.50	1538.50	\$ 30,770.00
	<u>110396.25</u>		<u>\$ 105,675.00</u>
LESS : \$10,000. deductible			<u>\$ (10,000.00)</u>
			\$ 95,675.00
RECEIVED FROM INSURANCE			<u>\$ (95,675.00)</u>
TOTAL			\$ -
Sep-08 SIEMENS	39408.75	1743.75	\$ 37,665.00
Oct-08 GRIMSBY POWER	27912.92	1329.19	\$ 26,583.73
Jan-09 CASWELL AND WATSON	6365.73	326.73	\$ 6,039.00
Jul-09 PETER WICKS (formerly Swithgear Tech. Serv)			\$ 22,500.00
TRENCH			\$ 38,975.00
K-LINE MAINTENANCE AND CONSTRUCTION LTD	63733.16	3034.91	\$ 60,698.25
SIEMENS	2282.70	108.70	\$ 2,174.00
GRIMSBY POWER	3060.25	145.73	\$ 2,914.52
K-TEK ELECTRO SERVICES LIMITED	2047.50	97.50	\$ 1,950.00
K-TEK ELECTRO SERVICES LIMITED	7297.50	347.50	\$ 6,950.00
ESAC			\$ 14,374.00
OVERHEAD COSTS FOR ADMINISTRATION BASED ON \$326,498.50			
(\$326174.50 X15%) \$48,926.18 NOT PAID BY INSURANCE			
OCT 1/09 NPEI			<u>\$ 32,903.20</u>
TOTAL OUTSTANDING			<u>\$ 253,726.70</u>
OCT 15/09 TOTAL PAID BY CHEQUE			<u>\$ (253,726.70)</u>
			\$ -
STATUS OF CLAIM - CLOSED			

- g. The design of the station is such that the load can be carried by one main transformer and in fact the load capability of one unit is approximately twice the current load requirement from the station. The normal operation of the station is the two main transformers operating in parallel using a closed tie breaker at 27.6kV. With one transformer only energized it's main is opened and the total load through the 27.6kV tie insures capability to provide continuous service to the distributors

Should both main transformers be isolated each distributor would need to source load capabilities from other stations that are also used to provide power to their distribution system.

Interrogatory 11: Operating Costs – Regulatory Fees

Reference: (1) Application/Page 18/Table 6 (2)
Application /Appendix B

Preamble:

The Board is aware that NWTC has an Electricity Transmission Licence attached at Reference (2).

Question/Request:

- a. What do the regulatory fees encompass? Please provide details of any other regulatory matters that warrant financial provisions?
- b. For what regulatory activity were the regulatory fees in each of the years indicated?
- c. Does NWTC include an estimate for the costs of the current application in the fees for the year 2011?
- d. Does NWTC include costs for the Regulatory Reporting Requirements of the Board?

Response:

- a. The regulatory fees encompass OEB assessment fees and the OEB annual fees paid. The 2010 and 2011 regulatory fees of \$2,527 are based on 2009 actual values of \$1,727 for OEB assessment fees and \$800 for OEB annual fees.
- b. Please see response to a.
- c. NWTC did not include an estimate for the costs of the current application in the fees for the year 2011.
- d. As outlined in response to OEB Staff IR 1d, NWTC provides a copy of its audited financial statements to the Board each year. It is NWTC understanding that this fulfills the Regulatory Reporting Requirements of the Board for NWTC. The cost of providing this information is minimal and has not been included in the regulatory fees.

Interrogatory 12: Operating Costs – Regular Maintenance - Rondar

Reference: (1) Application/Page 18/Table 6 (2)
Application/Page 19 -20

Preamble:

NWTC indicated at Reference (1), that the five year agreement with Rondar calls for certain maintenance that will cost \$ 25,917 in year 3 of the contract, which is the Test Year, and listed the following codes for activities under Scope of work:

Scope of Work: I, II, II, IV, V, VI, VII, (VIII, IX – Bus B), and X

Questions/Requests:

- a. At Reference (1), Table 6 under Regular Maintenance (Rondar), please provide breakdown for each year maintenance fees since 2007, and a rationale for the 2011 figure.
- b. Please provide full description of the work being performed for each designated codes noted in Reference (2) and in the Preamble.
- c. Please provide a copy of the Rondar service contract. If there are clauses preventing NWTC from filing such a contract, please send a request with the contract copy for confidential treatment and cite the clause that require such treatment.
- d. Has NWTC considered alternative service providers? If yes, provide a summary of the costs and terms of the other alternative(s). If no, please provide the reasons for not pursuing alternatives in order to get the best value.

Response:

- a. For 2011, rationale for the amount shown in Table 6 under Regular Maintenance (Rondar) of \$25,917 is outlined in response to OEB Staff IR 5b. For 2010, the amount of \$7,686 is substantial supported by an invoice from Rondar of \$7,222. The Rondar invoice is provided in Appendix OEB Staff 12a – Doc 1. The remaining amount was from another Rondar invoice but it is

immaterial. For 2009, the amount of \$66,304 is completely supported by two invoices from K-Tek. The K-Tek invoice is provided in Appendix OEB Staff 12a – Doc 2. The two invoices total \$67,648. Of this amount \$66,304 was coded to Regular Maintenance (Rondar) and \$1,344 was coded to Maintenance Equipment. For 2008 and 2007, the actual values are based on charges from K-Tek for maintenance services rendered.

- b. A full description of the work being performed for each designated codes is provided in the Rondar service contract outlined in c.
- c. A copy of the Rondar service contract is provided in Appendix OEB Staff 12c.
- d. NWTC did consider an alternative proposals from K-Line, K Tek but the proposed costs were about 20% higher than the cost of services from Rondar.

Interrogatory 13: Operating Costs – Monitoring (Hydro One) Reference:

Application/Page 18/Table 6 & Page 21-22

Preamble:

At page 18, Table 6 of the Application, it is shown under Monitoring Hydro One the following costs which are recast below in tabular form (no costs provided for 2005 and 2006)

Year	2005	2006	2007	2008	2009	2010	2011
Monitoring Costs in \$ (Hydro One)			12,000	26,932	24,563	27,262	27,262

At pages 21-22, NWTC stated in part that:

The monitoring through Hydro One for the station (all alarms, outages, overloads, etc.) go through Hydro One at Barrie. The increase between 2007 and 2008 reflected higher charges from Hydro One for the monitoring service. In 2008 NWTC was over charged which caused the 2009 costs to be a small amount lower. For 2010 and 2011 the projected costs reflect the expected charges from Hydro One for the service.

Question/Request:

- a. Please provide the monitoring costs charged by Hydro One and paid for by NWTC for the “Monitoring Costs” for the years 2005 and 2006, by completing
- b. Please provide, details in regard to the noted higher charges that started in 2008 (\$26,932), where the increase over 2007 (\$12,000) is in the order of 224%.
- c. Is the “Monitoring” activities covered by a formal Agreement between the two parties? If so please provide a copy of that Agreement. If there are clauses preventing NWTC from filing such an Agreement, please send a copy of that agreement with request for confidential treatment and cite the clause that require such treatment.

- d. If there is no formal agreement with Hydro One for the Monitoring activities, what would be the basis for future increases by Hydro One in providing that service?

Response:

- a. The monitoring costs charged by Hydro One and paid for by NWTC for the "Monitoring Costs" for the years 2005 and 2006 is \$12,720 for both years.
- b. The noted higher charges that started in 2008 (\$26,932) are charges from Hydro One to NWTC for monitoring and switching service and are based on actual costs from Hydro One. This is an unique service that can only be provided by Hydro One which means it is a cost that is out of the control of NWTC.
- c. There is no formal Agreement between the two parties.
- d. The basis for future increases by Hydro One in based on a quote from Hydro One for monitoring services to be rendered.

Interrogatory 14: Operating Costs – Services (NPEI)

Reference: (1) Application/Page 11, Paragraph 1

(2) Application/Page 18/Table 6

(3) Application/Page page 22/Full-paragraph 3/Lines 7-9

(4) Application/Pages 9, 54

(5) Application/ Page 36

Preamble:

At page 18, Table 6 of the Application it is indicates that NWTC will be paying an annual amount of \$12,100, and further specifies at page 22 that if there are additional expenses over and above the agreed upon service agreement, that they will be invoiced to NWTC at the cost of repair.

Question/Request:

- a. Please a detailed description of inspections i.e. by identifying the system element, and description of the inspection and frequency, and cost.
- b. Are NWTC and NPEI affiliates according to the Affiliate Relationship Code?
- c. Since NPEI is related to NWTC as indicated at reference 4, and its licence is subject to the Affiliate Relationships Code as indicated at reference 5, please confirm that the Affiliate Relationship Code's rules are being followed.
- d. Please provide a copy of the service agreement with NPEI as mentioned at Reference (3).
- e. Did NWTC consider alternative service providers prior to contracting with NPEI? If yes, provide a summary of the costs and terms of the other alternative(s). If not, please provide the reasons for not pursuing alternatives in order to get the best value.

Response:

- a. A detailed description of the services, including inspection services, provided by NPEI is provided in the service agreement provided in part c.
- b. NWTC and NPEI are not affiliates according to the Affiliate Relationship Code.
- c. NPEI is not related to NWTC. It is assumed the confusion is around the company named Niagara Power Inc. Niagara Power Inc is a completely different company and not related to NPEI.
- d. A copy of the service agreement with NPEI is provided in two documents as Appendix OEB Staff 14d – Doc 1 and Appendix OEB Staff 14d – Doc 2.
- e. NWTC did use GPI one month as our service provider and the second month used NPEI on a trial basis. After the trial, GPI declined to provide this service due to lack of personnel. As a result, NWTC signed up with NPEI who has qualified line staff, engineering staff and a control station that monitors our station as does Hydro One Barrie Control Centre who contacts NPEI in the result of an alarm function or a station switching event instituted by Hydro One.

Interrogatory 15: PILs – Loss Carry Forwards Reference: Application/Page
22/Lines 23-24

Preamble:

NWTC stated in its application that:

“Regarding PILs, NWTC has over \$500,000 in loss carried forwards from previous years which means NWTC will not be paying PILs in the 2011 test year.”

Question/Request:

Please provide a schedule showing the amount of loss carry forwards expected to be used for each specific year in the future.

Response:

The amount of loss carry forwards expected to be used for each specific year in the future is not known at this time as it will be based on the income level that will reflect the outcome of this application.

3 Cost of Capital and Capital Structure

Interrogatory 16: Actual Capitalization

Reference: Page 23 – Cost of Capital

Preamble:

NWTC has assumed the deemed capital structure of 40% equity, 56% long-term debt and 4% short-term debt for rate setting purposes. NWTC documents that it has a loan of \$6,500,000.

Question/Request:

For each of the 2007 actual, 2008 actual, 2009 actual, 2010 bridge and 2011 test year, please provide NWTC's actual capital structure.

Response:

As noted on page 24 of the application the value of the reference loan as of December 31, 2009 was \$5,016,000.

The following table provides NWTC's actual capital structure for 2007, 2008 and 2009 as well as NWTC's projected capital structure for 2010 and 2011 based on the information provided in the application.

	2007	2008	2009	2010	2011
Debt	\$6,319,018	\$5,965,335	\$5,649,041	\$5,451,041	\$5,253,041
Equity	\$1,002,681	\$1,099,979	\$1,253,752	\$1,330,916	\$1,414,004
Total liabilities	\$7,321,699	\$7,065,314	\$6,902,793	\$6,781,957	\$6,667,045
Capitalization					
Debt	86.3%	84.4%	81.8%	80.4%	78.8%
Equity	13.7%	15.6%	18.2%	19.6%	21.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Interrogatory 17: Long-term Debt

Reference: (1) Application/Pages 23-24 – Cost of Capital
(2) Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (the "Cost of Capital Report"), (EB-2009 - 0084), issued December 11, 2009,
[http://www.oeb.gov.on.ca/OEB/Documents/EB-2009-0084/CostofCapital Report 20091211 .pdf](http://www.oeb.gov.on.ca/OEB/Documents/EB-2009-0084/CostofCapital%20Report%2020091211.pdf)

Preamble:

On page 23 at Reference (1), NWTC states in part that:

"With regards to rate of return of long term debt NWTC proposes to use a rate of return of 5.6%. NWTC has a variable rate term loan issued as bankers acceptances and is due March 9, 2012. The loan is held with the Toronto Dominion Bank. The loan is secured by a general security agreement, assignment of fire Insurance and guarantees by Niagara Power Inc. and Peninsula West Power Inc. in the amount of \$6,500,000. NWTC has entered into a swap transaction for the full amount of the debt, the effect of which is to fix the interest rate of the loan at 5.60% until 29 January 31, 2025."

On page 24 of Reference (1), NWTC provides a copy of the latest documentation of the variable rate loan with the Toronto-Dominion Bank, dated August 31, 2010 and maturing September 30, 2010.

Question/Request:

- a. Please provide a copy of the most recent documentation of the variable rate loan with the Toronto-Dominion Bank.
- b. Please provide a copy of the swap transaction agreement referenced on page 23 of the Application.
- c. Please describe how the proposed rate of 5.60% for the total value of the loan complies with Section 4.4.1 of the Cost of Capital Report.

Response:

- a. A copy of the most recent documentation on the variable rate loan with the Toronto-Dominion Bank is provided in Appendix OEB Staff 17a.
- b. A copy of the swap transaction agreement referenced on page 23 of the Application is provided in Appendix OEB Staff 17b.
- c. Section 4.4.1 of the Cost of Capital Report states the following in regards to long term debt rate to be used by Electricity transmitters

"Consistent with the Board's current practice as set out in various Decisions and Orders arising from rate applications by electricity transmitters, the Board is of the view that an electricity transmitter's cost of long-term debt should be set in a manner similar to that adopted for natural gas distributors."

With regards to the long-term debt rate for Natural Gas distributors section 4.1.1. also states:

"The Board has a long history of determining the cost of long-term debt for natural gas distributors. Based on this experience and in the absence of any material comments in the consultation suggesting otherwise, the Board is of the view that the current policy of using the weighted cost of embedded debt should continue. Consistent with the current practice, in a forward test year rate application the onus is on the applicant utility to forecast the amount and cost of new long-term debt. These values are then factored into the estimated cost of existing long-term debt for the purpose of setting regulated natural gas distribution rates. Debt instruments and debt rates are subject to a prudence review in an application for rates. However, it is the Board's policy that the total estimated cost of debt should be a close proxy for the actual long-term debt cost incurred by the natural gas utility in the rate year."

NWTC only has one loan bearing an interest rate of 5.60%. This has been in place for a number of years and will continue to be in place for the test year. As a result, the weighted cost of embedded debt is 5.60% and forecasted cost of debt is 5.60%, In NWTC's view this suggests the proposed rate of 5.60% for the total value of the loan complies with Section 4.4.1 of the Cost of Capital Report.

Interrogatory 18 – Weighted Average Cost of Capital

Reference: (1) Application/Pages 23-25 – Cost of Capital
 (2) Letter of the Board announcing Cost of Capital Parameter
 Updates for 2011 Cost of Service Applications for Rates Effective
 January 1, 2011, issued November 15, 2010,

[http://www.oeb.gov.on.ca/OEB/Documents/20_11_EDR/
 Ltr_Jan1st_Cost_of_Capital_Parameters_20101115.pdf](http://www.oeb.gov.on.ca/OEB/Documents/20_11_EDR/Ltr_Jan1st_Cost_of_Capital_Parameters_20101115.pdf)

Preamble:

On November 15, 2010, the Board issued a letter providing updated Cost of Capital parameters for 2011 Cost of Service application with an effective date of January 1, 2011, in accordance with the methodologies documented in the Cost of Capital Report.

The letter summarizes the following parameter updates:

Deemed Short-term Debt Rate	2.43%
Deemed Long-term Debt Rate	5.48%
Return on Equity	9.66%

Question/Request:

Please recalculate NWTC's weighted average cost of capital, as summarized in Reference (1), Table 7 on Page 25, using the above Cost of Capital parameters, as applicable.

Response:

NWTC's recalculated weighted average deemed cost of capital using the above Cost of Capital parameters, as applicable is as follows. Please refer to response to 17c with regards to the appropriate long-term debt rate to used in the calculation.

Financing Component	Capitalization	Rate of Return	Component Cost
Equity	40%	9.66%	3.86%
Short Term Debt	4%	2.43%	0.10%
Long Term Debt	56%	5.60%	3.14%
Total			7.10%

Interrogatory 19 – 2008 Audited Financial Statements

Reference: (1) Application/ Page 13
(2) Application/ Appendix C

Preamble:

At Reference (1), page 13 of the Application it is indicated that Audited Financial Statements for 2007 to 2009 are provided. Appendix C contains Audited Financial Statements for the years ending December 31, 2007 and December 31, 2009. Audited Financial Statements for 2008 are not provided, although 2008 amounts are shown as the prior year in the 2009 Audited Financial Statements. However, Note 2 to the 2009 Audited Financial Statements states that NWTC adopted the provisions of CICA Handbook Section 1535 – Capital Disclosures, effective January 1, 2009.

Question/Request:

Please provide a copy of NWTC's Audited Financial Statements for the year ending December 31, 2008.

Response:

A copy of NWTC's Audited Financial Statements for the year ending December 31, 2008 is provided in Appendix OEB Staff 19.

4. Load Forecast and CDM

Interrogatory 20: Load Forecast

Reference: (1) Application/Page 16/Table 4
(2) Application/Page 17/Table 5

Question/Request:

- a. Please provide a table containing the most recent 12 consecutive actual monthly loads supplied from NWTC's TS to each of Grimsby Power Inc. and Niagara Peninsula Energy Inc.. It would be helpful if these 12 months represent the year 2010 i.e., January 2010 to December 2010.
- b. Based on the load information (requested in Question 20(a) above), please provide a modification to Table 4 at Reference (1) by adding 2 new columns:
 - (i) The first new column for 2010 and labelled (unadjusted loads for CDM); and
 - (ii) The second new column is for 2011, where the values are based on averaging the load data from the four years 2007 to 2010 (2010 load from the first new column)
- c. Based on the loads requested above (Questions/Requests 20(a) and Question 20(b) above), please provide a modification to Table 5 at Reference (2) by adding a new column titled 2011 (Revenue at Existing Rate and unadjusted loads for CDM)

Response:

- a. The following table provides the actual monthly loads supplied from NWTC's TS to each of Grimsby Power Inc. and Niagara Peninsula Energy Inc. for 2010.

kW	GPI	NPEI
Jan-10	19,889	15,606
Feb-10	16,158	19,168
Mar-10	17,449	13,681
Apr-10	12,884	16,754
May-10	24,919	16,744
Jun-10	21,640	15,595
Jul-10	28,978	19,008
Aug-10	27,839	20,230
Sep-10	27,514	18,623
Oct-10	15,303	13,263
Nov-10	19,185	14,987
Dec-10	15,303	14,127
Total	247,060	197,787

- b. The requested modification to Table 4 – NWTC Load Forecast is provided in the following table.

kWs	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Forecast	2010 Actual Unadjusted loads for CDM	2011 Forecast based on OEB Staff 22b
GPI	255,774	251,702	246,436	248,612	251,306	247,060	253,148
NPEI	184,085	181,590	176,938	178,930	180,869	197,787	182,195
Total	439,859	433,292	423,374	427,542	432,175	444,847	435,343

- c. The requested modification to Table 5 - NWTC Operating Revenue is provided in the following table

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Revenue at Existing Rate	2011 Revenue at Existing Rate and unadjusted loads for CDM based on OEB Staff 22b Forecast
Transformer Connection Charges	659,789	649,937	634,964	641,313	648,262	653,014
Interest Income	11,247	10,733	1,865	2,400	2,000	2,000
Rental Income	520	-	1,540	520	520	520
Total	671,556	660,670	638,370	644,233	650,782	655,534

Interrogatory 21: Transformer Stations Share – Supply to the two Distributors

Reference: Application/Page 16/Table 4

Preamble:

It is important to have the historical load information (2005-2009), for the budget/forecast bridge year 2010, and the 2011 forecast for the two distributors (Grimsby Power Inc., and Niagara Peninsula Energy Inc.) to be provided by NWTC identifying for each distributor:

All the supplying transformer stations, including NWTS, load in MW (Average Monthly) and MWhs (Annual).

Question/Request:

Please provide information for a total of 14 tables (each distributor needs 7 tables for the years 2005 – 2011 i.e., one table/year). For illustrative purposes the table below is for Grimsby Power Inc., for the year 2005, where the portions of demand and energy from each transformer station (TS) supplying that distributor is required. Note that actual values are expected for the years 2005 – 2009, and mix of mostly actual and some forecast for 2010, and forecast amount for 2011.

Illustrative Table for Grimsby Power Inc. for the year 2005 [each distributor needs to fill 7 Tables - one Table per year for the years 2005 – 2011]		
Transformer Station (TS)/Owner	Amount of the Station Load Supplying Grimsby Power Inc for 2005	
	Demand (Ave. Monthly) [sum of 12 monthly MW/12] MW	Energy (Annual) MWh
TS # 1 (name)/ (owner ?)		
TS # 2 (name)/ (owner ?)		
TS # 3 (name)/ (owner-NWTC)		
TOTAL AMOUNT FOR 2005		

Response:

A considerable amount of time, effort and cost would be incurred by GPI and NPEI in order to prepare this response to support a rate application that they are not involved with. NWTC does not understand the need for this information within the context of its rate application. NWTC suggests that after Board Staff has reviewed the responses to the interrogatories if Board Staff believe this information is still relevant to this rate application then Board Staff may want to consider contacting the two distributors directly to request the information.

Interrogatory 22: Load Forecast – Incremental Amounts over Base Load

Reference: (1) Application/Page 16/Table 4

(2) Application/Pages 29 - 31/Appendix A/page 2 of Decision and
Order

Preamble:

Table 4 of Reference (1), shows annual amounts in kW for both Grimsby Power Inc., and Niagara Peninsula Energy Inc. (formerly Peninsula West Utilities Limited)

At Reference (2) the Board Decision and Order identifies a base load trigger for Grimsby Power Inc. of 19.274 MW, and a base load trigger for Peninsula West Utilities Limited of 42.256 MW

Question/Request:

Please confirm that the loads shown at Table 4 of Reference (1) are incremental loads in that they are for every month of the years 2007 to 2011, and are amounts that are higher than the base load triggers identified in Reference (2).

Response:

Please refer to response to OEB Staff IR 1d

Interrogatory 23: Load Forecast, CDM Targets and CDM Reductions

Reference: (1) Application/ Page 16/ Lines 2 – 16

(2) Table below showing Board CDM Targets – Peak Demand Savings in MW by 2014, and Net Cumulative Energy Savings, 2011-2014 in GWh for Grimsby Power Inc. and Niagara Peninsula Energy Inc.

Table: Board CDM Targets for Grimsby Power Inc. and Niagara Peninsula Energy Inc

Licenced Distributor	2014 Net Annual Peak Demand Savings Target (MW)	2011-2014 Net Cumulative Energy Savings Target (GWh)
Grimsby Power Inc.	2.060	7.760
Niagara Peninsula Energy Inc.	15.490	58.040

Preamble:

At Reference (1), NWTC indicated in part that currently, the 2010 actual year to date (i.e. January – August) results are tracking about a 6% over the same period for 2009. However, due to the implementation of electricity conservation and demand management (“CDM”) targets to both Grimsby Power Inc. and Niagara Peninsula Energy Inc., NWTC believes the expected level of usage is not sustainable in 2011. NWTC now seeks approval of its load forecast based on the average actual usage from 2007 to 2009.

It is important to reconcile the assumptions used by NWTC, knowledge of the total load being served by both distributors (as requested in **Interrogatory # 21**), and the Board issued CDM Targets shown in Reference (2) in tabular form above.

Question/Request:

- a. Please provide a table showing the reduction in kW in 2011 which NWTC is expected to obtain from both Grimsby Power Inc. and Niagara Peninsula Energy Inc.’s activities related towards achieving their CDM Targets. The reductions in kW for 2011 must be reflective of the share of the load supplied to each distributor via NWTC compared to the total load of that distributor as requested in **Interrogatory # 21**.

- b. Please provide a table showing the results obtained in responding to Question 23(a) above, as well as the results presented by NWTC in its Load Forecast found in Table 4 of Reference (1);using the 2007 to 2009 actual usage as basis for load forecast for the 2011 test year?
- c. If the results of comparing the two approaches as requested in Question 23(b) above indicate variance, please discuss what NWTC's proposal would be for its load forecast for 2011. Should NWTC conclude that it still favours the use of the 2007 to 2009 actual usage as basis for the 2011 load forecast, please provide a complete explanation and rationale justifying that position.
- d. Please discuss the relationship between the implementation of the electricity CDM Targets on both Grimsby Power Inc. and Niagara Peninsula Energy Inc (as set out in Reference (2)), and a reduction of NWTC's load forecast by 6%, or the amount equal to the level of growth NWTC has witnessed in the 2010 actual year to date compared to the same period for 2009.

Response:

- a. NWTC has estimated the reduction in kW in 2011 which NWTC is expecting to obtain from GPI and NPEI related to their CDM Targets as shown in the following table

	2011 Reductions to NWTC load from CDM program (kW)
GPI	4,212
NPEI	3,672
Total	7,884

The following outlines how these reductions were determined. In order to determine the reductions in kW for 2011, NWTC has estimated the share of the load supplied to each distributor via NWTC compared to the total load of that distributor.

Based on the 2009 Yearbook of Electricity Distributors published by the Board, GPI's average peak was 30,154 kW and NPEI's average peak was 186,165 kW. The average transmission transformation connection load

that NWTC provided to GPI in 2009 was 20,536 kW (i.e. 246,436 from Table 4 for 2009 divided by 12). The average transmission transformation connection load that NWTC provided to NPEI in 2009 was 14,745 kW (i.e. 176,938 from Table 4 for 2009 divided by 12). For the purposes of this response it is assumed that NWTC provides 68.1% of GPI's load (i.e. 20,536/30,154) from the NWTC TS. For NPEI, it is assumed that NWTC provides 7.9% of NPEI's load (i.e. 14,745/186,165)

The CDM targets are to be achieved over a four year period. Based on this NWTC has assumed that GPI will achieve 515 kW peak savings in 2011 (i.e. 2,060 kW divided by 4). Of this amount, NWTC expects a reduction in load from GPI of 351 kW per month (i.e. 515 times 68.1%) or 4,212 kW on an annual basis. With regards to NPEI, NWTC has assumed NPEI will achieve 3,873 kW peak savings in 2011 (i.e. 15,490 kW divided by 4). Of this amount NWTC expects a reduction in load from NPEI of 306 kW per month (i.e. 3,873 times 7.9%) or 3,672 kW on an annual basis.

In total NWTC expects an annual reduction in load in 2011 from CDM programs of 7,884 kW

- b. A table showing the results obtained in responding to Question 23(a) above, as well as the results presented by NWTC in its Load Forecast found in Table 4 of Reference (1);using the 2007 to 2009 actual usage as basis for load forecast for the 2011 test year is provided below

	2011 Results form Question 23(a)	2011 Load Forecast from Table 4
GPI	4,212	251,306
NPEI	3,672	180,869
Total	7,884	432,175

- c. The two approaches as requested in Question 23(b) are not comparable as one approach provides the estimated reduction in load from CDM programs and the other is a forecast of the total load for 2011.

- d. The 2010 actual load provided by NWTC to GPI and NPEI was 444,847 kW. NWTC would agree with Board Staff that a more reasonable forecast for 2011 would include the results of 2010. The 2011 forecast of 435,343 kW shown in 22b appears reasonable to NWTC considering when the 2010 actual results are reduced by 7,884 kW for CDM savings the resulting value is just slightly higher than 435,343.

5. Cost Allocation, Rate Design, and Uniform Transmission Rates (“UTR”)

Interrogatory 24:

Reference: (1) Application/Page 26
(2) Application/Pages 27-28, and Table 8
(3) Application/Pages 29 - 31/Appendix A/Page 2 of Decision and Order

Preamble:

NWTC indicated in the above Reference (1) that the approved revenue requirement will be allocated completely to the Transformation Connection Rate Pool.

NWTC at Reference (2) indicated that it used extracted information¹ from the pre-filed evidence of the transmission rate application for 2011 and 2012 by Great Lakes Power Transmission LP. NWTC further explained in that Reference (2) that it extracted the information that relates only to the Uniform Transformation Connection Rate with two scenarios – one where NWTC is included in the Pool and the second assuming that NWTC is excluded from the Pool, and in Table 8 it concluded that the Rate remained unchanged for the two scenarios.

Board staff notes that the methodology proposed by NWTC is not consistent with the methodology and approach adopted for the existing four licenced transmitters.

The approved methodology would be carried out as follows (for any licenced transmitter, other than Hydro One):

- (i) Allocate the approved revenue requirement for that transmitter to the three transmission pools, using Hydro One’s ratios - whether or not that transmitter owns assets classed for that pool. To illustrate this approach it is noted that both Canadian Niagara Power Inc. (“CNPI”) and Five Nations Energy Inc. (“FNEI”), do not own any Network classed assets, yet their respective revenues are allocated as described above.

¹ Pre-filed evidence of transmission rate application for 2011 and 2012 by Great Lakes Power LP (EB-2010-0291) – Exh. 8/Tab 2/Sch. 1

- (ii) Include in the load forecast for that transmitter under each of the three pools i.e. Network, Line Connection and Transformation Connection Annual Charge Determinants, whether or not that transmitter owns assets in the three transmission pools. To illustrate this approach it is noted that both Canadian Niagara Power Inc. ("CNPI") and Five Nations Energy Inc. ("FNEI"), do not own any Network classed assets, yet their respective Charge Determinant Forecasts include amounts under the Network column.

Questions/Clarifications:

- a. Given the explanation regarding the methodology as described in the Preamble [the 3rd bullet, and items (i) and (ii)], please provide a revised UTR calculation making sure that the appropriate allocation is carried out regarding the Revenue for NWTC, and that loads are assumed for Network and Line Connection Pools.
- b. Notwithstanding whether or not the Board will actually decide that the appropriate approach is to include NWTC in the UTR, please confirm that under the assumption that NWTC is included in the UTR, the following steps need to be implemented to avoid double counting:
 - (i) NWTC's 2011 Charge Determinants representing the incremental loads for the three pools would need to be subtracted from the corresponding Hydro One Transmission Charge Determinants;
 - (ii) Subtraction of the corresponding NWTC's 2011 revenue requirement from Hydro One 2011 Transmission Revenue Requirement which reflects the incremental loads; and
 - (iii) NWTC would be charging both distributors Retail Transmission Rates for the three services to cover the forecasted incremental loads for 2011– Network, Line Connection and Transformation Connection.
- c. Please confirm that under the assumption that NWTC is included in the UTR, Hydro One Transmission will have to amend the existing CCRA's to:
 - (i) Stop the current payments of the \$1.50/kW/month to NWTC for the Transformation Connection for the incremental loads; but
 - (ii) Keep the Base Load amounts, see Reference (3), page 30, for the two distributors as set out in the Board's Decision and Order and included in the existing CCRA agreements.

Response:

- a. To the best of NWTC's knowledge, NWTC has followed the explanation regarding the methodology as described in the Preamble [the 3rd bullet, and items (i) and (ii)] and provided a revised UTR calculation shown in the table below. The calculations make sure that the appropriate allocation is carried out regarding the Revenue for NWTC, and that loads are assumed for Network and Line Connection Pools. In order to prepare this response NWTC has used the most recent information available to answer this question. In particular, NWTC has used the information outlined in the Revenue Requirement and Charge Determinant Order Arising from the EB-2010-0002 Decision with Reasons of December 23, 2010 and 2011 Uniform Electricity Transmission Rate Order (Revised) dated January 18, 2011 – Draft Rate Order, Exhibit 4.0, Page 1 of 1.

Revenue Requirement				
Transmitter	Network	Line Connection	Transformation Connection	Total
FNEI	\$4,306,935	\$1,020,593	\$1,957,135	\$7,284,663
CNPI	\$2,727,030	\$646,211	\$1,239,202	\$4,612,443
GLPT	\$19,900,913	\$4,715,822	\$9,043,268	\$33,660,003
H1N	\$767,870,937	\$181,958,610	\$348,931,864	\$1,298,761,411
NWTC	\$495,851	\$117,499	\$225,322	\$838,672
All Transmitters	\$795,301,666	\$188,458,735	\$361,396,791	\$1,345,157,192
Total Annual Charge Determinants				
Transmitter	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	4,019.797	2,939.425	1,057.605	
H1N	241,794.994	233,995.528	202,198.429	
NWTC	432.175	432.175	432.175	
All Transmitters	247,017.506	238,249.188	204,432.999	
2011 Uniform Transmission Rate (\$/kW)	3.22	0.79	1.77	

- b. Using the UTR approach to determine the proposed rate to be charged by NWTC is a new approach for NWTC. As a result. NWTC is unable to confirm the assumptions listed.
- c. Hydro One does not currently pay the \$1.50/kW/month to NWTC for the Transformation Connection service which suggest to NWTC that part of i) of this question is not applicable. For part ii), please refer response to OEB Staff IR 1d.

Interrogatory 25:

Reference: (1) Application/Page 5, Summary of the Application
(2) Application/Pages 26-28

Preamble:

The Board in considering this application could determine that it is not appropriate to incorporate NWTC into the UTR process.

Questions/Requests:

- a. Please explain why NWTC did not consider an alternative of continuing with the existing arrangement of having Hydro One Networks pay a monthly charge per kW for incremental loads, which would be determined by the Board, once it approves a 2011 revenue requirement for NWTC?
- b. In the event that the Board decided that it would continue with the existing arrangement of receiving a monthly charge per kW for incremental loads, what would be NWTC's concerns in regard to:
 - (i) Achieving a fair and just rate of return through continued authorization to collect an appropriate amount per kW for the service provided?
 - (ii) The process of making application to revise the rates to be charged in future years?
 - (iii) Any other concern that might arise?

Response:

- a. NWTC did not consider an alternative of continuing with the existing "stand alone" arrangement separate from the UTR process. In order to prepare this application, NWTC reviewed Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications dated June 28, 2010 and discussed the preparation of this application with Board Staff experienced in transmission rate applications. Based on the review and discussions with Board Staff it was NWTC's impression that the only alternative available to NWTC was to be included in the UTR process. However, based on the information provided in this interrogatory it is NWTC's understanding that this may not be the case. NWTC would prefer to continue with the existing "stand alone" arrangement separate from the UTR process. It was always NWTC's expectation that the transmission

transformation connection rate NWTC would be approved to charge GPI and NPEI would be the same as the most currently approved UTR rate for transformation connection.

As a result, NWTC is proposing that it continue with the existing "stand alone" arrangement separate from the UTR process and the approved UTR of \$1.77 per kW for transformation connection be approved as the rate NWTC would charge GPI and NPEI for transmission transformation connection service. NWTC recognizes that such a rate assumes the return on equity will be around 7%. Assuming this approach would be acceptable, NWTC would suggest that for rates in future years, NWTC would simply apply to the Board to have its rate adjusted to the most current UTR rate for transformation connection.

- b. Please see response to a.

Interrogatory 26: Alternatives to UTR

Reference: (1) Application/Appendix A/Page 3/Paragraph 4
(2) Application/Pages 26 - 28

Preamble:

The application by NWTC seeking to be included in the Uniform Transmission Rate Order ("UTR") requires, under the current form of the UTR, that NWTC would recover their required revenue based on a formula which would specify payment rates on the basis of the three components of costs (Network, Line Connection and Transformation Connection) in the same ratio as applicable to Hydro One and applied to all transmitters. For example, FNEI has no Network component, but their revenue is subject to the rates which the Board allows Hydro One in respect of transmission

Question/Request:

- a. Is NWTC aware that the rates that they charge would be subject to an allocation of costs to the three components, in the same ratio as is found to be applicable for Hydro One, even though only one component is applicable to NWTC?
- b. Is NWTC aware that the sum of the three components would be the basis for collection of the total revenue requirement?
- c. Is NWTC aware that if the Board does not approve NWTC's load forecast because it is considered too low (high), that the Board may issue a rate order based on a higher (lower) forecast load?
- d. Is NWTC aware that NWTC's revenue collection will be on the basis of the product of actual load and the rate that the Board allows based on its approved forecast?

Response:

- a. NWTC was not aware that the rates that they charge would be subject to an allocation of costs to the three components, in the same ratio as is found to be applicable for Hydro One, even though only one component is applicable to NWTC.
- b. NWTC was not aware that the sum of the three components would be the basis for collection of the total revenue requirement.

- c. NWTC is aware that if the Board does not approve NWTC's load forecast because it is considered too low (high), that the Board may issue a rate order based on a higher (lower) forecast load.
- d. NWTC is aware that NWTC's revenue collection will be on the basis of the product of actual load and the rate that the Board allows based on its approved forecast.

Interrogatory 27:

Reference: Application/Page 5, Summary of the Application

Preamble:

The Board in considering this application could determine that it might be appropriate to deem the Transformation assets as distribution assets of the Local Distribution companies, being served by it in accordance with section 84 (a) of the *Ontario Energy Board Act, 1998*, S.O.1 998, c 15

Questions/Requests:

- a. In the event that this is the case, how would NWTC propose to charge for the services, including respecting the existing obligations to Hydro One for the incremental load.
- b. In the event that this is the case, how would NWTC recommend that the assets be allocated to the two utilities?
- c. Was this possibility considered by the NWTC, and if it was, what were the considerations that made that a less attractive option?

Questions/Requests:

- a. NWTC is not aware of another case where the Board has deemed the asset of a transmission company such as NWTC to the distribution assets of the local distribution companies which is serviced by the transmission company. NWTC submits that under such a scenario the Board would need to consider that NWTC assets are owned 50 % by the Town of Lincoln, West Lincoln and Pelham and 50% by the Town of Grimsby. These assets are controlled by the towns Holding Companies and it is unclear how NWTC would charge for services under the suggested proposal.
- b. The official agreement and formation of NWTC specifically states that each of the partners has the right of first refusal should either Holding Company decide to divest itself of their 50% asset in NWTC. If the Board decided to deem the asset of NWTC to the distribution assets of GPI and NPEI it is expected the divestment option could be considered. Hence NWTC, at this time, can not suggest how the assets could be allocated to either LDC.

- c. For the purposes of preparing this rate application, the referenced possibility was not considered.

Interrogatory 28:

Reference: Application/Page 29/Board Decision and Order March 28,
2005/First bullet

Preamble:

The first bullet in the Decision and Order reflects that payment is to occur for the costs for service incremental to service being provided by Hydro One in serving the distributors Grimsby Power and Peninsula West Utilities (at that time) and on page 2 of the decision trigger points were established for the Base Load, which if exceeded, would result in transfer of income to NWTC

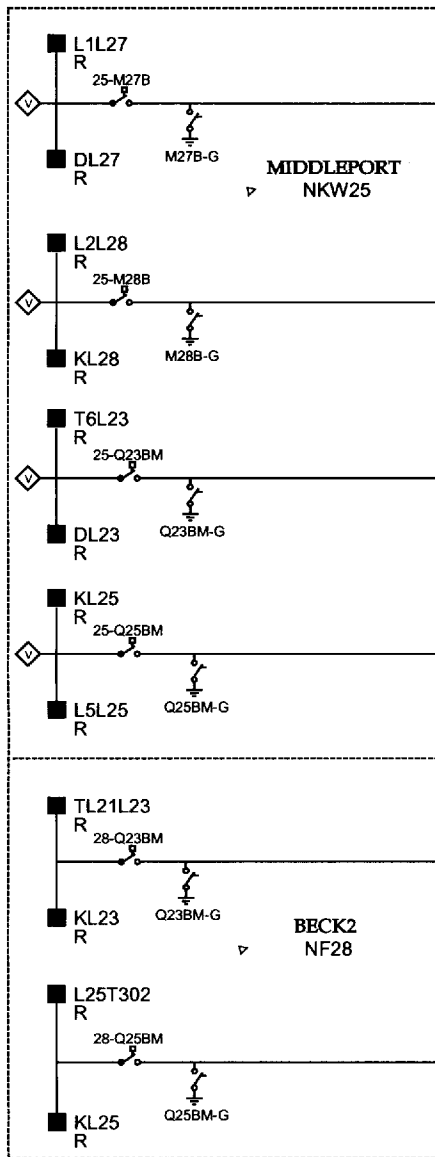
Question/Request:

- a. Has the load forecast taken into account the trigger point which the Board established in the March 28, 2005 Decision and Order?
- b. Does NWTC propose that this same trigger point be continued and maintained?

Response:

- a. Please refer to response to OEB Staff IR 1d
- b. Please refer to response to OEB Staff IR 1d

APPENDIX 1e



NKW25xHORNINGJCT
17.62 km

Horning JCT
NAC4

NKW25xNA57
16.03 km

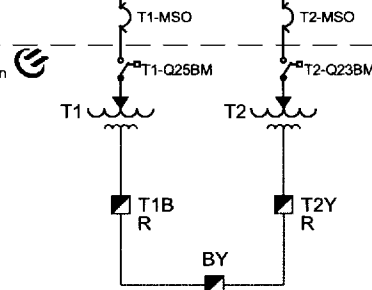
Neale JCT
NA57

NIAWESTJCT
xNA57
29 km

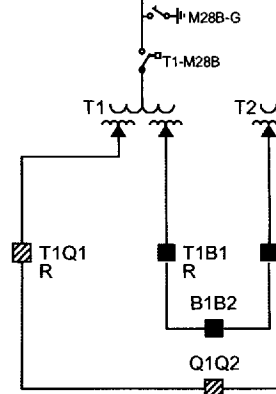
NF28
xNIAWESTJCT
46.1 km

Niagara West JCT

Niagara West
Transformation
Corporation

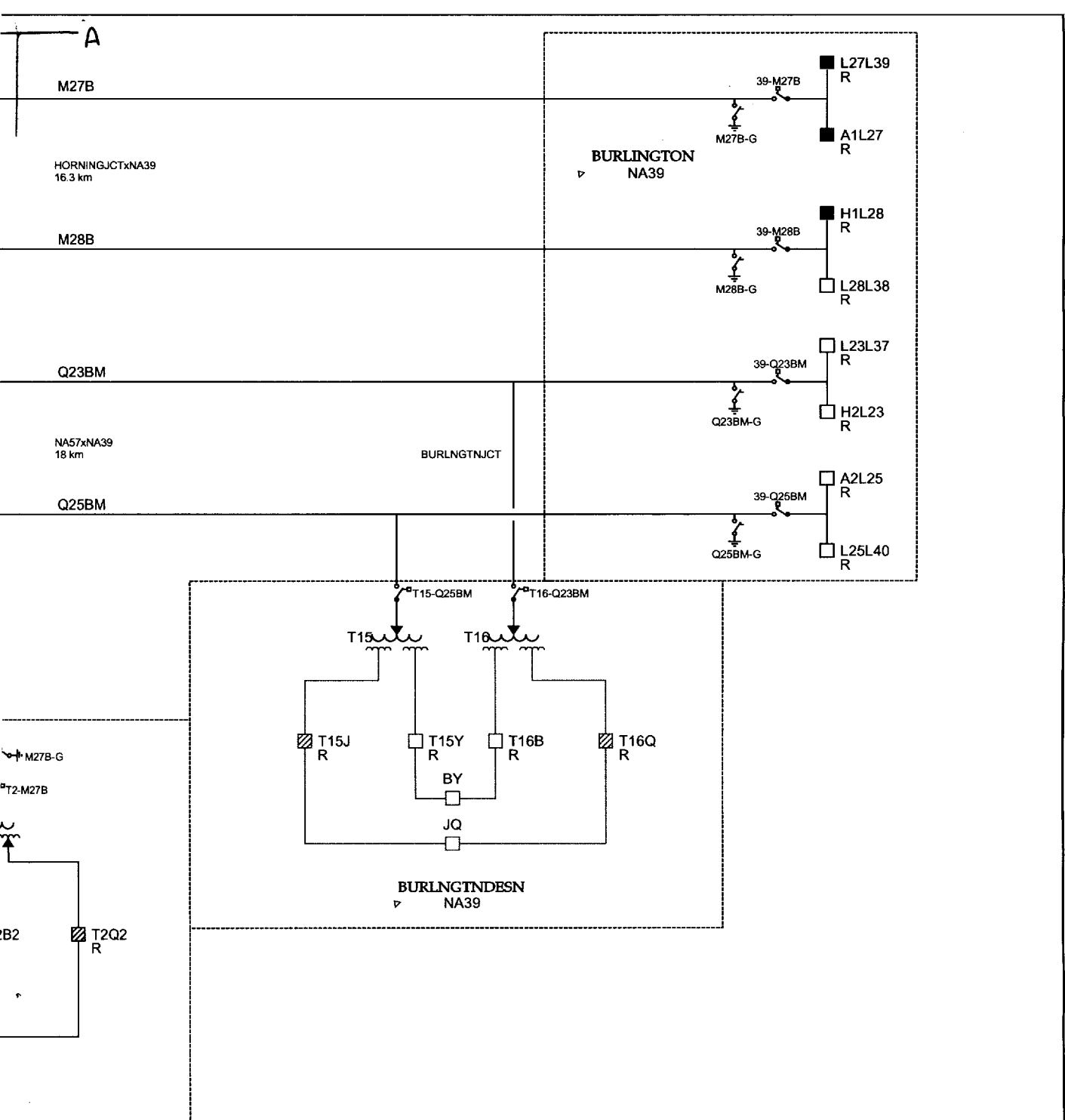


NIAGARAWEST
NA2508



HORNING
NAC4

B



LEGEND						MIDLEPRT BURLNGTN	
— 500 KV 345 KV — 230 KV 115 KV 69 KV — 44 KV 28 KV — 14 KV — Auxiliary						M27B, M28B, Q23BM, Q25BM	
						OVERVIEW OPERATING DIAGRAM (HIGH TENSION)	
						 Hydro One Networks Inc. Integrated Transmission Operating Facilities	
						Date: 06/07/2004	Checked:
						Drawn:	
						Note: All revisions to this diagram will require notification of the NMS Prints team, via email to NO Change Control Notification and follow up with a field marked paper copy. Refer to: OQ-10-001: Operating Diagram Standard for Transmission NMI-2020: Process for New and Revised Operating Diagrams	
						Paper Size: 22x16	
						DWG. NO. MIDLEPRT BURLNGTN-2HT	
						REV. NO. 2.0	

This legend is for local plotting purposes only. It serves as a reference for the local print only and may not necessarily match that of the Hydro One Operating Drawing Convention Standard.

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APPENDIX 1f

APPENDIX 2d

Niagara West Transformation Corporation

231 Roberts Road
Grimsby, Ontario L3M 5N2
Canada

INVOICE

Invoice No.: 2010-12
Date: 01/16/2011
Ship Date:
Page: 1
Re: Order No.

Sold to:

Niagara Peninsula Energy Inc.
7447 Pin Oak Drive
PO Box 120
Niagara Falls, Ontario L2E 6S9

Ship to:

Niagara Peninsula Energy Inc.
7447 Pin Oak Drive
PO Box 120
Niagara Falls, Ontario L2E 6S9

Business No.:

Item No.	Unit	Quantity	Description	Tax	Unit Price	Amount
			December 2010 Transformation Connection Fee Peak KW Including Losses \$1.50 x 16,834	H		25,251.00
			H - HST 13% HST			3,282.63
Shipped By: Tracking Number: Terms: Net 30. Due 02/15/2011. Comment: Sold By:						Total Amount 28,533.63

APPENDIX 6d



NIAGARA WEST TRANSFORM. CO.
231 ROBERTS RD

GRIMSBY ONTARIO
L3M 5N2

Account number Numéro de compte	Date
N 607 6221	10 12 07

0801 702 00000

PREVIOUS BILL	3006.99	
TOTAL PAYMENTS	0.00	
BALANCE	3006.99	
MONTHLY RATE		
SERVICES		2661.05
	GST	0.00
	HST	345.94
	PROV	0.00
	QST	0.00
*MONTHLY RATE INCLUDING TAXES	3006.99	
TOTAL AMOUNT DUE		5668.04
	GST	0.00
	HST	0.00
	HBCO	0.00
	HBCT	0.00
	HONO	0.00
	HONT	345.94
	FED	0.00
	PROV	0.00
	QST	0.00

Bell Canada QST Number: 1002969366
Numéro d'inscription de Bell Canada -TVQ: 1002969366
Explanation attached/Explication ci-jointe
Bell Canada GST/HST Registrant Number: 100458652
Num.ro d'inscription de Bell Canada-TPS/TVH:100458652
BC10027(EF)

For account inquiries call.....
Pour tout renseignement, appelez...
If long distance dial no charge.....
Composez sans frais d'interurbain...

1-800-559-5583

Tear stub here ^ Détacher ici ^			
Account number Numéro de compte	Date	Amount due Montant total	Amount Enclosed Paiement joint
N 607 6221	10 12 07		

0801 702 00000

N607 6221 CCG27 5

Please return this stub
with your payment to:
Prière de retourner ce
talon avec votre paiement à:

Bell Canada
P.O. Box 1550
North York, ON
M3C 3N5



JANUARY 1, 2011, QST
IS INCREASING BY 1%
1ER JANVIER 2011 TVQ
SERA HAUSSEE DE 1%

NIAGARA WEST TRANSFORM. CO.
231 ROBERTS RD

GRIMSBY ONTARIO
L3M 5N2

000390

.... /02

7N544876221567677107020101207787365717748564484905300006013984

000791

Bell

Explanation of other charges or credits
Explication des autres frais ou credits

NIAGARA WEST TRANSFORM. CO.

N 607 6221				Bill date Date de facturation		2008 08 07	0801 00000	Page: 1	
From De	To A	Ref. Réf.	Quantity Quantité	USOC	Description	Monthly rate Tarif mensuel	Service charge Frais de service	Amount Montant	
0616	0806				01FDDA872627 RC-06160700015 ADJ. RATE CHANGE EFFECTIVE 08.06.16	19.85		33.75	
					SUB-TOTAL	19.85		33.75	
					***** 01FDDA872628				

NIAGARA WEST TRANSFORM. CO.
28 LAKE ST
GRIMSBY ONTARIO
L3M 2G7

Account number Numéro de compte	Date
N 607 6221	08 08 07

0801 702 00000

TOTAL AMOUNT DUE

2601.12
GST 130.05
HST 0.00
FED 0.00
PROV 208.09
QST 0.00

TOTAL AMOUNT DUE INCLUDING TAXES

2939.26

TO AVOID A LATE PAYMENT CHARGE, PLEASE ENSURE WE RECEIVE YOUR
PAYMENT ON OR BEFORE 2008 09 06.

A LATE PAYMENT CHARGE OF 1.00% MONTHLY (12.68% PER ANNUM)
IS APPLIED WHEN PAYMENT HAS NOT BEEN RECEIVED BY THE
COMPANY WITHIN 30 DAYS OF THE BILLING DATE.

Bell Canada GST Number: 1002969366
Numéro d'inscription de Bell Canada -TVQ: 1002969366
Explanation attached/Explication ci-jointe
Bell Canada GST Registrant Number: 100458652
Numéro d'inscription de Bell Canada - TPS:100458652
BC10027(EF)

For account inquiries call.....
Pour tout renseignement, appelez...
If long distance dial no charge.....
Composez sans frais d'interurbain...

1-800-559-5583

Equipment Record
Relevé d'équipementVerify and retain most recent copy.
Veuillez vérifier et conserver le présent relevé.NIAGARA WEST TRANSFORM. CO.
28 LAKE STGRIMSBY ONTARIO
L3M 2G7

N 607 6221

Bill date
Date de facturation

2008 08 07

905 0801 00000

Page: 1

Tel no./Circuit N° de tél./Circuit	LSSB HVSV	Ref. Réf.	Equiv. Équiv.	Quantity Quantité	USOC	Description	Note		Monthly rate Tarif mensuel
							1	2	
01FDDA872627		001		1	1NFDB	IX DISTRIBUTE DATA CHANNEL 4 DUP 4WIRE-FULL DUPLEX 16 IX MILES	C	N	376.25
		002		32	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX RC TO WC		N	137.60
		010				LSO 905-957 TAR L NIAGARA WEST TRANSFORMER STATION 3021 REGIONAL RD 12 WEST LINCOLN ON			
		010		1	LNKDB	IX LINK DATA CHANNEL 4		N	79.85
		010		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4		N	29.25
		010		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX LSO 905-227 TAR B ALLANBURG TRANSFORMER STATION 1210 BARRON RD THOROLD ON		N	38.70
		020							
		020		1	LNKDB	IX LINK DATA CHANNEL 4		N	79.85
		020		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4		N	29.25
		020		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX SUBTOTAL 809.45 HST TAX .0000 GST TAX 40.4725 PROV TAXES 64.7560 TOT INCL TAXES 914.6785		N	38.70
01FDDA872628		001		1	1NFDB	IX DISTRIBUTE DATA CHANNEL 4 DUP 4WIRE-FULL DUPLEX 21 IX MILES	C	N	510.60
		010				LSO 905-957 TAR L NIAGARA WEST TRANSFORMER STATION 3021 REGIONAL RD 12 WEST LINCOLN ON			
		010		1	LNKDB	IX LINK DATA CHANNEL 4		N	79.85
		010		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4		N	29.25
		010		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX LSO 905-765 TAR H MIDDLEPORT TRANSFORMER STATION 411 BAPTIST CHURCH RD ONONDAGA ON		N	38.70
		020							



Equipment Record
Relevé d'équipement

Verify and retain most recent copy.
Veuillez vérifier et conserver le présent relevé.

N 607 6221 Bill date 2008 08 07 905 0801 00000 Page: 2
Date de facturation

Tel no./Circuit N° de tél./Circuit	LSSD HVBV	Ref. Réf.	Equiv. Équiv.	Quantity Quantité	USOC	Description	Note		Monthly rate Tarif mensuel
							1	2	
01FDDA872629		020		1	LNKDB	IX LINK DATA CHANNEL 4	N		79.85
		020		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4	N		29.25
		020		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX	N		38.70
						SUBTOTAL 806.20			
						HST TAX .0000			
						GST TAX 40.3100			
						PROV TAXES 64.4960			
						TOT INCL TAXES 911.0060			
		001		1	INFDB	IX DISTRIBUTE DATA CHANNEL 4 DUP	C	N	510.60
						4WIRE-FULL DUPLEX			
						21 IX MILES			
		010				LSO 905-957 TAR L			
						NIAGARA WEST			
						TRANSFORMER STATION			
						3021 REGIONAL RD 12			
						WEST LINCOLN ON			
		010		1	LNKDB	IX LINK DATA CHANNEL 4	N		79.85
		010		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4	N		29.25
		010		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX	N		38.70
						LSO 905-765 TAR H			
						MIDDLEPORT TRANSFORMER			
						STATION			
						411 BAPTIST CHURCH RD			
						ONONDAGA ON			
		020		1	LNKDB	IX LINK DATA CHANNEL 4	N		79.85
		020		1	1LVTA	0.4 KM LOCAL LOOP DATA CHANNEL 4	N		29.25
		020		9	1LVTZ	0.4 KM LOC LOOP DATA CHAN 4 DUPLX	N		38.70
						SUBTOTAL 806.20			
						HST TAX .0000			
						GST TAX 40.3100			
						PROV TAXES 64.4960			
						TOT INCL TAXES 911.0060			
						TOTAL			2421.85
						HST TAX .00			.00
						GST TAX 121.09			121.09
						PROV TAXES 193.75			193.75
						TOT INCL TAXES 2736.69			2736.69
						PROV TAX/BREAKDOWN BY PROVINCE			
						ONT 193.75			



Legends
Légendes

N 607 6221

Bill date
Date de facturation 2008 08 07

905 0801 00000

Page: 3

NOTE 1 Legend:

- A - Add
- C - Change
- D - Delete

NOTE 1 Légende:

- A - Ajout
- C - Modification
- D - Suppression

NOTE 2 Legend:

- A - QER / ONT prov tax applicable
- B - QER prov tax applicable
- C - ONT prov tax applicable
- D - QTS / ONT prov tax applicable
- G - GST / HST & prov taxes exempt
- H - QTS prov tax applicable
- J - QOS / ONT prov tax applicable
- K - QOS prov tax applicable
- L - QO / ONT prov tax applicable
- M - QO prov tax applicable
- N - QTS / ONT prov tax & GST / HST applicable
- O - QTS prov tax & GST / HST applicable
- P - QOS / ONT prov tax & GST / HST applicable
- Q - QOS prov tax & GST / HST applicable
- R - QER / ONT prov tax & GST / HST applicable
- S - QER prov tax & GST / HST applicable
- T - ONT prov tax & GST / HST applicable
- X - QO / ONT prov tax & GST / HST applicable
- Y - GST / HST applicable
- Z - QO prov tax & GST / HST applicable
- % - CVPP applicable
- ! - Subject to PACKET Discount

NOTE 2 Légende:

- A - Soumis à la QLE ou à la TVO
- B - Soumis à la QLE
- C - Soumis à la TVO
- D - Soumis à la QSDT ou à la TVO
- G - Exempt de TPS / TVH et de TVP
- H - Soumis à la QSDT
- J - Soumis à la QAS ou à la TVO
- K - Soumis à la QAS
- L - Soumis à la QD ou à la TVO
- M - Soumis à la QD
- N - Soumis à la QSDT ou à la TVO et à la TPS / TVH
- O - Soumis à la QSDT et à la TPS / TVH
- P - Soumis à la QAS ou à la TVO et à la TPS / TVH
- Q - Soumis à la QAS et à la TPS / TVH
- R - Soumis à la QLE ou à la TVO et à la TPS TVH
- S - Soumis à la QLE et à la TPS / TVH
- T - Soumis à la TVO et à la TPS / TVH
- X - Soumis à la QD ou à la TVO et à la TPS / TVH
- Y - Soumis à la TPS / TVH
- Z - Soumis à la QD et à la TPS / TVH
- % - Réduction PTDV applicable
- ! - Réduction Paquets applicable

- QER - Quebec equipment rental
- QTS - Quebec telecommunications services
- QOS - Quebec other services
- QO - Quebec other

- QLE - Location d'équipement - Québec
- QSDT - Services de télécommunications - Québec
- QAS - Autres services - Québec
- QD - Divers - Québec

PSTC (Prov sales tax code) overrides item tax code legend.
CTPV (code de taxe de vente provinciale) a priorité
sur un code de taxe qui figure dans la légende.

APPENDIX 7b – Doc 1

10. Information About Each Key Individual

Mr. ☒ Mrs. ☐	Last Name: HAYES	Full First Name: ROGER	Initial:
Miss ☐ Ms. ☐	Position Held: DIRECTOR		
Other: _____			
Please explain the person's experience in the electrical transmission business and in the energy field in general. PROFESSIONAL ENGINEER INVOLVED IN ELECTRICITY INDUSTRY FOR MORE THAN 28 YEARS; DESIGNS POWER TRANSFORMERS			
a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the Ontario Energy Board Act, 1998.			Yes ☒ No ☐
If yes, provide business names and licence number(s) and describe the individuals specific related experience. PWUL ED 2002-0555 DIRECTOR			
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation?			Yes ☐ No ☒
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.			
c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled?			Yes ☐ No ☒
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.			

Note:

Attach a copy of Item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

APPENDIX 7b – Doc 2

10. Information About Each Key Individual

Mr. ☒ Mrs. ☐	Last Name: PANETTA	Full First Name: JOSEPH	Initial:
Miss ☐ Ms. ☐	Position Held: DIRECTOR		
Other: _____			
Please explain the person's experience in the electrical transmission business and in the energy field in general.			
DIRECTOR OF GRIMSBY POWER INC. SINCE 2001 STILL ACTIVE			
a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the Ontario Energy Board Act, 1998.			Yes ☒ No ☐
If yes, provide business names and licence number(s) and describe the individuals specific related experience.			
OFFICER OF GPI 2008 TO 2010 INTERIM PRESIDENT ED-2002-0554			
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation?			Yes ☐ No ☒
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.			
c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled?			Yes ☐ No ☒
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.			

Note:

Attach a copy of Item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

APPENDIX 7b – Doc 3

10. Information About Each Key Individual

Mr. ☒ Mrs. ☐ Miss ☐ Ms. ☐ Other: _____	Last Name: <u>WILSON</u>	Full First Name: <u>DAVID</u>	Initial: <u>B</u>
Position Held: <u>DIRECTOR</u>			
Please explain the person's experience in the electrical transmission business and in the energy field in general. <u>DIRECTOR WITH GRIMSBY POWER 8 YEARS</u> <u>PUBLIC SECTOR, MUNICIPAL GOV'T. 41 YEARS</u>			
a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the Ontario Energy Board Act, 1998.			Yes ☒ No ☐
If yes, provide business names and licence number(s) and describe the individuals specific related experience. <u>GRIMSBY POWER ED-2002-0554 - DIRECTOR</u>			
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation?			Yes ☐ No ☒
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.			
c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled?			Yes ☐ No ☒
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.			

Note:

Attach a copy of Item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

APPENDIX 7b – Doc 4

10. Information About Each Key Individual

Mr. ☒ Mrs. ☐	Last Name: BACCHUS	Full First Name: SHAFEE	Initial: R
Miss ☐ Ms. ☐	Position Held: DIRECTOR		

Please explain the person's experience in the electrical transmission business and in the energy field in general.

DIRECTOR NIAGARA POWER INC. 2006-PRESENT

a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act, 1998*. Yes ☐ No ☒

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes ☐ No ☒

If yes, identify the *business name*, the *legislation*, *licence number(s)*, date of the *licencing* or registration and the individual's specific related experience.

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes ☐ No ☒

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Note:

Attach a copy of Item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

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10. Information About Each Key Individual

Mr. ☐	Mrs. ☒	Last Name: BUBISH	Full First Name: KAREN	Initial: L
Miss ☐	Ms. ☐	Position Held: VP ADMINISTRATION, SECRETARY, DIRECTOR		

Please explain the person's experience in the electrical transmission business and in the energy field in general.

1967-1979 ONTARIO HYDRO ADMINISTRATION OFFICE BEAMSVILLE AREA
1996-2000 TREASURER FOR LINCOLN HYDRO
2000-2008 TREASURER FOR PWUL and PWPI
2006-2008 COO FOR PWUL
2008 VP CORPORATE SERVICES - NIAGARA PENINSULA ENERGY INC

a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the Ontario Energy Board Act, 1998. Yes ☒ No ☐

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

PENINSULA WEST UTILITIES LIMITED (OFFICER)
ED 2002-0555

b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes ☐ No ☒

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes ☐ No ☒

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Note:

Attach a copy of item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

APPENDIX 7b – Doc 6

10. Information About Each Key Individual

Mr. ☒ Mrs. ☐	Last Name: WICKS	Full First Name: PETER	Initial: T
Miss ☐ Ms. ☐	Position Held: Director, VPO OPERATIONS		
Other: _____			
Please explain the person's experience in the electrical transmission business and in the energy field in general.			
Involved in electrical industry since 1954, holding positions such as VP Sales and VP GM of electrical manufacturers; Sat on various industry committees writing industry standards (e.g. CSA, ANSI, etc); Last position as VP at Rolls Royce; Retired in 1988; Since 1988, owner of Switchgear Technical Services Inc. representing USA electrical manufacturers.			
a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the <i>Ontario Energy Board Act, 1998</i> .		Yes ☒	No ☐
If yes, provide business names and licence number(s) and describe the individuals specific related experience.			
-Peninsula West Utilities Limited; ED-2002-0555; Director			
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation?		Yes ☒	No ☐
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.			
-Switchgear Technical Services Inc.; Director; Electrical Power System Consultant			
c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled?		Yes ☐	No ☒
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.			

Note:

Attach a copy of Item 10 for each Key Individual: Officer and Director, Partner or sole Proprietor.

APPENDIX 7d

**NIAGARA WEST TRANSFORMATION CORPORATION
MEETING MINUTES**

June 24, 2010

The Niagara West Transformation Corporation Board of Directors
met on Thursday June 24, 2010
in the Grimsby Power Board Room.

Present:

Chair	Shafee Bacchus
Director	Karen Bubish
Director	Peter Wicks
Director	David Wilson
Director	Roger Hayes
Bookkeeper	Shelley Cornelius

Regrets:

Director	Joe Panetta
----------	-------------

1. Call to Order

Chair Bacchus called the meeting to order at 4:37 p.m.

2. Conflicts of Interest

No conflicts were declared.

3. Minutes

Minutes of the May 27, 2010 directors meeting were reviewed, Dave Wilson moved, seconded by Peter Wicks that the Minutes of May 27, 2010 directors meeting be approved. The motion was carried. Resn. No. 10-22

4. Financial Statements

The Board reviewed the financial statement from Shelley Cornelius. Moved by Dave Wilson, seconded by Karen Bubish, that the financial statements for May 2010 be received and filed. The motion was carried Resn. No. 10-23

The Board reviewed the cheque disbursements for May 2010. Moved by Roger Hayes, seconded by Dave Wilson that the listing for May 2010 be accepted and filed. Resn. No. 10-24.

5. Business Arising

A. Bell Canada/NRBN Costs for Circuit Billing

The Chair reported that he is still is waiting for contact from NRBN regarding the cost for fibre optics connection.

B. Overview of Station

Peter Wicks handed out and reviewed the following report with the Board:
Error! Objects cannot be created from editing field codes.

C. 2010 Budget – Shafee Bacchus

Chair Shafee Bacchus presented a 2010 budget. Changes were suggested and then moved by Karen Bubish, seconded by Roger Hayes that the budget with changes be accepted and input with comparators for 2009 Resn. No. 10-26

E. OEB – Rate Increase

Tabled for next meeting.

5. Other Business

Correspondence was received from Hydro One Networks regarding their rate 2011/2012 Transmission Revenue Requirement and Rates Application. Filed

Mearie Insurance Claim

The cheque was received and the Proof of Loss – Final has been signed off by Karen Bubish. The claim is closed.

7. Next Meeting Date

The next meeting date to be July 20, 2010 at 4:30 p.m.

8. Adjournment

Moved by David Wilson, seconded by Roger Hayes that there being no further business, the meeting is adjourned at 5:20 p.m. and the next meeting be held on July 29, 2010 at 4:30 p.m. Resn. No. 10-25

Chair

Recording Secretary

APPENDIX 10a – Doc 1



3700 STEELES AVENUE WEST, SUITE 1100
VAUGHAN, ON L4L 8K8
TEL: 905-265-5355, FAX: 905-265-5301
TOLL FREE: 1-800-668-9979 WWW.MEARIE.CA
E-MAIL: GDURIE@MEARIE.CA

January 29, 2010

Karen Bubish, VP Administration
NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

RE: 2010 MEARIE Energy Insurance Program Renewals

Dear Karen;

We are pleased to enclose your MEARIE policy documents for the 2010 policy year, the first year of the 2010 - 2012 underwriting cycle. Additionally, we are pleased to confirm all Subscribers have renewed into the next three-year underwriting period. Our last underwriting period concluded with the issuance of a significant CGL premium reduction – the tenth and largest in MEARIE's 23-year history. Your ongoing commitment to the Reciprocal made this possible.

This policy renewal marks the first time we have issued all policies for all lines (liability, property and vehicle) simultaneously. We trust this change is helpful to you. Over the next few weeks you will be hearing from me or a member of the Marketing & Client Services team to review the particulars of the renewal policies and to discuss issues and opportunities for 2010.

A comprehensive commercial insurance program is composed of multiple insurance solutions. We would like to remind you The MEARIE Group offers a full range of highly competitive insurance products and services including:

Comprehensive General Liability: Liability risks arise out of your obligations to other people – their safety and their property. If injury is inadvertently caused to another and you are found responsible for the loss to the property or well-being of others, it is a liability. The MEARIE CGL policy provides \$24 Million in coverage to property damage and/or bodily injury your company causes to a third party.

Excess Liability: Excess liability provides an “umbrella” over all liability risks (general and vehicle) and increases this level of coverage over and above the \$24 Million MEARIE CGL policy. It is available in increments of \$5 Million up to \$25 Million in coverage.

Vehicle/Fleet: Vehicle Insurance covers both the physical damage to your vehicles and your obligations to others. If, during a vehicle-related incident, there is loss to property and/or injury to the well-being of others and you are found responsible, it is a liability. The vehicle policy provides 'first party' coverage relative to damage to your vehicles as well as coverage to the property damage and/or bodily injury you cause to third parties resulting from a vehicular incident. The MEARIE Vehicle policy provides a \$15 Million policy limit.

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

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Property: The MEARIE Property policy provides coverage for the physical assets of your company. Property risks arise out of damaged property and the expense to a business due to:

- A) Direct loss – repair or replace the damaged property, and/or,
- B) Indirect loss - lost revenue due to loss of production when damaged property or equipment precludes you from conducting business activities.

Business Interruption: Business Interruption covers losses including unearned profits, additional operating expenses and expenses for temporary relocation in the event of a loss.

Crime: Crime Insurance covers internal fraudulent activity on the part of your own employees towards your company. This insurance provides coverage for theft, funds transfer fraud and other types of fraud.

Boiler and Machinery: Boiler & Machinery Insurance, also known as “Equipment Insurance”, is a form of property insurance and insures against “sudden and accidental” mechanical breakdown to specified kinds of mechanical, electrical and pressure equipment (E.G. transformers, hydro-electric turbines).

Credit Insurance: Protects against non-payment of receivables by your commercial clients due to insolvency, creditors’ protection arrangements or protracted default.

We would be pleased to provide you with information on how our products and services can further protect and benefit your organization.

We thank you again for your continuing support and look forward to serving your insurance, financial and business requirements for many years to come.

Yours truly,



Andrea Dale
VP, Marketing & Client Services
The MEARIE Group

P.S. Plan to attend this year’s Risk Management Conference at Red Leaves Resort, Muskoka from June 16 - 18, 2010. A new decade and a new & exciting location will prove to make this conference better than ever. Details will be announced shortly at www.mearie.ca/conferences.



APPENDIX 10a – Doc 2



3700 STEELES AVENUE WEST, SUITE 1100
VAUGHAN, ON L4L 8K8
TEL: 905-265-5355, FAX: 905-265-5301
TOLL FREE: 1-800-668-9979 WWW.MEARIE.CA
E-MAIL: GDURIE@MEARIE.CA

January 29, 2010

Ms. K. Bubish, VP Administration
NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

**Re: 2010 MEARIE Energy Insurance Program - Comprehensive General Liability Program
Renewal**

Dear Karen

Please find enclosed your 2010 MEARIE Comprehensive General Liability Policy. These documents represent substantial protection for your business. Please review the contents of this package carefully to ensure your insurance requirements are adequately and accurately documented. Should you have any questions or if amendments are required please contact me.

The policy wording has been updated to continue to meet your changing business needs.

CGL Policy Wording Enhancements

The definition of Operations Covered has been clarified to better reflect and include the operations of Affiliate and/or Subsidiary companies. **These operations will only be covered provided the Reciprocal has been notified.**

6.17 Operations Covered

"Operations Covered" means operations of the Named Insured and/or an Additional Named Insured but only as identified to and approved by the Reciprocal. Any Affiliated Body Corporate or Subsidiary Body Corporate must be an Additional Named Insured in accordance with Section 6.2 of the policy for coverage under this policy to apply to any such Affiliated Body Corporate, Subsidiary Body Corporate.

Section 8.9 Other Insurance Clause has been updated to better reflect the intention of how the MEARIE Liability Policy would respond in relation to other insurance. Other updates include formatting, to bring constancy to the entire policy and remove inconsistencies related to Insured, Named Insured and Additional Named Insured.

Effective last year (as of January 1, 2009) the CGL policy limits were increased to \$24 Million.

Your policy includes the following endorsements that form part of the Policy and / or for which you paid an additional premium:

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- Endorsement #1 non-owned Automobile Liability
- Endorsement #5: Enhanced Plus+ Directors and Officers Coverage Endorsement
- SPF #6 Standard non-owned Automobile Policy
- SEF #94 Legal Liability for Damage to hired Automobiles
- SEF #96 Contractual Liability
- SEF #99 Excluding Long Term Leased Vehicle

Endorsement #5: Enhanced Plus+ Directors and Officers Coverage Endorsement

Last year, the Enhanced Plus+ liability endorsement was offered to you as an enhancement to the regular Directors and Officers endorsement. This increased level of coverage has now been adopted as part of the standard 2010 Directors and Officers Coverage Endorsement. Highlights of Endorsement #5 – Enhanced Plus+ include:

Coverage 1: Directors & Officers Liability and Coverage 2: Corporate Reimbursement

- Both coverages have been amended to include aggravated damages as they are considered compensatory damages.
- Both coverages have deleted the requirement for claims to arise out of the Operations Covered to be consistent with typical D & O policies as both coverages rely on the fact that the claims must arise from a Wrongful Act of an Insured acting in their capacity as an officer or director and
- In respect of Coverage 2 it has been amended to provide that MEARIE pay damages on behalf of the Insured as opposed to reimburse the Insured for damages incurred.

Item 3-6: Statutory Exclusion and Item 3-7: Salary, Wages and Earnings Exclusion

Both exclusions have been amended such that the exclusion do not apply to claims brought against officers and directors. One of the largest exposures a director or officer may face are suits for unpaid salaries or wages.

Definition 6.26.2: Wrongful Act The definition of Wrongful Act includes an exclusion for breach of contract and as with 3.21 of the CGL, claims that are “in tort” have been removed from the exclusion. In addition, the breach of contract exclusion has been amended so that it does not apply to directors and officers.

These improvements represent significant additional coverage for your corporation and should be particularly welcomed by your Directors and Officers.

Should you have any questions on the coverage this policy provides, or should you require Proof of Insurance, a Certificate of Insurance or other liability-related documentation please contact me at either (905) 265-5355 or gdurie@mearie.ca and I will be happy to assist you.

Yours truly,



Gary Durie
Risk Analyst, Underwriting & Risk Services
The MEARIE Group

P.S. Plan to attend this year’s Risk Management Conference at Red Leaves Resort, Muskoka from June 16 - 18, 2010. A new decade and a new & exciting location will prove to make this conference better than ever. Details will be announced shortly at www.mearie.ca/conferences.





INSURANCE,
RISK MANAGEMENT &
FINANCIAL SOLUTIONS

CERTIFICATE OF INSURANCE

Date of Issue: January 1, 2010

This is to certify that the following insurance is in effect.

Name of Insured:

NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street,
Grimsby, Ontario, L3M 3M1

Coverage:

1. General Liability including:
Premises and Operations
Products and Completed Operations
2. Bodily Injury Liability
3. Personal Injury Liability
4. Property Damage Liability
5. Tenant's Legal Liability
6. Environmental Impairment
7. Errors & Omissions/Professional Liability
8. Non-Owned Automobile
9. Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety)
10. Enhanced Plus+ Directors & Officers Liability

Limit:

\$24,000,000 per occurrence

Insurer:

Municipal Electric Association Reciprocal Insurance Exchange

Policy Number:

L2010NWTC1

Policy Period:

January 1, 2010 – January 1, 2011 (12:01am)

Additional Named Insured:

This certificate is issued subject to all agreements, conditions, exclusions and provisions of the contract of insurance as well as any endorsements attached thereto currently or during the policy period. The policy includes a cross liability clause.

Chief Executive Officer & Attorney-in-Fact

**Comprehensive
Liability Policy**





INSURANCE,
RISK MANAGEMENT &
FINANCIAL SOLUTIONS

COMPREHENSIVE LIABILITY POLICY

Policy No.: L2010NWTC1

MUNICIPAL ELECTRIC ASSOCIATION RECIPROCAL INSURANCE EXCHANGE

Vaughan, Ontario
(herein referred to as the Reciprocal)

In consideration of the payment of the premium and of the statements in the Declarations and subject to the conditions, limitations and other terms of this Policy does hereby agree with the Named Insured as follows:

DECLARATIONS

- Item 1** Named Insured: **NIAGARA WEST TRANSFORMATION CORPORATION**
Address: c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1
- Item 2** Policy Period: From: January 1, 2010
To: January 1, 2011
12:01 AM Standard Time as to both dates at the address of the Named Insured.
- Item 3** Limit of Liability: A: \$24,000,000 each Accident, Event, Occurrence or Wrongful Act, subject to all other terms and conditions of the policy and endorsements.
B: \$24,000,000 separate limit for an Insured who is a Director or Officer, only as if Endorsement #5 – Enhanced Plus+ Directors & Officers Liability is added to the Policy, subject to all other terms and conditions of the policy and endorsements
- Item 4** Deductible: a) Individual Member Deductible: \$0
b) Environmental Impairment Deductible: As per 5.2 of the Policy.
- Item 5** Operations Covered: As per 6.17 of the Policy and made known to MEARIE.
- Item 6** Premium: \$1,056.00

By virtue of this Policy and any other policies purchased from the Company being in force, the insured is a member of the Company Underwriting Group I, subject to the provisions of the Subscriber's Agreement.

In witness whereof the Reciprocal through its representative duly authorized by it for this purpose, has executed and signed this Policy.

Chief Executive Officer & Attorney-in-Fact

Dated at Vaughan, Ontario 1st day of January 2010

Comprehensive
Liability Policy



The MEARIE Comprehensive Liability Policy 2010



Dated at Vaughan on this 1st day of January, 2010

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MUNICIPAL ELECTRIC ASSOCIATION RECIPROCAL INSURANCE EXCHANGE



2010 COMPREHENSIVE LIABILITY POLICY

1.0 INSURING AGREEMENTS

In consideration of the payment of the premium and subject to all of the limitations, exclusions, provisions, definitions, terms and conditions of this policy and any endorsements attached hereto, the **Reciprocal** agrees with the **Named Insured**:

1.1 COVERAGE A.1 - BODILY INJURY LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered** because of **Bodily Injury** sustained by any person during the **Policy Period** caused by an **Occurrence** except when caused by **Environmental Impairment**.

1.2 COVERAGE A.2 - PERSONAL INJURY LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered** because of **Personal Injury** sustained by any person during the **Policy Period** except when caused by **Environmental Impairment**.

1.3 COVERAGE B - PROPERTY DAMAGE LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered** because of **Property Damage** caused by an **Occurrence** except when caused by **Environmental Impairment**.

1.4 COVERAGE C - TENANT'S LEGAL LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered** by reason of the liability imposed by law upon the **Insured** for **Property Damage** in respect of structures, portions thereof or building fixtures permanently attached thereto, rented or leased to or occupied in whole or in part by (but not owned by) the **Insured** if such **Property Damage** is caused by an **Occurrence** but not by **Environmental Impairment**.

1.5 COVERAGE D - ENVIRONMENTAL IMPAIRMENT LIABILITY

To pay on behalf of the **Insured**:

- 1.5.1 all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered** in respect of **Claims** first made against the **Insured** or **Other Notice of Claim First Received by the Insured** during the **Policy Period** caused by **Environmental Impairment**;
- 1.5.2 all sums resulting from liability imposed upon the **Insured** by any law for the cost of controlling and extinguishing forest fires arising out of **Operations Covered** during the **Policy Period**;

1.5.3 costs and expenses of operations designed to remove, monitor, test, neutralize or **Clean-Up** outside or inside of the **Insured's** premises, any substance released or escaped during the **Policy Period** arising out of **Operations Covered** which has caused, or will cause **Environmental Impairment** to others if not removed, neutralized or Cleaned-Up, to the extent that such costs and expenses have been incurred or have become payable by the **Insured** as a result of a legal obligation. If such costs or expenses are incurred by the **Insured** and in respect of the substance concerned damages as referred to in 1.5.1 above are subsequently claimed from the **Insured** within a period not exceeding twelve (12) months from the date of commencement of the operations mentioned above, then that date shall be deemed to be the date on which **Other Notice of Claim First Received** has been received by the **Insured**. Costs and expenses of operations mentioned above do not include sums which the **Insured** shall become legally obligated to pay as damages for **Property Damage**.

1.6 COVERAGE E – DIRECTORS AND OFFICERS AND ERRORS AND OMISSIONS LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered**, for any **Claim** made against the **Insured** because of a **Wrongful Act**, provided that the **Claim** is first made against the **Insured** during the **Policy Period** or **Other Notice of Claim First Received by the Insured** occurred during the **Policy Period** and provided that coverage is not provided by Coverages A.1, A.2, B, C or D.

1.7 COVERAGE F - OCCUPATIONAL HEALTH & SAFETY EXPENSES

To pay on behalf of the **Insured** costs or expenses incurred in the defence of a proceeding brought during the **Policy Period** under the Occupational Health & Safety Act, R.S.O. 1990, Chapter O.1 as amended by S.O. 1992, c.21, provided that:

- a) the **Reciprocal** has been notified promptly in writing of the commencement of a proceeding brought under the Occupational Health & Safety Act against the person or persons referred to in paragraphs (i), (ii) or (iii) above;
- b) the **Reciprocal** has approved the selection of counsel to defend such person or persons in such proceeding;
- c) the **Reciprocal** has approved the nature and amount of the costs and expenses incurred in the defence of such proceeding;
- d) should such person or persons be found, in such proceeding, to have contravened any provision of the Occupational Health & Safety Act by final judicial judgment or order from which no appeal may be taken, or in respect of which all time periods for appealing have passed without any appeal having been taken the **Insured** shall repay the **Reciprocal** all costs or expenses paid hereunder;
- e) the **Reciprocal's** liability hereunder shall be limited to the sum of \$400,000, and regardless of either the number of persons involved in a proceeding, or the number of proceedings in which such persons are named, the maximum aggregate liability of the **Reciprocal** to all such persons shall be limited to such sum of \$400,000 to the extent that the proceeding or proceedings arise out of one incident or series of related incidents; and
- f) notwithstanding any definition of "employer" or "employee" contained in the Occupational Health & Safety Act the coverage under this item does not and shall not extend or apply to workers with whom the **Insured** has contracted for services, nor to independent contractors or subcontractors who perform work or services for the **Insured**, nor to the workers or employees of such independent contractors or sub-contractors.

1.8 COVERAGE G - LEGAL EXPENSES

To pay on behalf of the **Insured** costs or expenses incurred in the defence of a proceeding brought during the **Policy Period** under any statute enacted by the Parliament of Canada or the Legislature of the Province of Ontario, except the *Highway Traffic Act* or the *Acts* referred to in Coverage F hereof, provided that:

- a) the **Reciprocal** has been notified promptly in writing of the commencement of a proceeding under such Statute against the person or persons referred to in paragraphs (i), (ii) or (iii) above;
- b) the **Reciprocal** has approved the selection of counsel to defend such person or persons in such proceeding;
- c) the **Reciprocal** has approved the nature and amount of the costs and expenses incurred in the defence of such proceeding
- d) should such person or persons be found, in such proceeding, to be guilty of any offence by final judicial judgment or order from which no appeal may be taken, or in respect of which all time periods for appealing have passed without any appeal having been taken the **Insured** shall repay the **Reciprocal** all costs or expenses paid hereunder; and
- e) the **Reciprocal's** liability hereunder shall be limited to the sum of \$400,000, and regardless of either the number of persons involved in a proceeding, or the number of proceedings in which such persons are named, the maximum aggregate liability of the **Reciprocal** to all such persons shall be limited to such sum of \$400,000 to the extent that the proceeding or proceedings arise out of one incident or series of related incidents.

2.0 ADDITIONAL INSURING AGREEMENTS

With respect to **Claims** or suits alleging liability and seeking damages, costs or expenses which are covered under Coverages A.1, A.2, B, C, D and E under Insuring Agreements 1.1 to 1.6, inclusive, hereof, and which are not excluded under sections 3.1 to 3.22, inclusive, hereof, the **Reciprocal** shall:

2.1 DEFENCE – SETTLEMENT

Subject to Section 8.5 of this policy, defend any **Claim**, suit or other proceeding against the **Insured** alleging liability and seeking compensatory damages on account thereof, even if such **Claim**, suit or other proceeding is groundless, false or fraudulent, or where the **Reciprocal** is prevented by law or otherwise from defending the **Insured** as aforesaid, the **Reciprocal** will reimburse the **Insured** for defence costs and expenses which have been incurred with the consent of the **Reciprocal**.

2.2 BOND PREMIUMS

Pay all premiums on bonds to release attachments for an amount not in excess of the applicable **Limit of Liability** of this Policy, and all premiums on appeal bonds required in any such defended **Claim**, suit, or other proceeding, but without any obligation to apply for or furnish any such bonds.

2.3 SUIT COSTS, INTEREST EXPENSES

- 2.3.1 Pay all expenses incurred by the **Reciprocal** and all costs assessed against the **Insured** in any suit or proceeding that do not exceed the **Limit of Liability** of this Policy.
- 2.3.2 Pay all interest accruing after the entry of judgment until the **Reciprocal** has paid, or tendered payment of, or deposited in court payment of, that part of the judgment which does not exceed the **Limit of Liability** of this Policy.
- 2.3.3 Pay all pre-judgment interest on that part of the compensatory damages which does not exceed the **Limit of Liability** of this Policy.

2.4 IMMEDIATE MEDICAL AND SURGICAL EXPENSES

Pay expenses incurred by the **Insured**, for such immediate medical and surgical relief to others as shall be imperative at the time of any injury.

2.5 EXPENSES INCURRED AT **RECIPROCAL'S** REQUEST

Reimburse the **Insured** for all reasonable expenses incurred at the **Reciprocal's** request including actual loss of earnings.

2.6 RESTRICTIONS ON PAYMENT

Indemnify the **Insured** for settlement of **Claims** and suits to the extent that they are covered by this Policy in jurisdictions where the **Reciprocal** is prevented by law or otherwise from making payment on behalf of the **Insured**.

2.7 LIMITATION OF LIABILITY

The total of all amounts covered and payable under Additional Insuring Agreements 2.2 to 2.6 inclusive and Insuring Agreements A.1, A.2, B, C, D and E hereof shall be limited to the applicable **Limit of Liability** of this Policy.

For greater clarity, only the amounts covered under Additional Insuring Agreement 2.1 hereof are payable in addition to the applicable **Limit of Liability** of this Policy.

3.0 EXCLUSIONS

Notwithstanding anything else in this Policy, this Policy does not apply:

3.1 WORKERS' COMPENSATION EXCLUSION

To any liability imposed upon or assumed by the **Insured** under any workers' compensation statute, law or plan except for **Claims** arising out of the legal liability imposed upon the **Insured** by common law as amended by such statute or arising out of an agreement to indemnify or hold harmless a party other than an employee.

3.2 AUTOMOBILE EXCLUSION

To the ownership, use or operation by or on behalf of the **Insured** of any type of automobile or self-propelled land motor vehicle, trailer or semi-trailer which is insured under a motor vehicle liability policy, or which is licensed or required to be licensed under any government authority for operation on a public highway except that this exclusion shall not apply to:

- 3.2.1 any non-licensed equipment used occasionally on a public highway or equipment which may be required to carry a special licence but which, if insured, is not required to be insured under a motor vehicle liability policy;
- 3.2.2 the ownership, use or operation of machinery or apparatus including its equipment mounted on or attached to an automobile while such machinery or apparatus is at the site of the use or operation of such machinery or apparatus and provided that the use or operation of such machinery or apparatus is not insured or required to be insured at the time under a motor vehicle liability policy;
- 3.2.3 loading, unloading or maintenance operations;
- 3.2.4 **Bodily Injury** sustained by:
 - i) any employee of the **Named Insured** or **Additional Named Insured** while engaged in the performance of his or her duties as such;
 - ii) any person while driving, or any member of such person's immediate family being carried in or upon, or entering, getting onto or alighting from, any automobile owned or leased by the **Insured** and rented, leased or loaned to others, provided such **Bodily Injury** arises from a defective condition in or improper maintenance of such automobile; or
- 3.2.5 Coverage D herein (**Environmental Impairment**).

3.3 AIRCRAFT EXCLUSION

To the ownership, operation or use by or on behalf of or at the direction of the **Insured**, the maintenance and, in respect of sections 3.3.1 and 3.3.2 herein, the loading and unloading, of:

- 3.3.1 any aircraft;
- 3.3.2 any air cushion vehicle; or
- 3.3.3 premises as an airport or aircraft landing strip;

except this exclusion shall not apply to Coverage D herein (**Environmental Impairment**).

3.4 WATERCRAFT EXCLUSION

To the existence, ownership, maintenance, use or operation by or on behalf of the **Insured** of any watercraft over 500 tons gross registry, except that this exclusion does not apply to watercraft that are leased, hired or used by the **Insured** and not maintained or operated by the **Insured** or by crews directly paid by the **Insured** or to **Bodily Injury**, sustained by any employees of the **Insured** while acting on behalf of the **Insured**, or to Coverage D herein (**Environmental Impairment**).

3.5 PROPERTY EXCLUSION

To **Claims** for injury to, destruction or loss of use of:

- 3.5.1 property owned or occupied by or leased to the **Insured**, property held by the **Insured** for sale or property entrusted to the **Insured** for storage or safekeeping, except for property insured under Coverage C herein (Tenant's Legal Liability);
- 3.5.2 except with respect to i) liability under sidetrack agreements covered by this Policy, ii) liability in respect of the use of elevators or escalators at premises owned, rented or controlled by the **Insured** and iii) liability assumed under any easement agreement including Municipal Hydro Electric right-of-way easement agreement or agreement required by Municipal by-law:
 - i) property while on premises owned by or leased to the **Insured** for the purpose of having operations performed on such property by or on behalf of the **Insured**;
 - ii) property in the custody of the **Insured** which is to be installed, erected or used in construction by the **Insured**;
 - iii) property in the custody of the **Insured** which is to be installed, erected or used in construction by the **Insured**;
 - a) upon which operations are being performed by or on behalf of the **Insured** at the time of the injury thereto, destruction thereof, or loss of use thereof, arising out of such operations; or
 - b) damage to or the restoration, repair or replacement of which has been made or is necessary by reason of faulty workmanship thereon by or on behalf of the **Insured**;
 - iv) property which is being transported by the **Insured** by motor vehicle or team, including the loading or unloading thereof; or
- 3.5.3 Any goods, products or containers therefore manufactured, sold, handled or distributed by the **Insured**, premises alienated by the **Insured**, or work completed or designed by the **Insured** out of which such injury, destruction or loss of use arises.

3.6 CRIMINAL INTENT INJURY EXCLUSION

To assault and battery but only if arising from wilful violation of a penal statute except that this exclusion shall not apply to an **Insured** who neither sanctioned nor was a party to the causing of the injury.

3.7 CRIMINAL AND UNINSURABLE MATTERS EXCLUSION

To **Claims** which may be deemed uninsurable under the law pursuant to which this Policy shall be construed.

3.8 PERSONAL ADVANTAGE EXCLUSION

To **Claims** based upon or attributable to the **Insured(s)** gaining in fact any personal profit or advantage to which they were not legally entitled or to any **Claim** the payment of which would result in the satisfaction of a debt owed by the **Insured(s)** on account of goods or services rendered or work performed.

3.9 ILLEGAL REMUNERATION EXCLUSION

To **Claims** for the return by the **Insured(s)** of any amounts or remuneration paid in fact to them if payment of such amounts or remuneration shall be held by the courts to have been in violation of law.

3.10 DISHONESTY EXCLUSION

To **Claims** brought about or contributed to by the dishonesty of the **Insured**, however, notwithstanding the foregoing, the **Insured** shall be protected under the terms of this Policy as to any **Claims** upon which civil suit is brought against them by reason of any alleged dishonesty on the part of the **Insured**, unless a final judicial judgment or order or other final adjustment thereof adverse to the **Insured** shall establish that acts of active and deliberate dishonesty committed by the **Insured** with actual dishonest purpose and intent were material to the cause of action so adjudicated.

3.11 WILLFUL OR INTENTIONAL ACTS EXCLUSION

To any **Claims** for damages, losses or injury to any person or property where it was the intention of any **Insured** to cause damage, loss or injury to such person or property or where damage, loss or injury resulted from acts by or on behalf of any **Insured** which were intended to cause damage, loss or injury. This exclusion does not apply against any **Insured** who did not share such intention but is liable vicariously for the act of an **Insured** who did have such intention.

3.12 EMPLOYMENT AND **PERSONAL INJURY** EXCLUSION

To pay any **Claims** or liability arising out of a dispute with organized labour or brought as an employee or union grievance or a **Claim** for damages for discrimination, sexual harassment or wrongful dismissal.

3.13 EXPECTED ENVIRONMENTAL AND **PROPERTY DAMAGE** EXCLUSION

To any **Claims** or costs and expenses arising from **Personal Injury, Property Damage** or **Environmental Impairment** which are reasonably expected or intended from the standpoint of the **Insured** or which arise from deliberate or intentional dumping or disposal or release of contaminants or pollutants

3.14 ROUTINE **CLEAN-UP** EXCLUSION

To any **Claims**, costs or expenses in connection with any cleaning up operations reasonably considered to be routine and normal in connection with **Operations Covered**.

3.15 NUCLEAR EXCLUSION

To any **Claims**:

- 3.15.1 with respect to which an **Insured** under this Policy is also insured under a contract of nuclear energy liability insurance (whether the **Insured** is unnamed in such contract and whether or not it is legally enforceable by the **Insured**) issued by the Nuclear Insurance Association of Canada or any other group or pool of reciprocals, or would be an **Insured** under any such policy but for its termination upon exhaustion of its limits of liability; or
- 3.15.2 resulting directly or indirectly from the **Nuclear Energy Hazard** arising from:
 - i) the ownership, maintenance, operation or use of a Nuclear Facility by or on behalf of the **Insured**;
 - ii) the furnishing by an **Insured** of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any Nuclear Facility; and
 - iii) the transportation, consumption, possession, handling, disposal or use of Radioactive Materials sold, handled, used or distributed by the **Insured**, except in equipment used for measuring, checking and testing;

except that this exclusion shall not be construed to apply to any commercial radioactive isotopes away from a Nuclear Facility.

3.16 LIMITED **ENVIRONMENTAL IMPAIRMENT** EXCLUSION

To costs and expenses related to, or **Claims** for **Property Damage** arising from, removal, monitoring or testing of property owned, occupied or leased by the **Named Insured** or an **Additional Named Insured** as defined, but not as defined in Section 6.11.1, 6.11.2 or 6.11.3 hereof, where the removal, monitoring or testing arises from any known or suspected liquid, solid, gaseous or thermal irritant in the property that might be released or might escape into the environment, whether or not such irritant has been released or has escaped from similar or identical property.

3.17 INCIDENTAL AND SUBSIDIARY OPERATIONS ENVIRONMENTAL IMPAIRMENT EXCLUSION

To any **Claims** or costs and expenses arising out of the handling, storage, ownership, transportation, loading or unloading of any environmental contaminant or pollutant, including but not limited to polychlorinated biphenyls (PCBs), by or on behalf of the **Named Insured** or an **Additional Named Insured**, when the environmental contaminant or pollutant is utilized by or on behalf of the **Named Insured** or an **Additional Named Insured** for any purpose other than within the scope of **Operations Covered**.

3.18 ENVIRONMENTAL IMPAIRMENT EXCLUSION

To any **Claims** or costs or expenses arising out of **Bodily Injury, Personal Injury, Property Damage**, or impairment or diminution of or other interference with any environmental right or amenity which arises out of the emission, discharge, dispersal, disposal, seepage, release or escape of any liquid, solid, gaseous or thermal irritant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals or other contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water and the generation of smell, noises, vibrations, light, electricity, radiation, changes in temperature or any other sensory phenomena, if the emission, discharge, dispersal, disposal, seepage, release, escape or generation commenced or occurred at any time prior to the date which is the later of:

- a) January 1, 1987, if the **Named Insured** has been issued a **Comprehensive Liability Policy** by the **Reciprocal** in each year without exception from 1987 to the commencement date of the **Policy Period** of this Policy; or
- b) the commencement of the **Policy Period** of a **Comprehensive Liability Policy** issued to the **Named Insured** by the **Reciprocal** prior to this Policy, if, in each year without exception after such earlier Policy was issued until the commencement date of the **Policy Period** under this Policy, the **Named Insured** has been issued a **Comprehensive Liability Policy** by the **Reciprocal**; or
- c) if both (a) or (b) do not apply, the commencement date of the **Policy Period** of this Policy

3.19 MISINTERPRETATION OF DATE EXCLUSIONS

3.19.1 To any **Claim, Property Damage, Personal Injury**, error or omission, **Wrongful Act, Environmental Impairment**, damages, loss, cost or expense arising out of or related to any actual or alleged failure, partial failure, malfunction, or inadequacy of any:

- a) electronic data processing equipment, or other equipment, including micro-chip(s) embedded therein;
- b) computer program;
- c) software;
- d) media;
- e) data;
- f) memory storage system;
- g) memory storage device
- h) real time clock;
- i) date calculator;
- j) data transmission, data conversion and data interchange, including the protocols and conventions for transferring, displaying, and reporting to and from users or other monitoring systems, digital, electrical or mechanical; or
- k) any other related component system, process or device

whether owned or used by an **Insured** or by any other person, to correctly read, recognize, interpret or process any encoded, abbreviated or encrypted date, time, or combined date/time data or date field, including any error in original or modified data entry or programming.

3.19.2 To any **Claim, Property Damage, Personal Injury**, error or omission, **Wrongful Act, Environmental Impairment**, damages, loss, cost or expense arising out of or related to any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, or supervision done by or for an **Insured** to rectify or test for any potential or actual problem, failure or malfunction with respect to any encoded, abbreviated or encrypted date, time or combined date/time data or data field.

3.20 NON-COMPENSATORY DAMAGES EXCLUSION

To any fines or penalties, or to punitive or exemplary damages or to any **Claim** for expenditures, compensation or damages that are payable pursuant to statute or regulation.

3.21 BREACH OF CONTRACT EXCLUSION

To any matter claimed against an **Insured** arising out of any actual or alleged breach of contract, negotiation of or towards a contract, tenders for contracts, selection and/or awarding of a contract or failure to proceed with a contract, whether such **Claim** be in contract or implied contract, in equity, at law, by statute, or otherwise.

3.22 CONCURRENT LIABILITY EXCLUSION

Any losses or damages excluded under the terms of this Policy are excluded regardless of any other cause or event that contributes concurrently or in any sequence to the said losses or damages.

3.23 AFFILIATE AND SUBSIDIARY OPERATIONS

To any **Affiliate Body Corporate** or **Subsidiary Body Corporate** Operations unless such **Affiliate Body Corporate** or **Subsidiary Body Corporate** is an **Additional Named Insured** in accordance with Section 6.2 of this Policy.

3.24 DIRECTORS AND OFFICERS AND ERRORS AND OMISSIONS EXCLUSION

To any **Claims** or costs or expenses arising out of a **Wrongful Act** that occurred prior to the earlier commencement date of (a) or (b) below:

- a) the commencement date of the **Policy Period** of a **Comprehensive Liability Policy** issued to the **Named Insured** by the **Reciprocal** prior to this Policy, if, in each year without exception after such earlier Policy was issued until the commencement date of the **Policy Period** under this Policy, the **Named Insured** has been issued a **Comprehensive Liability Policy** by the **Reciprocal** or
- b) if (a) does not apply, the commencement date of the **Policy Period** of this Policy.

4.0 LIMIT OF LIABILITY

Regardless of the number of **Insureds** under this Policy, the number of Insuring Agreements or the number of **Claims** made or suits brought against the **Insured(s)** arising out of the same **Occurrence**, accident, or one or more series of accidents arising out of one event or arising out of the same **Wrongful Act**, interrelated Wrongful Acts, or one or more series of similar **Wrongful Acts**, the total limit of the **Reciprocal's** liability for all coverages combined (except only as specifically provided in Section 2.7 hereof in respect of coverage under Section 2.1) shall be no greater than the **Limit of Liability** as stated in Item 3 in the Declarations attached to and forming part of this Policy.

For the purpose of determining the limit of the **Reciprocal's** liability, all **Bodily Injury** arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one accident.

With respect to **Products Hazard**, all **Personal Injury** or physical injury to or destruction of tangible property, including the loss of use thereof, arising out of one lot of goods or products prepared or acquired by the **Named Insured** or by another trading under the **Named Insured's** name shall be considered as arising out of one **Occurrence**.

The inclusion herein of more than one **Insured** shall not operate to increase the limit of the **Reciprocal's** liability as set forth in the Declarations attached to and forming part of this Policy beyond the amount or amounts for which the **Reciprocal** would be liable if there had been only one **Insured**.

With respect to **Claims** related to **Terrorism**, the total of all amounts covered and payable under this Policy in the event of any **Claims**, losses or damages caused directly, indirectly, in whole or in part by **Terrorism** or by any activity or decision of a government agency or other entity to prevent, control, respond to or suppress **Terrorism** shall be limited to a total of \$10 million dollars.

5.0 DEDUCTIBLE

5.1 INDIVIDUAL MEMBER DEDUCTIBLE

The sum appearing as item 4(a) in the Declarations attached to and forming part of this Policy or the actual amount paid, whichever is the lesser, shall be deducted on all **Claims** arising out of any one accident or **Occurrence** from the amount that:

- 5.1.1 the **Reciprocal** shall become liable to pay on behalf of the **Insured** under Coverages A.1, A.2, B, C and E herein.
- 5.1.2 the **Reciprocal** incurs under Additional Insuring Agreement Number 2.1 through 2.7 inclusive.
- 5.1.3 the **Reciprocal** agrees to reimburse those qualifying for reimbursement under Coverage F herein.

5.2 ENVIRONMENTAL IMPAIRMENT DEDUCTIBLE

The sum of \$20,000 or .1 per cent of annual service revenue, whichever is the lesser, shall be deducted from the amount for which the **Reciprocal** shall become liable to pay on behalf of the **Insured** under Coverage D herein (**Environmental Impairment**) for **Environmental Impairment**, but this deductible shall only apply to the costs and expenses of monitoring, testing and **Clean-Up** of property or any property necessarily incidental to such property: owned by; occupied by; rented to; or upon which rights are granted pursuant to an easement, allowance or otherwise to; the **Named Insured**.

6.0 DEFINITIONS

Wherever used in this Policy:

6.1 ADDITIONAL INSUREDS

"**Additional Insureds**" means those set out in Section 6.11.3 of this Policy.

6.2 ADDITIONAL NAMED INSURED

"**Additional Named Insured**" means those set out as such in the Declarations of the Policy or in a Certificate of Insurance issued evidencing coverage provided by the Policy, and/or an **Insured** as defined under Section 6.11.1

6.3 AFFILIATED BODY CORPORATE

"**Affiliated Body Corporate**" has the same meaning as in the Business Corporations Act, R.S.O. 1990, c.B.16. **Affiliated Body Corporate** must be an **Additional Named Insured** in accordance with Section 6.2 of the policy for coverage under this policy.

6.4 BODILY INJURY

"**Bodily Injury**" means **Bodily Injury**, sickness, disease, disability, shock, mental suffering, mental injury, including death at any time resulting from any of the foregoing, and damages for care and loss of service in respect of the foregoing.

6.5 CLAIM

- 6.5.1 a written or oral notice of intention to hold the **Insured** responsible for a **Wrongful Act** or **Environmental Impairment**; or
- 6.5.2 a written or oral demand for monies or services; or
- 6.5.3 a series of **Claims** resulting from the same isolated, repeated or continuing **Environmental Impairment**.

6.6 CLEAN-UP

"**Clean-up**" means the removal, neutralization or inactivation of any substance pursuant to legal obligation or the restoration of air, land or water or any combination or part thereof pursuant to legal obligation and "Cleansed-Up" means the carrying out of such **Clean-Up**.

6.7 COMMISSIONER

"**Commissioner**" has the same meaning as in the Municipal Conflict of Interest Act, R.S.O. 1990, c.M.50.

6.8 ELECTRICAL DISTRIBUTION SYSTEM

"**Electrical Distribution System**" means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose.

6.9 ELECTRICAL GENERATING FACILITY

"**Electrical Generating Facility**" means a facility for generating electricity or providing ancillary services as defined in the Electricity Act, 1998 and includes any structures, equipment or other things used for that purpose.

6.10 ENVIRONMENTAL IMPAIRMENT

"Environmental Impairment" means:

- i) **Bodily Injury** and **Personal Injury**;
- ii) **Property Damage**; or
- iii) impairment or diminution of or other interference with any environmental right or amenity,

provided that any such **Bodily Injury**, **Personal Injury**, **Property Damage** or impairment or diminution of or other interference with any environmental right or amenity:

- a) has arisen out of the emission, discharge, dispersal, disposal, seepage, release or escape, of any liquid, solid, gaseous or thermal irritant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals or other contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water and the generation, of smell, noises, vibrations, light, electricity, radiation, changes in temperature or any other sensory phenomena; and
- b) has arisen out of **Operations Covered**.

6.11 INSURED

"Insured" means the **Named Insured** and/or any person to whom a Certificate of Insurance designating them as an **Additional Named Insured** to this Policy has been issued by the **Reciprocal** and the following:

- 6.11.1 any officer, director or employee while performing his or her duties for or in association with the **Named Insured** and/or **Additional Named Insured** or volunteer while acting on behalf of the **Named Insured** and/or **Additional Named Insured**, or any former **Commissioner**, officer, director or employee while performing his or her duties for or in association with the **Named Insured** and/or **Additional Named Insured** or former volunteer while acting on behalf of the **Named Insured** and/or **Additional Named Insured**, with respect to acts performed on behalf of the **Named Insured** and/or **Additional Named Insured** in that capacity. "Acts performed" in this Section 6.11.1 shall include failure or omission to act;
- 6.11.2 as respects the liability of each **Additional Named Insured** as is defined in 6.11.1, the heirs, executors, administrators, assigns and legal representatives of these **Additional Named Insureds** in the event of death, incapacity or bankruptcy;
- 6.11.3 subject to Section 8.22, any person, government, organization, trustee or estate to whom or to which the **Named Insured** and/or **Additional Named Insured** is obligated by virtue of a written contract or permit to provide insurance such as is afforded by the terms of this Policy, but only with respect to **Operations Covered** by or on behalf of the **Named Insured** and/or **Additional Named Insured** or to facilities of or used by the **Named Insured** and/ or **Additional Named Insured** and then only to the extent of the coverage required by such contract and for the limits of liability specified in such contract.

6.12 LIMIT OF LIABILITY

"Limit of Liability" means the **Limit of Liability** as stated in the Declarations attached to and forming part of this Policy.

6.13 NAMED INSURED

"Named Insured" means the **Named Insured** as stated in the Declarations attached to and forming part of this Policy.

6.14 NUCLEAR ENERGY HAZARD

6.14.1 "**Nuclear Energy Hazard**" means the radioactive, toxic, explosive, or other hazardous properties of radioactive material;

6.14.2 "Radioactive Material" means uranium, thorium, plutonium, neptunium, their respective derivatives and compounds, radioactive isotopes of other elements and any other substances that the Atomic Energy Control Board may, by regulation, designate as being prescribed substances capable of releasing atomic energy, or as being requisite for the production, use, or application of atomic energy.

"Radioactive Material", "thorium" or "uranium" will be deemed not to mean natural thorium or natural uranium and their derivatives resulting from the process of radioactive disintegration or decay, where the level of radioactivity is no greater than that which occurs in nature, whilst away from any nuclear facility.

6.14.3 "Nuclear Facility" means:

- i) any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of plutonium, thorium, and uranium or any one or more of them;
- ii) any equipment or device designed or used for a) separating the isotopes of plutonium, thorium and uranium or any one or more of them, b) processing or utilizing spent fuel, or c) handling, processing or packaging waste;
- iii) any equipment or device used for the processing, fabrication, or alloying of plutonium, thorium and uranium or any one or more of them if at any time the total amount of such material in the custody of the **Insured** at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium, or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;
- iv) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste Radioactive Material;

and includes the site on which any of the foregoing is located, together with all operations conducted thereon and all premises used for such operations;

6.14.4 With respect to property, loss of use of such property shall be deemed to be damage to or destruction of property.

6.15 OCCURRENCE

In respect of Coverage A.1 herein (**Bodily Injury**), Coverage B herein (**Property Damage** Liability), and Coverage C herein (Tenant's Legal Liability), "**Occurrence**" means either an accident happening during the **Policy Period** or a continuous or repeated exposure to conditions during the **Policy Period**, which unexpectedly and unintentionally cause **Bodily Injury** or **Property Damage** during the **Policy Period** arising out of **Operations Covered**. All injury or damages arising out of such exposure to substantially the same general conditions shall be considered as arising out of one **Occurrence**.

6.16 OTHER NOTICE OF CLAIM FIRST RECEIVED BY THE INSURED

"**Other Notice of Claim First Received by the Insured**" means the **Insured** first becoming aware of any circumstances which could reasonably be expected to give rise to a **Claim** for **Environmental Impairment or Wrongful Act**.

6.17 OPERATIONS COVERED

"**Operations Covered**" means operations of the **Named Insured** and/or an **Additional Named Insured** but only as identified to and approved by the **Reciprocal**. Any **Affiliated Body Corporate** or **Subsidiary Body Corporate** must be an **Additional Named Insured** in accordance with Section 6.2 of the policy for coverage under this policy to apply to any such **Affiliated Body Corporate, Subsidiary Body Corporate**.

6.18 PERSONAL INJURY

"**Personal Injury**" means invasion of privacy, assault and battery, false arrest, false imprisonment, wrongful eviction, wrongful entry, wrongful detention, malicious prosecution, libel, slander, defamation of character, humiliation, discrimination and sexual harassment.

6.19 COMPREHENSIVE LIABILITY POLICY

"Policy" and "**Comprehensive Liability Policy**" means this insurance policy and any amendments, endorsements, attachments and declarations hereto.

6.20 POLICY PERIOD

"**Policy Period**" means the **Policy Period** as stated in the Declarations attached to and forming part of this Policy.

6.21 PRODUCTS HAZARD

"**Products Hazard**" means the handling or use of or the existence of any condition in goods or products manufactured, sold, handled or distributed by the **Named Insured** or **Additional Named Insured** or by another trading under its name, if the **Occurrence** takes place after possession of such goods or products has been relinquished to others by the **Named Insured** or **Additional Named Insured** or by another trading under its name and if such **Occurrence** takes place away from premises owned by, rented to or controlled by the **Named Insured** or **Additional Named Insured**. Such goods or products shall be deemed to include any property rented to or located for the use of others but not sold.

6.22 PROPERTY DAMAGE

"**Property Damage**" means physical injury to or destruction of tangible property, or loss of use of tangible property which has been physically injured or destroyed.

6.23 RECIPROCAL

"**Reciprocal**" means the Municipal Electric Association Reciprocal Insurance Exchange.

6.24 RETAIL OPERATIONS

"**Retail Operations**" means:

- i) the selling or offering to sell electricity to a consumer;
- ii) acting as an agent or broker for a retailer with respect to the sale or offering for sale of electricity; or
- iii) acting or offering to act as an agent or broker for a consumer with respect to the sale or offering for sale of electricity

6.25 SUBSIDIARY BODY CORPORATE

"**Subsidiary Body Corporate**" has the same meaning as in the Business Corporations Act, R.S.O. 1990. c.B.16. **Subsidiary Body Corporate** must be an **ADDITIONAL NAMED INSURED** in accordance with Section 6.2 of the policy for coverage under this policy.

6.26 WRONGFUL ACT

"**Wrongful Act**" means any actual or alleged error, misstatement, misleading statement, act, omission or neglect and includes malfeasance, misfeasance and nonfeasance of:

6.26.1 the **Named Insured**; or

6.26.2 an **Insured**, as defined in Section 6.11.1 herein, but not an **Insured** defined in Sections 6.11.2 or 6.11.3, in the performance of duties for the **Named Insured** or in any matter claimed against them solely by reason of their being or having been such an **Insured** as defined in Section 6.11.1 during the **Policy Period**; individually or collectively, but does not include any matter claimed against an **Insured** arising out of breach of contract, negotiation of a contract, tenders for contracts, selection and/or awarding of a contract or failure to proceed with a contract.

6.27 CONTRACTED SERVICES

"**Contracted Services**" means an agreement by the Insured by virtue of a written contract or permit to provide services to any other person, business, concern or entity.

6.28 TERRORISM

"**Terrorism**" means an ideologically motivated unlawful act or acts, including but not limited to:

6.28.1 the use of violence or force or threat of violence or force committed by or on behalf of any group(s), organization(s) or government(s) against any person, tangible or intangible property, the environment, or any natural resources for the purpose of influencing any government and/or instilling fear in the public or a section of the public;

6.28.2 the direct or indirect release or threat of release of germs, disease or other chemical or biological contagions or contaminants;

6.28.3 the use or threat of use of any nuclear device or radioactive substance.

7.0 POLICY TERRITORY/**POLICY PERIOD**

The Policy territory is world-wide and **Policy Period** is as stated in the Declarations, except all suits covered under this Policy must be brought forward in North America.

8.0 CONDITIONS

8.1 PREMIUM

The premium is as stated in Item 6 in the Declarations attached to and forming part of this Policy.

8.2 CANCELLATION

This Policy is non-cancellable by the **Insured** or, in respect of the **Named Insured**, by the **Reciprocal**, except that it will automatically be cancelled on the termination of the **Named Insured's** membership in the **Reciprocal**. Any cancellation of an **Insured** as defined in Sections 6.11.1 to 6.11.3 herein, inclusive, by the **Reciprocal** must be in writing and must give that **Insured** no less than thirty days notice of cancellation. There shall be no return of premium where cancellation by the **Reciprocal** is of an **Insured** other than the **Named Insured**. Where cancellation is of the **Named Insured** any return of premium will be governed by the Municipal Electric Association Reciprocal Insurance Exchange Agreement.

8.3 TERMS OF POLICY CONFORM TO STATUTES

If any terms of this Policy are in conflict with the statutes of Ontario they are hereby amended to conform to such statutes.

8.4 NOTICE OF ACCIDENT, OCCURRENCE, CLAIM OR SUIT

8.4.1 When an **Occurrence** or accident happens or **Other Notice of Claim First Received by the Insured** occurs or exists or an oral **Claim** is made against an **Insured**, written notice shall be given by or on behalf of the **Insured** to the **Reciprocal** or any of its authorized agents as soon as practicable after notice thereof has been received or knowledge thereof gained by any officer of the **Named Insured**. Such notice shall contain particulars sufficient to identify the **Insured** and also reasonably obtainable information respecting the time, place and circumstances of the **Occurrence** or accident, the name and address of the injured, the particulars of the damaged property, the name and address of the **Insured**, and the name and address of all witnesses.

If **Claim** is made or suit is brought against the **Insured**, the **Insured** shall immediately forward to the **Reciprocal** every demand, notice, summons or other process received by the **Insured** or its representative. The **Insured** shall, as soon as practicable, furnish the **Reciprocal** with copies of reports, investigations, pleadings and all other papers in connection therewith.

8.4.2 If, in respect of Coverage D herein (**Environmental Impairment**) or Coverage E herein (Errors and Omissions), a **Claim** is made against the **Insured** during the **Policy Period** or **Other Notice of Claim First Received by the Insured** exists or occurs during the **Policy Period**, the **Claim**, if it would be covered if reported to the **Reciprocal** within the **Policy Period**, will still be covered if it is reported to the **Reciprocal** after the expiry date of the Policy, provided that and only so long as the **Insured** has reported it to the **Reciprocal** in accordance with the provisions of Section 8.4.1 hereof.

8.4.3 If written **Claim** is made or suit is brought against the **Insured**, the **Insured** shall immediately forward to the **Reciprocal** every demand, notice, summons or other process received by the **Insured** or a representative of the **Insured**.

8.5 INVESTIGATION AND SETTLEMENT OF CLAIMS

The **Reciprocal** shall have the right to appoint counsel of its choosing to defend any Claim or suit and to make such investigation, negotiation and settlement of any **Claim** or suit as may be deemed expedient by the **Reciprocal**.

8.6 ASSISTANCE AND CO-OPERATION OF THE **INSURED**

The **Insured** shall co-operate with the **Reciprocal** and, upon the **Reciprocal's** request, shall attend proceedings, meetings, hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits.

8.7 ASSUMPTION OF LIABILITY

The **Insured** shall not voluntarily, make any payment, assume any obligation or incur any expense. In the event the **Insured** does so, any resulting liability incurred shall be at the **Insured's** own cost.

Notwithstanding this condition it is understood and agreed that actions taken to comply with or as a result of any environmental legislation falling within Coverage D herein (**Environmental Impairment**) or for such immediate medical and surgical relief to others as shall be imperative at the time of the accident or **Occurrence** shall not be construed as voluntary assumption of liability.

8.8 ACTION AGAINST **RECIPROCAL**

No action shall lie against the **Reciprocal** unless, as a condition precedent thereto, the **Insured** shall have fully complied with all of the provisions, terms and conditions of this Policy and the amount of the **Insured's** obligation to pay shall have been finally determined either by final judicial judgment or order against the **Insured** after actual trial or by written agreement of the **Insured**, the claimant, and the **Reciprocal**.

Any person or organization or the legal representative thereof who has secured such final judicial judgment or order or written agreement shall thereafter be entitled to recover under the terms of this Policy to the extent of the insurance afforded by the Policy. Nothing contained in this Policy shall give any person or organization any right to join the **Reciprocal** as a co-defendant or in any other capacity in any action or other proceeding against the **Insured** to determine the **Insured's** liability.

Bankruptcy or insolvency of the **Insured** or of the **Insured's** estate shall not relieve the **Reciprocal** of any of its obligations hereunder.

8.9 OTHER INSURANCE

If there is any other insurance that would apply in the absence of this policy, this policy will apply only after such insurance whether collectible or not.

In no event will this Policy apply as contributing insurance.

The **Insured** is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this Policy without prejudice to this Policy. The existence of any such insurance will not reduce any limit or sublimit of liability in this Policy. Any other insurance that would have provided primary coverage in the absence of this policy will not be considered excess.

The insured is permitted to have other insurance for all, or any part, of any deductible in this Policy. The existence of such other insurance will not prejudice recovery under this Policy. If the limits of liability of such other insurance are greater than this Policy's applicable deductible, this Policy's insurance will apply only after such other insurance has been exhausted.

8.10 SUBROGATION

In the event of any payment under this Policy, the **Reciprocal** shall be subrogated to any **Insured's** right of recovery against any person or organization, and any **Insured(s)** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights, but the **Reciprocal** shall have no right of subrogation

against the **Insured**, as defined in Sections 6.11.1, 6.11.2 and 6.11.3 herein. Nothing shall be done by any **Insured(s)** to prejudice the **Reciprocal**'s rights of subrogation.

8.11 ASSIGNMENT

Assignment of interest under this Policy shall not bind the **Reciprocal** until its consent is endorsed hereon

8.12 INSPECTION AND AUDIT

The **Reciprocal** shall be permitted to inspect the **Named Insured's** or **Additional Named Insured's** premises, operations and elevators and to examine and audit the books and records of the **Named Insured** or **Additional Named Insured's** at all reasonable times during the **Policy Period** insofar as they are related to this insurance, and the **Named Insured** or **Additional Named Insured's** shall render reasonable assistance and co-operation in furnishing the **Reciprocal** with such information as it may require.

8.13 CHANGES

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Policy nor estop the **Reciprocal** from asserting any right under the terms of this Policy; nor shall the terms of this Policy be waived or changed, except by endorsement issued to form a part of this Policy.

8.14 BREACH OF CONDITIONS

Any breach of condition of this Policy by an **Insured** shall not affect the protection given by this Policy to any other **Insured** but shall eliminate the protection given by this policy to the **Insured** who is in breach of a condition.

8.15 SEVERABILITY OF INTERESTS/CROSS-LIABILITY

The insurance afforded by this Policy shall apply separately to each **Insured** in such a manner and to the same extent as though a separate Policy had been issued to each, subject to the **Limit of Liability**, and shall apply further to any **Claim** or action brought against any **Insured** by any other **Insured**. Notwithstanding the foregoing, the inclusion herein of more than one **Insured** and this provision 8.15 shall not operate to increase the limits of the **Reciprocal**'s liability as set out in the Policy.

8.16 IRREVOCABLE AGENT

The **Named Insured** shall be deemed the sole and irrevocable agent of each and every **Insured** under the Policy for the purpose of:

- 8.16.1 giving instructions to or agreeing with the **Reciprocal** for alterations of the Policy wording;
- 8.16.2 making or receiving payments of premiums and adjustments of premiums;
- 8.16.3 receiving from the **Reciprocal** notice of cancellation of coverage for any other **Insured**.

8.17 PRECEDENCE OF PAYMENTS

Any indemnity payable under this Policy shall be applied, first to the protection of the **Named Insured** and the remainder, if any, to the protection of any **Insured**, as the **Named Insured** shall direct.

8.18 CANADIAN CURRENCY CLAUSE

It is understood and agreed that the limits, amounts and premium stipulated in this Policy are in Canadian currency.

8.19 DECLARATIONS

By acceptance of this Policy the **Insured** agrees that the statements in the application for this policy or any endorsements thereof, and in the Declarations hereto, are its, his or her representations, that this Policy is issued in reliance upon the truth of such representations and that this Policy embodies all agreements existing between it, himself or herself and the **Reciprocal** relating to this insurance.

8.20 AMALGAMATION, PURCHASE OR START-UP

If through amalgamation, consolidation or merger with, or purchase of shares or assets of, or start-up of, some other business, concern, entity or subsidiary, the **Insured** thereby increases revenue from **Operations Covered**, the insurance afforded by this Policy shall also apply in respect of such amalgamated, consolidated, merged, purchased or start-up concern, entity or subsidiary, but only to the extent of **Operations Covered**, and provided that if such revenue increases by more than 10% the **Insured** gives the **Reciprocal** written notice thereof within thirty days of such amalgamation, consolidation, merger, purchase or start-up and pays the **Reciprocal** an additional premium computed pro rata from the date of such amalgamation, consolidation, merger, purchase or start-up to the end of the current **Policy Period**.

8.21 JOINT VENTURE

Any liability of the **Insured** which is insured under this Policy and arises in any manner whatsoever out of the operations or existence of any joint venture, co-venture, joint lease, joint operating agreement or partnership (hereunder called "Joint Venture") in which the **Insured** has an interest, the liability of the **Reciprocal** shall be limited to the product of (1) the percentage interest of the **Insured** in the said Joint Venture and (2) the total **Limit of Liability** insurance afforded the **Insured** by this Policy. Where the percentage interest of the **Insured** in said Joint Venture is not set forth in writing, the percentage to be applied shall be that which is determined by a court of law.

8.22 PROVISION OF CONTRACTED SERVICES

If the **Insured** enters into an agreement for the provision of **Contracted Services** with any other person, business, concern or entity, then the insurance afforded by this Policy shall apply upon the following conditions:

8.22.1 the insurance afforded will only be to the extent of **Operations Covered**; and

8.22.2 the **Insured** pays the **Reciprocal** an additional premium computed pro rata from the date of such provision of **Contracted Services** to the end of the current **Policy Period**.

8.23 SEVERABILITY

In the event that any portion of this policy is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

8.24 HEADINGS

The headings and subheadings of this Policy are inserted solely for convenience, form no part of the limitations, exclusions, provisions, definitions, terms or conditions of coverage and do not affect the interpretation of the Policy.

Dated at Vaughan, Ontario this 1st day of January 2010



INSURANCE,
RISK MANAGEMENT &
FINANCIAL SOLUTIONS

Endorsement No. 1

Non-Owned Automobile Liability

It is hereby understood that Non-Owned Automobile Liability is included to form part of the coverage provided by this Policy as per Policy Form S.P.F. No. 6 attached hereto for a limit of \$24,000,000 inclusive per Occurrence. No additional premium is required for inclusion of this coverage.

It is further understood that this coverage is made subject to:

- i) S.E.F. No. 94 - Legal Liability for Damage to Hired Automobiles Endorsement
- ii) S.E.F. No. 96 - Contractual Liability Endorsement
- iii) S.E.F. No. 99 - Exclusion of Long-Term Leased Vehicle Endorsement

Attached to and forming part of Policy No.: L2010NWTC1

Issued to: NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street,
Grimsby, Ontario, L3M 3M1

Issued by: Municipal Electric Association Reciprocal Insurance Exchange

Policy Period: January 1, 2010 to January 1, 2011, 12:01 a.m. Standard Time

IN WITNESS WHEREOF, the Insurer, through its representative duly authorized for this purpose has executed and signed this endorsement.

C.C. (Charlie) Macaluso
Chief Executive Officer & Attorney-in-Fact

**Comprehensive
Liability Policy**





INSURANCE,
RISK MANAGEMENT &
FINANCIAL SOLUTIONS

Endorsement No. 5 - L2010NWTC1

Enhanced Plus+ Directors and Officers Coverage Endorsement

In consideration of a premium of \$206.00 (before taxes) it is hereby understood and agreed that the Policy is amended as follows:

Item 1. The following paragraphs are added to Section 1 (Insuring Agreements):

COVERAGE 1 – DIRECTORS' AND OFFICERS' LIABILITY

To pay on behalf of any **Insured** who is an officer or director of the **Named Insured** and/or **Additional Named Insured** all sums which such **Insured** shall become legally obligated to pay as compensatory damages, including aggravated damages, because of a **Claim** first made during the **Policy Period** arising out of a **Wrongful Act** in his or her capacity as a director or officer of the **Named Insured** and/or **Additional Named Insured**, except when and to the extent that the **Named Insured** has indemnified such **Insured**.

COVERAGE 2 – CORPORATE REIMBURSEMENT

To pay on behalf of the **Named Insured** and/or **Additional Named Insured** all sums which the **Named Insured** and/or **Additional Named Insured** shall become legally obligated to pay to an **Insured** to indemnify the **Insured** with respect to amounts the **Insured** became legally obligated to pay as compensatory damages, including aggravated damages, arising because of a **Claim** first made during the **Policy Period** pursuant to this Policy against the **Insured** for any **Wrongful Act** in his or her capacity as director or officer of the **Named Insured** and/or **Additional Named Insured** but only when and to the extent that the **Named Insured** has indemnified the **Insured** for such loss pursuant to law, common or statutory, or the Charter or Bylaws of the **Named Insured** and/or **Additional Named Insured**.

COVERAGE 3– EMPLOYMENT PRACTICES LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered**, because of a **Claim** for any **Wrongful Act** first made and reported during the **Policy Period** pursuant to this Policy against the **Insured** for any **Employment Practices Claim**.

COVERAGE 4 – BENEFITS ADMINISTRATION LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered**, because of a **Claim** for any **Wrongful Act** first made and reported during the **Policy Period** pursuant to this Policy against the **Insured** for any **Benefits Administration Claim**.

COVERAGE 5 – OUTSIDE DIRECTORSHIP LIABILITY

To pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as compensatory damages arising out of **Operations Covered**, because of a **Claim** for any **Wrongful Act** first made during the **Policy Period** pursuant to this Policy against the **Insured** for any **Outside Directorship Liability Claim**.

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INSURANCE, RISK MANAGEMENT & FINANCIAL SOLUTIONS

- Item 2. It is further understood and agreed that Section 3.12 of the Policy is hereby deleted in its entirety.
- Item 3. It is further understood and agreed that the following paragraphs are additional exclusions to Section 3 with respect to Coverages 1 through 5 added with this Endorsement (Exclusions):

1. PRIOR AND PENDING LITIGATION EXCLUSION

To any **Claim** alleging, arising out of, based upon or attributable to the matters which are or were the subject of litigation or Federal or Provincial Human Rights Tribunal Proceedings or investigations completed or commenced prior to the effective date of the first policy issued and, continuously renewed, to which this endorsement was first attached, or alleging or derived from the same or essentially the same facts as alleged in such prior or pending litigation, or to any **Claim** which the **Insured** knew or reasonably ought to have known, the material facts upon which the **claim** is based and failed to disclose the material facts and the potential **Claim** to the insurer prior to the effective date of the first Policy issued and, continuously renewed to which this Endorsement was first attached.

2. OTHER ENTITY EXCLUSION

To any **Claim** alleging, arising out of based upon or attributable to any actual or alleged act or omission of the **Insured** serving in his or her capacity as director, officer, trustee, or governor of any other entity other than the **Named Insured** or an **Outside Entity**, or by reason of his or her status as director, officer, trustee, or governor of such other entity.

3. INSURED VS INSURED EXCLUSION

To any **Claim** which is brought directly or indirectly, by or on behalf of 1) the **Named Insured** or 2) any shareholder of the **Named Insured** or 3) any **Insured**, except that this exclusion shall not apply to any **Claim** brought by an **Insured** where such **Claim** is in the form of a cross **Claim** or third party **Claim** for contribution or indemnity which is part of and results directly from a **Claim** which is not otherwise excluded by the terms of this Policy, or to any **Employment Practices Claim** or to any **Benefits Administration Claim**.

4. OUTSIDE ENTITY EXCLUSION

To any **Claim** for any **Wrongful Act** arising out of the **Insured** serving as a director, officer, trustee, or governor of an **Outside Entity** if such **Claim** is brought by the **Outside Entity** or by any director, officer, trustee, or governor thereof.

5. EMPLOYMENT CONTRACT EXCLUSION

To any **Claim** for any **Wrongful Act** alleging, arising out of, based upon or attributable to any liability under any express employment contract or agreement, including union agreements, except that this exclusion shall not apply if the **Insured** would have had such liability even in the absence of such contract or agreement.

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Liability Policy





INSURANCE, RISK MANAGEMENT & FINANCIAL SOLUTIONS

6. STATUTORY EXCLUSION

To any **Claim** for any **Wrongful Act** alleging, arising out of, based upon or attributable to any obligation under any workers compensation, unemployment insurance, employment insurance, or similar law. Notwithstanding the preceding sentence this exclusion does not extend to any **Insured** who is an officer or director of the **Named Insured** and/or **Additional Named Insured** for any sums which such **Insured** shall become legally obligated to pay as compensatory damages, including aggravated damages, because of a **Claim** first made during the **Policy Period** arising out of a **Wrongful Act** in his or her capacity as a director or officer of the **Named Insured** and/or **Additional Named Insured**, except when and to the extent that the **Named Insured** has indemnified such **Insured**.

7. SALARY, WAGES AND EARNINGS EXCLUSION

To any **Claim** for any **Wrongful Act** alleging, arising out of, based upon or attributable to any actual or alleged obligation of salary, wages, or earnings. . Notwithstanding the preceding sentence this exclusion does not extend to any **Insured** who is an officer or director of the **Named Insured** and/or **Additional Named Insured** for any sums which such **Insured** shall become legally obligated to pay as compensatory damages, including aggravated damages, because of a **Claim** first made during the **Policy Period** arising out of a **Wrongful Act** in his or her capacity as a director or officer of the **Named Insured** and/or **Additional Named Insured**, except when and to the extent that the **Named Insured** has indemnified such **Insured**.

Item 4. It is further understood and agreed that Section 4 (**Limit of Liability**) of the Policy is amended as follows for this Endorsement:

- a) The **Limit of Liability** as stated in the Declarations is the total limit of the **Reciprocal's** liability in any one **Policy Period**, inclusive of defence costs arising out of all **Claims** first made against the Insured and reported during the **Policy Period**, regardless of either the number of **Insureds** or former **Insureds** involved in the **Claim** or the number of claimants involved in any **Claim**.
- b) The **Reciprocal's** liability hereunder with respect to Coverage F - Occupational Health & Safety Expenses shall be limited to the sum of \$1,000,000, and regardless of either the number of persons involved in a proceeding, or the number of proceedings in which such persons are named, the maximum aggregate liability of the **Reciprocal** to all such persons shall be limited to such sum of \$1,000,000 to the extent that the proceeding or proceedings arise out of one incident or series of related incidents;
- c) The **Reciprocal's** liability hereunder with respect to Coverage G - Legal Expenses shall be limited to the sum of \$1,000,000, and regardless of either the number of persons involved in a proceeding, or the number of proceedings in which such persons are named, the maximum aggregate liability of the **Reciprocal** to all such persons shall be limited to such sum of \$1,000,000 to the extent that the proceeding or proceedings arise out of one incident or series of related incidents and
- d) All other terms in Section 4 (**Limit of Liability**) of the Policy shall remain unchanged with respect to this Endorsement.

Comprehensive
Liability Policy





INSURANCE, RISK MANAGEMENT & FINANCIAL SOLUTIONS

Item 5. It is further understood and agreed that Section 6.11 of the Policy is amended to include the following:

6.11.4 The spouse of an individual director or officer solely by reason of his or her status as the spouse of said director or officer and only arising out of any **Wrongful Act** of an individual director or officer.

Item 6. It is further understood and agreed that, solely with respect to the coverage provided by this endorsement, paragraph 6.26 is deleted and replaced with the following:

6.26 **WRONGFUL ACT**

"Wrongful Act" means any actual or alleged error, misstatement, misleading statement, act, omission, neglect or breach of duty owed to the public at large or the Electricity Distributors Association members and includes malfeasance, misfeasance and nonfeasance of:

6.26.1 The **Named Insured**; or

6.26.2 an **Insured**, as defined in Section 6.11.1 herein, but not an **Insured** defined in Sections 6.11.2 or 6.11.3, in the performance of duties for the **Named Insured** or in any matter claimed against them solely by reason of their being or having been such an **Insured** as defined in Section 6.11.1 during the **Policy Period**;

Individually or collectively, but does not include any matter claimed against an **Insured, other than a director or officer acting in that capacity**, arising out of breach of contract, negotiation of a contract, tenders for contracts, selection and/or awarding of a contract or failure to proceed with a contract whether such **Claim** be in contract or implied contract, in equity, at law, by statute, or otherwise except and to the extent that coverage may be provided for under Insuring Agreement Coverage 3 (Employment Practices Liability) and not otherwise excluded by the terms hereof.

Item 7. It is further understood and agreed that the following are added to Section 6 Definitions:

6.29 **EMPLOYMENT PRACTICES CLAIM**

"Employment Practices Claim" means a **Claim** made against an **Insured** relating to a past, present or prospective employee of the company arising out of: 1) any wrongful dismissal, discharge, or termination (either actual or constructive) of employment, 2) employment related misrepresentation, 3) wrongful failure to employ or promote, 4) wrongful deprivation of career opportunity, 5) wrongful discipline, 6) failure to grant tenure or negligent employee evaluation, 7) failure to provide adequate employee policies and procedures, 8) sexual or workplace harassment of any kind (including the alleged creation of a harassing workplace environment) or 9) discrimination including sexual or workplace harassment or creation of a harassing workplace environment whether direct, indirect, intentional or unintentional.

**Comprehensive
Liability Policy**





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FINANCIAL SOLUTIONS

6.30 **BENEFITS ADMINISTRATION CLAIM**

"**Benefits Administration Claim**" means any actual or alleged negligent act, error or omission in the performance of one or more of the following administrative duties or activities: 1) counseling employees with respect to a benefits plan, 2) effecting enrollment of, payment to, termination of or cancellation of employees under a benefits plan, 3) providing interpretations with respect to a benefits plan, 4) handling of records with respect to a benefits plan, or 5) any other mandate provided for in the administration of a benefits plan.

6.31 **OUTSIDE DIRECTORSHIP LIABILITY CLAIM**

"**Outside Directorship Liability Claim**" means a **Claim** made against an **Insured** that acts as a director, officer, governor or any equivalent position in any **Outside Entity** provided that there has been approval of such positions by the **Named Insured** and/or **Additional Named Insured**.

6.32 **OUTSIDE ENTITY**

"**Outside Entity**" means a not-for-profit organization incorporated under Part II of the Canada Corporations Act or under any similar provisions of any Provincial act.

Except as otherwise provided in this endorsement, all other terms, conditions, provisions, definitions, limitations and exclusions of the Policy shall have full force and effect. The **Limit of Liability** is not increased by the coverage enhancement as effected by the issuance of this endorsement.

Attached to and forming part of Policy No. L2010NWTC1 of the Municipal Electric Association Reciprocal Insurance Exchange.

Issued to: **NIAGARA WEST TRANSFORMATION CORPORATION**
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

Effective Date: January 1, 2010 to January 1, 2011

Issued by: Municipal Electric Association Reciprocal Insurance Exchange

IN WITNESS WHEREOF, the **Reciprocal**, through its representative duly authorized for this purpose has executed and signed this endorsement.

C.C. (Charlie) Macaluso
Chief Executive Officer & Attorney-in-Fact

**Comprehensive
Liability Policy**



 INSURANCE RISK MANAGEMENT & FINANCIAL SOLUTIONS	S.P.F. NO. 6 STANDARD NON-OWNED AUTOMOBILE POLICY MUNICIPAL ELECTRIC ASSOCIATION RECIPROCAL INSURANCE EXCHANGE (HEREINAFTER CALLED THE INSURER)	
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AGENT:

WHEREAS AN APPLICATION HAS BEEN MADE BY THE APPLICANT HEREINAFTER CALLED THE INSURED TO THE INSURER FOR A CONTRACT OF AUTOMOBILE INSURANCE AND THE SAID APPLICATION FORMS PART OF THIS CONTRACT OF INSURANCE AND IS AS FOLLOWS:

ITEMS

APPLICATION

1. FULL NAME OF THE APPLICANT

NIAGARA WEST TRANSFORMATION CORPORATION

POSTAL ADDRESS

c/o 18 Ontario Street

(INCLUDING COUNTY OR DISTRICT)

Grimsby, Ontario, L3M 3M1

APPLICANT IS

CORPORATION

(STATE WHETHER INDIVIDUAL, PARTNERSHIP, CORPORATION, MUNICIPALITY OR ESTATE)

2 POLICY PERIOD FROM

12

01

AM

PM

01

JAN

2010

TO

12:01 AM

01

JAN

2011

ALL TIMES ARE LOCAL TIMES AT THE APPLICANT'S ADDRESS STATED HEREIN

3. THE AUTOMOBILES IN RESPECT OF WHICH INSURANCE IS TO BE PROVIDED ARE THOSE NOT OWNED IN WHOLE OR IN PART BY, NOR LICENSED IN THE NAME OF THE APPLICANT USED IN THE APPLICANT'S BUSINESS OF:

AS KNOWN TO THE INSURER

4. THE APPLICANT'S PARTNERS, OFFICERS, EMPLOYEES AND AGENTS OF THE DATE OF THIS APPLICATION ARE AS FOLLOWS:

LOCATION	PARTNERS, OFFICERS EMPLOYEES WHO REGULARLY USE AUTOMOBILES NOT OWNED BY THE APPLICANT IN HIS BUSINESS						ALL OTHER PARTNERS, OFFICERS & EMPLOYEES			ALL APPLICANT'S AGENTS		
	CLASS "A" PRIVATE PASSENGER			CLASS "A2" COMMERCIAL			CLASS "B"			CLASS "C"		
	NUMBER	RATE	PREMIUM	NUMBER	RATE	PREMIUM	NUMBER	RATE	PREMIUM	NUMBER	RATE	PREMIUM
AS KNOW TO THE INSURER			\$			\$			\$			\$INCL.

5. "HIRED AUTOMOBILES" THE AUTOMOBILES HIRED BY THE APPLICANT ARE AS FOLLOWS:

TYPE OF AUTOMOBILE	ESTIMATED COST OF HIRE	RATES PER \$100 OF CONTRACT COST	ADVANCE PREMIUM
COVERED, IF ANY			\$ INCL.

THE ADVANCE PREMIUM IS SUBJECT TO ADJUSTMENT AT THE END OF THE POLICY PERIOD AS PROVIDED IN THE POLICY

6. "AUTOMOBILES OPERATED UNDER CONTRACT" ON BEHALF OF THE A PPLICANT ARE AS FOLLOWS:

TYPE OF AUTOMOBILES AND DESCRIPTION OF USE	ESTIMATED CONTRACT COST	RATES PER \$100 OF COST OF HIRE	ADVANCE PREMIUM
COVERED, IF ANY			\$ INCL..

THE ADVANCE PREMIUM IS SUBJECT TO ADJUSTMENT AT THE END OF THE POLICY PERIOD AS PROVIDED IN THE POLICY.

7. THIS APPLICATION IS MADE FOR INSURANCE AGAINST THE PERILS MENTIONED IN THIS ITEM AND UPON THE TERMS AND CONDITIONS OF THE INSURER'S CORRESPONDING STANDARD POLICY FORM AND FOR THE FOLLOWING SPECIFIED LIMIT:

INSURING AGREEMENT	PERILS	LIMIT	COMBINED PREMIUMS
SECTION A THIRD PARTY LIABILITY	LEGAL LIABILITY FOR BODILY INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO PROPERTY OF OTHERS NOT IN THE CARE, CUSTODY OR CONTROL OF THE APPLICANT	\$ 24 MILLION (EXCLUSIVE OF INTEREST AND COSTS) FOR LOSS OR DAMAGE RESULTING FROM BODILY INJURY TO OR THE DEATH OF ONE OR MORE PERSONS AND FOR LOSS OR DAMEA TO PROPERTY, REGARDLESS OF THE NUMBER OF CLAIMS ARISING FROM ANY ONE ACCIDENT	\$ INCL.
ENDORSEMENTS	S.E.F. NO. 94, S.E.F. NO. 96,S.E.F. NO. 99		\$ INCL.

MINIMUM RETAINED PREMIUM \$

TOTAL PREMIUM

\$ INCL.

8. HAS ANY INSURER CANCELLED, DECLINED OR REFUSED TO RENEW OR ISSUE, AUTOMOBILE INSURANCE TO THE APPLICANT WITHIN THREE YEARS PRECEDING THIS APPLICATION? IF SO, STATE NAME OF INSURER.

AS KNOWN TO THE INSURER

9. STATE PARTICULARS OF ALL ACCIDENTS OR CLAIMS ARISING OUT OF THE USE OR OPERATON IN HIS BUSINESS OF NON-OWNED AUTOMOBILES BY THE APPLICANT WITHIN THE THREE YEARS PRECEDING THIS APPLICATION.

INJURY TO PERSONS	DAMAGE TO PROPERTY OF OTHERS
AS KNOWN TO THE INSURER	AS KNOWN TO THE INSURER

10. ALL THE STATEMENTS IN THIS APPLICATION ARE TRUE AND THE APPLICANT HEREBY APPLIES FOR A CONTRACT OF AUTOMOBILE INSURANCE TO BE BASED ON THE TRUTH OF THE SAID STATEMENTS.

11. WHERE, (A) AN APPLICANT FOR A CONTRACT GIVES FALSE PARTICULARS OF THE DESCRIBED AUTOMOBILE TO BE INSURED TO THE PREJUDICE OF THE INSURER, OR KNOWINGLY MISREPRESENTS OR FAILS TO DISCLOSE IN THE APPLICATION ANY FACT REQUIRED TO BE STATED THEREIN; OR (B) THE INSURED CONTRAVENES A TERM OF THE CONTRACT OR COMMITS A FRAUD; OR (C) THE INSURED WILFULLY MAKES A FALSE STATEMENT IN RESPECT OF A CLAIM UNDER THE CONTRACT, A CLAIM BY THE INSURED IS INVALID AND THE RIGHT OF THE INSURED TO RECOVER INDEMNITY IF FOREFEITED.

COUNTERSIGNED:

INCLUDED IN PREMIUM FOR POLICY NO: L2010NWTCT1



BY AUTHORIZED REPRESENTATIVE

INSURING AGREEMENT

Now, Therefore, in Consideration of the payment of the premium specified and of the statements contained in the application and subject to the limits, terms, conditions, provisions, definitions and exclusions herein stated

SECTION A – THIRD PARTY LIABILITY

The Insurer agrees to indemnify the Insured against the liability imposed by law upon the Insured for loss or damage arising from the use or operation of an automobile not owned in whole or in part by or licensed in the name of the Insured, and resulting from

BODILY INJURY TO OR THE DEATH OF ANY PERSON OR DAMAGE TO PROPERTY OF OTHERS NOT IN THE CARE, CUSTODY OR CONTROL OF THE INSURED:

Provided always the Insurer shall not be liable under this policy

(a) for any liability which arises from the use or operation of any automobile while personally driven by the Insured if the Insured is an individual; or

*(b) for any liability imposed upon any person insured by this policy:

(1) by any workmens' compensation law; or

(2) by any law for bodily injury to or the death of the Insured or any partner, officer or employee of the Insured while engaged in the business of the Insured; or

* Not applicable in the Province of Ontario

(c) for any liability assumed by any person insured by this policy voluntarily under any contract or agreement; or

(d) for loss or damage to property carried in or upon an automobile personally driven by any person insured by this policy or to any property owned or rented by, or in the care or control of any such person; or

(e) for any amount in excess of the limit stated in Item 7 of the application, and expenditures provided for in the Additional Agreements of this policy; subject always to the provisions of the section of the Insurance Act (Automobile Insurance Part) relating to nuclear energy hazard.

ADDITIONAL AGREEMENTS OF INSURER

Where indemnity is provided by this policy, the Insurer further agrees:

(1) upon receipt of notice of loss or damage caused to persons or property to serve any person insured by this policy by such investigation thereof, or by such negotiations with the claimant, or by such settlement or any resulting claims, as may be deemed expedient by the insurer; and

(2) to defend in the name and on behalf of any person insured by this policy and at the cost of the Insurer any civil action which may at any time be brought against such person on account of such loss or damage to persons or property; and

(3) to pay all costs taxed against any person insured by this policy in any civil action defended by the Insurer and any interest accruing after entry of

Judgment upon that part of the judgment which is within the limits of the Insured's liability; and

(4) in case the injury be to a person, reimburse any person insured by this policy for outlay for such medical aid as may be immediately necessary at the time of such injury; and

(5) be liable up to the minimum limit(s) prescribed for that province or territory of Canada in which the accident occurred, if that limit(s) is higher than the limit stated in section A of Item 7 of the application; and

(6) not set up any defense to a claim that might not be set up in the policy were a motor vehicle liability policy issued in the province or territory of Canada in which the accident occurred.

AGREEMENTS OF INSURED

Where indemnity is provided by this section, every person insured by this policy

(a) by the acceptance of this policy, constitutes and appoints the Insurer his irrevocable attorney to appear and defend in any province or territory of Canada in which action is brought against the Insured arising out of the use or operations of an automobile with respect to which insurance is provided hereunder;

(b) shall reimburse the Insurer, upon demand, in the amount which the Insurer has paid by reason of the provisions of any statute relating to automobile insurance and which the Insurer would not otherwise be liable to pay under this policy.

GENERAL PROVISION AND DEFINITIONS

1. ADDITIONAL INSURED

The Insurer agrees to indemnify in the same manner and to the same extent as if the named herein as the Insured, every partner, officer or employee of the Insured who, with the consent of the owner thereof, personally drives (a) in the business of the insured stated in Item 3 of the application, any automobile not owned in whole or in part by or licensed in the name of (i) the insured, or (ii) such additional insured person, or (iii) any person or persons residing in the same dwelling premises as the Insured or such additional insured person, or (b) any automobile owned in whole or in part or licensed in the same name of such additional insured person.

2. TERRITORY

This policy applies only to the use or operation of automobiles within Canada or the United States of America or upon a vessel plying between ports of those countries.

3. HIRED AUTOMOBILES DEFINED

The term "Hired Automobiles" as used in this policy means automobiles hired or leased from others with or without drivers, used under the control of the Insured in the business stated in Item 3 of the applications but shall not include any automobile owned in whole or in part by or licensed in the name of the Insured or any partner, officer or employee of the Insured.

4. AUTOMOBILES OPERATED UNDER CONTRACT

The Term "Automobiles Operated Under Contract" as used in this policy shall mean automobiles operated in the business of the Insured stated in Item 3 of the application where complete supervision, direction and control of such automobiles remain with the owner thereof, but shall not include any automobile owned in whole or in part by or licensed in the name of the insured or any partner, officer or employee of the Insured

5. TWO OR MORE AUTOMOBILES

When two or more automobiles are insured hereunder the terms of this policy shall apply separately to each, but a motor vehicle and a trailer or trailers attached thereto shall be held to be one automobile as respects limits of liability under Section A.

6. PREMIUM ADJUSTMENT

The Advanced Premium stated in Item 5 of the application is computed on the estimated total "cost of hire" for the Policy Period. The words "cost of hire" as used herein mean the entire amount incurred for "Hire Automobiles" and drivers when such automobiles are hired with drivers or the amount incurred for hired automobiles and the wages paid to drivers when such drivers are employees of the Insured.

The Advance Premium stated in Item 6 of the application is computed on the estimated total "contract cost" for the Policy Period. The words "contract cost" as used herein mean the entire amount paid by the Insured for "Automobiles Operated Under Contract" to the owners thereof.

The Advance Premiums are subject to adjustment at the end of the Policy Period when the Insured shall deliver to the insurer a written statement of the total amounts expected for cost of hire during the Policy Period. If such amounts exceeded the estimates stated in the application, the Insured shall immediately pay additional premium at the rates stated therein; if less, the Insurer shall return to the Insured the unearned premium when determined but the Insurer shall, in any event, receive or retain not less than the Minimum Retained Premium stated therein.

The Insurer shall have the right and opportunity, whenever the Insurer so desires, to examine the books and records of the Insured to the extent they relate to the premium bases or the subject matter of this policy.

STATUTORY CONDITIONS

The insurance provided under this Coverage is subject to the "Automobile Statutory Conditions" approved by the Superintendent of Insurance for the Province in which this policy is issued and upon request the Company will make available a complete copy of same.



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FINANCIAL SOLUTIONS

S.E.F. NO. 94
LEGAL LIABILITY FOR DAMAGE TO HIRED AUTOMOBILES
ENDORSEMENT

NIAGARA WEST TRANSFORMATION CORPORATION L2010NWTC1

(For attachment only to a Non-Owned Policy S.P.F. No. 6)

In consideration of the premium herein stated, it is understood and agreed that the policy to which this endorsement is attached is extended, subject always to the condition that the Insurer shall be liable under the Insuring Agreement hereof stated.

Section B - Legal Liability for Damage to Non-Owned Automobiles

The insurer agrees to indemnify the Insured against the liability imposed by law upon the Insured or assumed by him under any contract or agreement for loss or damage arising from the care, custody or control of any automobile not owned in whole or in part by or licensed in the name of the Insured and resulting from loss or damage thereto, caused solely by:

Subsection 1 - ALL PERILS - from all perils

Deductible Clause

Each occurrence causing loss or damage covered under any subsection hereof except loss or damage caused by fire or lightning or theft of the entire automobile covered by such subsection shall give rise to a separate claim in respect of which the Insurer's liability shall be limited to the amount of loss or damage in excess of the amount deductible, if any, stated below.

Two or More Automobiles

A motor vehicle and one or more trailers or semi-trailers attached thereto shall be held to be separate automobiles with respect to the limit of liability, including the deductible provision, if any, under this Insuring Agreement.

Exclusions

The Insurer shall not be liable:

- (1) for loss or damage to any automobile while personally driven by the Insured if the Insured is an individual; or

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Liability Policy**





INSURANCE, RISK MANAGEMENT & FINANCIAL SOLUTIONS

- (2) for loss or damage:
- (a) to tires or consisting of or caused by mechanical fracture breakdown of any part of an automobile or by rusting, corrosion, wear and tear, freezing or explosion within the combustion chamber, unless the loss or damage is coincident with other loss or damage covered by such subsection or is caused by fire, theft or malicious mischief covered in such subsection; or
 - (b) caused directly or indirectly by contamination by radioactive material; or
 - (c) to contents of trailers or to rugs or robes; or
 - (d) to tapes and equipment for use with a tape recorder when detached there from; or
 - (e) caused directly or indirectly by bombardment, invasion, civil war, insurrection, rebellion, revolution, military or usurped power, or by the operation of armed forces which are engaged in hostilities whether war be declared or not; or
 - (f) for any amount in excess of the limit stated in the applicable subsection hereof and expenditures provided for in the Additional Agreements of the policy to which this endorsement is attached.

Additional Agreement

The Insurer further agrees to pay general average, salvage and fire department charges and custom duties of Canada or of the United States of America for which the Insured is legally liable.

Limit and Amount Deductible

ALL PERILS include limit (exclusive of interest and costs) any one accident
\$500 amount deductible

Except as otherwise provided in this endorsement, all limits, terms, conditions, provision, definitions and exclusions of the policy shall have full force and effect.

Attached to and forming part of **Policy No. L2010NWTC1** of Municipal Electric Association Reciprocal Insurance Exchange.

Issued to: NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario
L3M 3M1

**Comprehensive
Liability Policy**





INSURANCE,
RISK MANAGEMENT &
FINANCIAL SOLUTIONS

This endorsement shall be effective from January 1, 2010 to January 1, 2011 at (12:01 a.m. Standard Time).

IN WITNESS WHEREOF, the Insurer, through its representative duly authorized for this purpose has executed and signed this endorsement.

Chief Executive Officer & Attorney-in-Fact

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S.E.F. NO. 96
CONTRACTUAL LIABILITY ENDORSEMENT

(for attachment only to a Non-Owned Policy S.P.F. No. 6)

In consideration of a premium herein stated, it is understood and agreed that exclusion (c) of the Insuring Agreement of the policy to which this endorsement is attached is amended to read as follows:

- (c) For any liability assumed by any person insured by this policy voluntarily under any contract or agreement other than those stated below:

Date(s) of contract(s)	Name(s) of other contracting party or parties
------------------------	---

- | | |
|-----|--|
| (1) | All written contracts of the Named Insured |
| (2) | Resolutions of the Named Insured |

Except as otherwise provided in this endorsement, all limits, terms, conditions, provisions, definitions and exclusions of the policy shall have full force and effect.

Attached to and forming part of **Policy No. L2010NWTC1** of Municipal Electric Association Reciprocal Insurance Exchange.

Issued to: NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

This endorsement shall be effective from January 1, 2010 to January 1, 2011 at (12:01 a.m. Standard Time).

IN WITNESS WHEREOF, the Insurer, through its representative duly authorized for this purpose has executed and signed this endorsement.

C.C. (Charlie) Macaluso
Chief Executive Officer & Attorney-in-Fact

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S.E.F. NO. 99
EXCLUDING LONG TERM LEASED VEHICLE
ENDORSEMENT

(for attachment only to a Non-Owned Policy S.P.F. No. 6)

In consideration of a premium of \$INCLUDED, it is understood and agreed that Item 3 (Hired Automobiles Defined) of General Provisions and Definitions of the policy to which this endorsement is attached is amended to read as follows:

The term "Hired Automobile" as used in this policy means (a) automobile hired or leased from others with drivers or (b) hired or leased by the Named Insured from others without driver for periods not exceeding 30 days, used under the control of the Insured in the business stated in Item 3 of the application but shall not include any automobile owned in whole or in part by or licensed in the name of the Insured or any partner, officer or employee of the Insured.

Except as otherwise provided in this endorsement, all limits, terms, conditions, provisions, definitions and exclusions of the policy shall have full force and effect.

Attached to and forming part of **Policy No. L2010NWTC1** of Municipal Electric Association Reciprocal Insurance Exchange.

Issued to: NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

This endorsement shall be effective from January 1, 2010 to January 1, 2011 at (12:01 a.m. Standard Time).

IN WITNESS WHEREOF, the Insurer, through its representative duly authorized for this purpose has executed and signed this endorsement.

C.C. (Charlie) Macaluso
Chief Executive Officer & Attorney-in-Fact

**Comprehensive
Liability Policy**



APPENDIX 10a – Doc 3



3700 STEELES AVENUE WEST, SUITE 1100
VAUGHAN, ON L4L 8K8
TEL: 905-265-5355, FAX: 905-265-5301
TOLL FREE: 1-800-668-9979 WWW.MEARIE.CA
E-MAIL: GDURIE@MEARIE.CA

January 29, 2010

Karen Bubish, VP Administration
NIAGARA WEST TRANSFORMATION CORPORATION
c/o 18 Ontario Street
Grimsby, Ontario, L3M 3M1

RE: 2010 MEARIE Energy Insurance Program – 2010 Property Program Renewal

Dear Karen;

Please find enclosed your 2010 MEARIE Property Policy. These documents represent substantial protection for your business. Please review the contents of this package carefully to ensure your insurance requirements are adequately and accurately documented.

Further to our earlier correspondence to you regarding this renewal, we'd like to remind you we've established new reinsurance arrangements effective January 1, 2010. Our new property reinsurance partner is The Dominion of Canada General Insurance Company. The Dominion is a 100% wholly-owned, Canadian company that has been in operation for over 120 years, with an established record of financial stability and superior claims service. Many of you will be familiar with The Dominion as they have been our Vehicle Program reinsurer since 2006.

There are many policy wording changes that apply to these new arrangements, for instance many of the sub-limits have been reduced and deductibles have been increased. Having said this, our policy wording remains competitive and appropriate for your business. Attached is a Coverage Summary document that captures the key coverage/limit changes.

On behalf of the MEARIE Group, I'd like to thank you for your work in submitting updated property values using our new Asset Valuation Tool. We realize this was a significant effort on your part, however, the data collected from this exercise will go a long way to improving the accuracy of insured values and will ultimately lead to improved profitability given policy premiums are directly linked to asset values.

In terms of our plans for 2010, we are developing additional property risk management strategies which you will be hearing about later this year. Given the comprehensive review and updating of values undertaken by all Property Subscribers in late 2009, we don't anticipate this exercise being repeated in 2010. Rather, we will be looking for you to keep us apprised of newly purchased or newly constructed assets. We'll be in touch mid-year on this.

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

INSURANCE, FINANCIAL & BUSINESS SOLUTIONS

Should you have any questions on the coverage this policy provides, or should you require Proof of Insurance, a Certificate of Insurance or other property-related documentation please contact me at either (905) 265-5355 or gdurie@mearie.ca and I will be happy to assist you.

Yours truly,



Gary Durie
Risk Analyst, Underwriting & Risk Services
The MEARIE Group

P.S. Plan to attend this year's Risk Management Conference at Red Leaves Resort, Muskoka from June 16 - 18, 2010. A new decade and a new & exciting location will prove to make this conference better than ever. Details will be announced shortly at www.mearie.ca/conferences.



MEARIE Property Program Changes for 2010

Reinsurer	100% reinsured by The Dominion of Canada General Insurance Company.
Policy Wording	New MEARIE manuscript Property/B&M wording form is All Risk, and insures against all risks of physical loss or damage from perils not otherwise excluded, and is subject to the sub limits, terms and amendments as stated herein.
Program Aggregate Loss Limit	No program aggregate. Individual member policy limit to apply.
T&D Coverage	Within 1000 feet of insured equipment.
Deductibles	An occurrence that causes both property damage and business interruption will trigger two separate deductibles. Property Damage Deductible \$25,000 minimum for all losses except • \$50,000 for transformers 25 – 50 MVA • \$100,000 for transformers over 50 MVA • \$100,000 on Turbine Generator Units • Extra Expense, Service Interruption, Ingress/Egress : 10% of any one loss subject to a minimum of \$10,000
New Absolute Exclusions	Construction Damage by Spacecraft Nuclear Operational Testing
Accounts Receivable (previously \$10,000,000)	\$5,000,000
Agreed Depreciation Clause	For transformers that are 25 years or older settlement is based on 20% of the replacement cost.
Newly acquired locations (previously \$10,000,000)	\$5,000,000
Unnamed locations (previously \$10,000,000)	\$5,000,000
Transit (previously \$10,000,000)	\$5,000,000
Valuable Papers (previously \$10,000,000)	\$5,000,000 (subject to a \$10,000 limit per item unless scheduled)

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

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Fine Arts (previously \$10,000,000)	\$5,000,000 (subject to a \$10,000 limit per item unless scheduled)
Extra Expense (previously \$10,000,000)	\$1,000,000 at any scheduled location any one occurrence.
Mobile Equipment (off site from a scheduled location) (previously included in Subscriber TIV)	\$1,000,000
Errors and Omissions (previously \$10,000,000)	\$1,000,000
Demolition and increased cost of construction (previously \$10,000,000)	\$1,000,000
EDP / Media (previously \$10,000,000)	\$1,000,000
Computer System (non physical damage) – excludes damage to boiler and machinery (previously \$10,000,000 for malicious virus)	\$100,000 occurrence/aggregate per policy term
Expediting Expenses (previously \$10,000,000)	\$1,000,000
Service Interruption (previously \$10,000,000)	\$1,000,000
Ingress/Egress (previously 30 day period)	\$1,000,000, 14 day period
Debris Removal (previously \$10,000,000)	\$1,000,000
Leasehold Interest (Rents)	\$1,000,000
Miscellaneous Property (previously \$10,000,000)	Included in individual Subscriber TIV
Hazardous Substances (previously Decontamination Costs) (previously \$10,000,000)	\$1,000,000
Fungi/Spores – cleanup (previously \$10,000,000)	\$1,000,000
Fungi/Spores testing/monitoring (previously \$10,000,000)	\$1,000,000

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

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Professional Fees (previously \$200,000)	\$250,000
Land and Water Pollution Cleanup (previously \$50,000)	\$100,000
Exhibition Floater (previously included under individual Subscriber TIV)	\$50,000
Fire Fighting Expenses (previously included, no sublimit)	\$50,000
New Construction (previously \$10,000,000)	No automatic coverage, must be referred
Operational Testing for new construction (previously \$10,000,000)	No automatic coverage, must be referred
Off Premises Storage for Property Under Construction (previously \$10,000,000)	No automatic coverage, must be referred
Soft Costs (previously \$10,000,000)	No automatic coverage, must be referred
Temporary removal of Property (previously \$10,000,000)	Included under Unnamed Locations sublimit
Terrorism (previously \$3,000,000)	\$2,000,000 Terrorism cover (with the exception of nuclear, biological, chemical, war and insurrection) any one occurrence and in aggregate for the program regardless of the number of acts or Subscribers involved. Coverage to apply at scheduled and unnamed locations.
Consequential Reduction in Value (previously \$10,000,000)	Excluded
Waiting Periods	72 hours for Computer System (non-physical damage) and EDP/Media 48 hours for service interruption Business Interruption – 30 days waiting period
Business Interruption Indemnity Period	Up to 12 months.
Flood & Earth Movement Limits and Deductibles	Per individual Subscriber limits. Earth movement deductible is 5% of the total insured value at the location involved subject to a \$100,000 minimum. Flood deductible is \$25,000 or the property damage deductible, whichever is greater.

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

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Additional Program Aggregates	\$100,000 Land and Water Contaminant Cleanup, Removal and Disposal in the Aggregate during the policy period. \$2,000,000 Terrorism cover any one occurrence and in aggregate for the program regardless of the number of acts or Subscribers involved as outlined.
Protection and Preservation of Property – Property Damage and Time Element (previously \$10,000,000)	Excluded

Please refer to the MEARIE Property Policy wordings for actual coverage details. In the event of specific claims, incidents or legal actions against the Subscriber, coverage will be subject to and determined by MEARIE Policy interpretation.

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FINANCIAL SOLUTIONS

THIS POLICY CONTAINS A CLAUSE WHICH MAY LIMIT THE AMOUNT PAYABLE

MEARIE Property Program Policy

DECLARATIONS

Policy Number: P2010NWTC1

Previous Policy Number: P2009NWTC1

Account #:

Replaces Binder #:

In consideration of this Policy's Provisions, Conditions, Stipulations, Exclusions and Limits of Liability, and of premium charged, Municipal Electric Association Reciprocal Insurance Exchange [MEARIE], hereafter referred to as the Company does insure:

INSURED: NIAGARA WEST TRANSFORMATION CORPORATION. and any subsidiaries, or interest in any partnership or joint venture where this insured has management control or ownership as now constituted or hereafter is acquired, as the respective interest of each may appear; all hereafter referred to as the "Insured" including legal representatives.

MAILING ADDRESS: c/o 18 Ontario Street
Grimsby, Ontario
L3M 3M1

POLICY TERM: The term of this Policy is from January 1, 2010 to the January 1, 2011 at 12:01 a.m. Standard Time, at the Locations of property as provided in this Policy.

INSURED LOCATION: The coverages under this Policy apply to an Insured Location unless otherwise provided.
An Insured Location listed on the Schedule of Locations attached to and forming part of this policy.

PREMIUM: This policy is issued in consideration of an initial premium. If the term of this Policy is longer than one year, for each subsequent year of coverage, premium will be due at the anniversary and will be subject to rules and rates in effect at that time.

PREMIUM PAYABLE: NIAGARA WEST TRANSFORMATION CORPORATION. pays the premium under this Policy, and any return of the paid premium accruing under this Policy will be paid to the account of NIAGARA WEST TRANSFORMATION CORPORATION.

By virtue of this Policy and any other policies purchased from the Company being in force, the insured is a member of the Company Underwriting Group III, subject to the provisions of the Subscriber's Agreement.

Assignment of this Policy will not be valid except with the written consent of the Company.

This Policy is made and accepted subject to the above provisions and those hereinafter stated, which are made a part of this Policy, together with such other provisions and agreements as may be added to this Policy.

In Witness, this Company has issued this Policy at its office in the city of Vaughan, Ontario
this 29th day of January 2010.

Chief Executive Officer & Attorney-in-Fact

POLICY LIMIT OF LIABILITY				\$9,996,000		
SCHEDULE OF COVERAGE						
Form Number	Section	Coverage	Deductible	Waiting Period	Limit of Liability	Other Provisions
764000	A	Property Damage	See Deductible section below			
764000	B	Business Interruption Gross Profit		30 days		12 months Indemnity Period
		Ordinary Payroll Gross Rentals	Included	30 days 30 days		12 months Indemnity Period
764000	C	Other Coverages:	See Deductible section below			
		Earth Movement Flood Debris Removal			5,000,000 or 25% 1,000,000	
		Demolition and Increased Cost of Construction			5,000,000	90 day period
		Newly Acquired Locations			1,000,000	
		Extra Expense			1,000,000	15 days period
		Ingress/Egress			5,000,000	
		Accounts Receivable			250,000	
		Professional Fees			5,000,000	
		Unnamed Locations			5,000,000	\$10,000 per item unless scheduled
		Valuable Papers			1,000,000	
		Electronic Data Processing/Media			1,000,000	
		Errors & Omissions			50,000	
		Exhibition Floater			1,000,000	
		Expediting Expenses			5,000,000	\$10,000 per item unless scheduled
		Fine Arts			50,000	
		Fire Fighting Expenses			1,000,000	
		Hazardous Substances			5,000,000	
		Transit			1,000,000	
		Leasehold Interest		172 hours	100,000	Aggregate During any Policy Term
		Electronic Data, Programs or Software			100,000	Aggregate During any Policy Term
		Land and Water Clean Up Expenses			1,000,000	
		Service Interruption		48 hours		
	D	Exclusions				
	E	Terrorism Pool	\$100,000 per Occurrence			Program Aggregate During any Policy Term Special Conditions apply
	F	Definitions				
	G	Conditions				
	H	Statutory and Policy Conditions				
	I	Schedule of Locations				
765000		Modification of terms – special agreement				

DEDUCTIBLES

Unless otherwise stated on the DECLARATIONS, the following deductibles apply:

- Earth movement 5%/\$100,000 min
- Flood - \$25,000 or Property Damage deductible, whichever is greater
- Property Damage Deductible
 - o \$25,000 for all losses except:
 - o \$50,000 for transformers 25 – 50 MVA
 - o \$100,000 on transformers over 50 MVA
 - o \$100,000 on Turbine Generator Units
- Extra Expense, Service Interruption, Ingress/Egress : 10% of any one loss subject to a minimum of \$10,000 (note that these are in addition to any Property Damage deductible that would have applied)
- Terrorism Pool: \$100,000 per “Occurrence”, regardless of the number of Named Insured’s suffering a loss as a result of an “Occurrence”. In the event that more than one Named Insured suffers a loss as a result of one or more “Occurrences” during the Policy Term, each insured shall have deducted from their loss or losses payable the percentage of \$100,000 equal to the percentage their Loss represents to the Total Loss Payable for each “Occurrence”.

LIMITS OF LIABILITY

The Company's maximum limit of liability in an Occurrence regardless of the number of Locations or coverages involved, including any insured Business Interruption loss, will not exceed the Policy Limit of Liability.

Limits of liability in an Occurrence apply to the total loss or damage at all Locations and for all coverages involved, including any insured Business Interruption loss, subject to the following provisions:

- 1) when a limit of liability applies in the Aggregate During Any Policy Term, the Company's maximum amount payable will not exceed such limit of liability during any policy term regardless of the number of Locations, coverages or Occurrences involved.
- 2) when a limit of liability applies to a Location or other specified property, such limit of liability will be the maximum amount payable for all loss or damage at all Locations arising from physical loss or damage at such Location or to such other specified property.

Should an Occurrence result in liability payable under more than one policy issued to the Named Insured by the Company, or its representative companies, the maximum amount payable in the aggregate under all such policies will be the applicable limit(s) of liability indicated in this Policy regardless of the number of Locations, coverages or perils involved.

In the event that the total loss incurred by all Named Insureds under Section E – Terrorism Pool exceeds \$2,000,000 in the Policy Term, the loss payable to any one Named Insured will be limited to a percentage of the \$2,000,000 limit equal to the percentage that the Named Insured’s loss represents of the total loss incurred of all Named Insureds included in Underwriting Group III.

VALUE REPORTING PROVISIONS

The Insured will provide to the Company 100% replacement values by location on an annual basis or as requested by the Company.

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SECTION A

PROPERTY DAMAGE

Words or phrases that appear in quotation marks have special meaning. Refer to Definitions in SECTION F.

A. PERILS INSURED

This Policy insures against all risks of direct physical loss or damage to the Property Insured from perils not otherwise excluded, subject to the terms and conditions of this Policy.

In the event of direct damage to any Property Insured on the described premises insured by this Policy and such damage, without the intervention of any other independent cause, results in a sequence of events which cause physical damage to other Property Insured by this Policy, then this Policy will cover such resulting loss or damage. Nothing in this clause shall be deemed to extend this insurance to property which is otherwise specifically excluded from coverages by the terms of this Policy.

B. PROPERTY INSURED

1. Property Insured

This Policy covers real and personal property, including improvements, betterments and equipment, owned, leased, operated or controlled by the Insured and for which the Insured is legally liable, unless otherwise excluded, at the Locations specified in Schedule of Locations attached to and forming part of this Policy.

2. Additional Property Insured

Subject to its terms and conditions, this Policy also covers personal property of employees at the locations described in Schedule of Locations attached to and forming part of this Policy within Canada, unless otherwise excluded.

SECTION B

BUSINESS INTERRUPTION (“GROSS PROFIT”)

Words or phrases that appear in quotation marks have special meaning. Refer to Definitions in Clause B of this section.

A. INSURING AGREEMENT

The Company agrees to pay the amount of loss of “Gross Profit” directly resulting from the necessary interruption of Business at a Location specified in Schedule of Locations attached to and forming part of this Policy as being insured by this Coverage, resulting from direct physical loss or damage to Property Insured by a Peril Insured against, by the Policy. Such Property Insured must be on the premises of a Location specified in Schedule of Locations as being insured by the Policy, and is subject to the terms, conditions and provisions of the Policy.

The Company's liability is limited to:

1. The loss of “Gross Profit” due to (a) REDUCTION IN TURNOVER and (b) INCREASE IN COST OF WORKING and the amount payable as Indemnity hereunder shall be:

- (a) In respect of a REDUCTION IN TURNOVER: the sum produced by applying the Rate of “Gross Profit” to the amount by which the “Turnover” during the “Indemnity Period” shall in consequence of the loss or damage fall short of the Standard “Turnover”; and
- (b) In respect of INCREASE IN COST OR WORKING: the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in “Turnover” which, but for that expenditure, would have taken place during the “Indemnity Period” solely as a result of the loss or damage, but not exceeding the sum produced by applying the Rate of “Gross Profit” to the amount of the reduction thereby avoided;

less any sum saved during the “Indemnity Period” in respect of such of the Insured Standing Charges as may cease or be reduced solely as a result of the loss or damage.

2. Ordinary Payroll, including taxes and charges dependent on the payment of wages, during the PERIOD OF INDEMNITY only to the extent such payroll would have been earned had such loss not happened.

However, if an Insured reduces the daily loss payable under Ordinary Payroll, either by:

- (a) Providing gainful employment for, or
- (b) Paying less than the normal salary rate to,

all or part of its employees, the number of consecutive days of Ordinary Payroll may be extended. This provision will not increase the total liability of this Company beyond the amount it would have been liable for Ordinary Payroll costs without this provision. Ordinary Payroll does not cover any salaries or wages included in Net Profit or fixed charges.

B. DEFINITIONS

“Gross Profit” - The sum produced by adding to the “Net Profit” the amount of all Standing Charges or, if there be no “Net Profit”, the amount of all Standing Charges, less any net trading loss.

“Net Profit” - The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the Business of the Insured at the Location after due provision has been made for all standing and other charges, including depreciation, but before deduction of any

taxation chargeable on Profits.

The following shall in no event be deemed to be Standing Charges:

- (a) depreciation of stock;
- (b) bad debts;
- (c) fines or damages for breach of contract; nor
- (d) wages and salaries, other than salaries to permanent staff and wages to foremen and important employees whose services would not be dispensed with should the Business be interrupted or interfered with solely as a result of loss or damage insured under the Policy.

“Turnover” - The money paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business at the Location.

“Indemnity Period” - The period beginning with the date of the loss or damage and ending not later thereafter than the number of months specified in the DECLARATIONS during which the results of the Business shall be affected solely as a result of the loss or damage.

“Rate of Gross Profit” - The rate of “Gross Profit” earned on the “Turnover” during the financial year immediately before the date of the loss or damage.

“Annual Turnover” - The “Turnover” during the twelve months immediately before the date of loss or damage.

“Standard Turnover” - The “Turnover” during that period in the twelve months immediately before the date of the loss or damage which corresponds with the “Indemnity Period”.

to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or special circumstances affecting the Business either before or after the loss or damage or which would have affected the Business had the loss or damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the loss or damage would have been obtained during the relative period after the loss or damage.

C. ADDITIONAL EXCLUSIONS

The Company shall not be liable for payment for any interruption or interference with Business:

1. for any time during which Business would not, or could not, have been carried on if loss or damage had not occurred;
2. resulting from the failure of the Insured to use due diligence and dispatch and all reasonable means in order to resume Business;
3. resulting from loss or damage to property in transit or property in the course of construction; nor
4. resulting from loss or damage for breach of contract, for late or non-completion of orders or for any penalties of whatever nature.

D. PROVISIONS

If, during the “Indemnity Period”, goods shall be sold or services shall be rendered elsewhere than at the Location for the benefit of the Business, either by the Insured, or by others on behalf of the Insured, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the “Turnover” during the “Indemnity Period”.

E. ADDITIONAL CONDITIONS

1. Limit of Liability

The liability of the Company under this Coverage, on account of one "Occurrence", shall in no event exceed the amount specified as the Limit of Liability for Gross Profit shown in the Schedule of Locations for the described Location.

2. Civil Authority

The Company shall be liable for the loss of "Gross Profit", as covered hereunder, during the period of time, not exceeding two (2) weeks, while access to the described Location is prohibited by order of civil authority, but only when such order is given as a direct result of damage to neighbouring premises by a Peril Insured against.

3. Media Limitation

With respect to loss as insured against hereunder to media or programming records pertaining to electronic and electromechanical data processing or electronically controlled equipment, including data thereon, the length of time for which there shall be liability under this Policy shall not exceed:

(a) thirty (30) consecutive calendar days, or the time required, with the exercise of due diligence and dispatch, to reproduce the data thereon from duplicates, or from originals of the previous generation, whichever is less; or

(b) the length of time that would be required to rebuild, repair, or replace such other Property Insured as has been damaged;

whichever is the greater length of time.

4. Reduction of Payment

As soon as possible after an "Occurrence", the Insured shall continue or resume Business, in whole or in part, and make up lost business within a reasonable period of time (not to be limited to the period during which the Business is interrupted) through the use of every available means, which may be owned or controlled by the Insured or obtainable by the Insured from other sources and through working extra time or overtime at the specified Location or at such other Locations acquired for the purpose of making up lost business, all to the extent that the amount for which the Company would otherwise be liable under this Coverage is reduced. The Company may take such means as will, in the opinion of the Company, reduce or avert prevention of Business at the Location, or supply the functions of the Location in some other way.

5. Reporting

The Insured shall file with the Company, at each anniversary, a report by Location, and certified by the Insured, showing the estimated "Gross Profit" values for the next twelve (12) month period. Further, within ninety (90) days following each anniversary, the Insured shall file with the Company an approved "Gross Profit" report of values, certified by the Insured, stating the actual "Gross Profit" values applicable, by Location, to the expired twelve (12) month period.

6. Coinsurance

If the Insured fails to submit reports as specified herein, then coinsurance shall apply effective on the anniversary date such that in the event of the interruption or interference of Business caused by direct physical loss or damage to Property Insured, the Company shall be liable for no greater proportion than the "Gross Profit" values stated in the Schedule of Locations bear to 100% of the "Gross Profit" values that would have been earned during the twelve (12) months immediately following the date of the loss or damage; except that if within ninety (90) days of the report dates specified above, the Insured has submitted the required reports, coinsurance shall automatically be waived.

7. Adjustment

Upon receipt of reported estimated and Actual "Gross Profit" Values, the premium and/or rates will be reviewed and adjusted accordingly at each anniversary. Final adjustment will be based on Actual "Gross Profit" Values. The Gross Profit Premium for the expired twelve (12) months period will be adjusted based upon the Actual "Gross Profit" Values for that period; however, such adjustment shall be made only if the estimated values upon which the premium was based differs from the actual values by an amount greater than 5%.

SECTION B
BUSINESS INTERRUPTION (“GROSS RENTALS”)

Words or phrases that appear in quotation marks have special meaning. Refer to Definitions in Clause C of this section.

A. INSURING AGREEMENT

The Company agrees to pay the Actual Loss Sustained by the Insured during the Period of Indemnity at a Location specified in the DECLARATIONS as being insured by this Coverage, resulting from direct physical damage Property Insured by a Peril Insured against, by the Policy. Such Property Insured must be on the premises of a Location specified in the DECLARATIONS as being insured by the Policy, and is subject to the terms, conditions and provisions of the Policy.

B. ACTUAL LOSS SUSTAINED

In the event the property is necessarily rendered wholly or partially untenable, this Company shall be liable, subject to all other conditions of this Policy not inconsistent herewith, for the actual loss sustained by the Insured of “Gross Rentals”, as defined herein. The liability for loss, as defined herein, shall be limited to such loss resulting from (a) Reduction in “Gross Rentals”, and (b) Increase in Cost of Doing Business. The amount payable as indemnity hereunder shall be:

- (a) with Respect to the Reduction in “Gross Rentals”, the amount by which the “Gross Rentals” during the Period of Indemnity shall fall short of the “Standard Gross Rentals”;
- (b) with Respect to the Increase in Cost of Doing Business, the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in “Gross Rentals” which, but for that expenditure, would have taken place during the Period of Indemnity, but not exceeding the loss of “Gross Rentals” thereby avoided; and
- (c) taxes and other continuing charges normally payable by the Insured for any portion of the property occupied by the Insured,

less any sum saved during the Period of Indemnity with respect to costs as may cease or may be reduced because of such interruption of Business.

In determining the “Gross Rentals” and the “Standard Gross Rentals”, due consideration shall be given to the rental conditions before the loss and what reasonably could have been expected had no loss occurred.

C. DEFINITIONS

The following terms wherever used in this Coverage shall be defined as follows:

1. “Gross Rentals” shall be calculated to be an amount equal to the sum of:
 - (a) the money paid or payable to the Insured by tenants for rental of the premises according to bona fide leases, contracts, or agreements in force at the time of loss;
 - (b) that portion of the tenants' sales which the Insured receives in addition to the base rent; and
 - (c) taxes and other continuing charges normally payable by tenant(s) under the terms of a lease but would become payable by the Insured when the premises are untenable as the result of physical damage of the type insured against.
2. “Standard Gross Rentals” shall be calculated as the amount of “Gross Rentals” during the twelve months immediately before the date of the physical damage which corresponds with the Period of Indemnity.

D. PERIOD OF INDEMNITY

In determining the indemnity payable under this Coverage, the Period of Indemnity shall be the period beginning with the date of the physical damage of the type insured against to the described property, and ending not later than twelve (12) months thereafter, during which period the rental income shall be directly affected by the damage, not to be limited by the date of expiration of this Policy.

E. ADDITIONAL EXCLUSIONS

This insurance does not cover:

1. loss of "Gross Rentals" during any period during which the Property Insured would have been untenable for any reason(s) other than direct physical loss or damage of the type insured against by this Policy;
2. loss due to strike(s) or due to suspension, lapse or cancellation of any lease, license or contract, which may affect the Insured's "Gross Rentals";
3. loss due to fines or damages for breach of contract or penalties of whatever nature;
4. any other consequential or remote loss; nor
5. loss with respect to any additional time required for making change(s) to the buildings, structures, or equipment for any reason, except as provided in the Demolition and Increased Cost of Construction Extension of Coverage, if included herein, nor any additional time required for restaffing or retraining employees, nor any additional time due to the Insured's inability to restore the property to a tenable condition, regardless of the reason.

F. ADDITIONAL CONDITIONS

1. Limit of Liability

The liability of the Company under this Coverage, on account of one "Occurrence", shall in no event exceed the amount specified as the Limit of Liability for Gross Rentals indicated in the Schedule of Locations of this Policy for the described Location.

2. Civil Authority

The Company shall be liable for the "Gross Rentals", as covered hereunder, during the period of time, not exceeding two (2) weeks, while access to the described Location is prohibited by order of civil authority, but only when such order is given as a direct result of damage to neighbouring premises by a peril insured against.

3. Media Limitation

With respect to loss as insured against hereunder to media or programming records pertaining to electronic or electromechanical data processing or electronically controlled equipment, including data thereon, the length of time for which there shall be liability under this Policy shall not exceed:

- (a) thirty (30) consecutive calendar days, or the time required, with the exercise of due diligence and dispatch, to reproduce the data thereon from duplicates, or from originals of the previous generation, whichever is less; or
- (b) the length of time that would be required to rebuild, repair, or replace such other Property Insured as has been damaged;

whichever is the greater length of time.

4. Use of Other Property

The Insured agrees to use any suitable property or service owned or controlled by the Insured or obtainable from other sources in reducing the loss of "Gross Rentals" incurred under this Coverage.

5. Reporting

The Insured shall file with the Company, at each anniversary, a report by Location and certified by the Insured, showing the estimated "Gross Rentals" values for the next twelve (12) months period. Further, within ninety (90) days following each anniversary, the Insured shall file with the Company an approved "Gross Rentals" report of values, certified by the Insured, stating the actual "Gross Rentals" values applicable, by Location, to the expired twelve (12) month period.

6. Coinsurance

If the Insured fails to submit reports as specified herein, then coinsurance shall apply effective on the anniversary date such that in the event of the interruption or interference of Business caused by direct physical loss or damage to Property Insured, the Company shall be liable for no greater proportion than the "Gross Rentals" values stated in the Schedule of Locations bear to 100% of the "Gross Rentals" values that would have been earned during the twelve (12) months immediately following the date of the loss or damage, except that if within ninety (90) days of the report dates specified above, the Insured has submitted the required reports, coinsurance shall automatically be waived.

7. Adjustment

Upon receipt of reported estimated and Actual "Gross Rental" Values, the premium and/or rates will be reviewed and adjusted accordingly at each anniversary. Final adjustment will be based on Actual "Gross Rental" Values. The Gross Rental Premium for the expired twelve (12) months period will be adjusted based upon the Actual "Gross Rental" Values for that period; however, such adjustment shall be made only if the estimated values upon which the premium was based differs from the actual values by an amount greater than 5%.

SECTION C
EXTENSIONS OF COVERAGE

Words or phrases that appear in quotation marks have special meaning. Refer to Definitions in SECTION F or in this SECTION C.

The Company shall not be liable for more than the amount shown as Policy Limit of Liability in the DECLARATIONS for any one “Occurrence”. The specific Limits of Liability shown in the DECLARATIONS under EXTENSIONS OF COVERAGE are a part of, and not in addition to, the Policy Limit of Liability.

(i) Earth Movement

The limit of the Company's liability for loss under Coverage described in Sections A and B for loss or damage to Property Insured caused by or resulting from “Earth Movement” shall not exceed the Limit of Liability specified in the DECLARATIONS for Earth Movement.

(ii) Flood

The limit of the Company's liability for loss under Coverage described in Sections A and B for loss or damage to Property Insured caused by or resulting from “Flood” shall not exceed the Limit of Liability specified in the DECLARATIONS for Flood.

(iii) Debris Removal

This Policy shall also pay the cost of removal of debris of Property Insured destroyed or damaged by a Peril Insured from a Location described in Schedule of Locations attached to and forming part of this Policy.

There is no liability for the expense of removing neither contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event. Contaminant includes, but is not limited to, pollutant.

The Company's liability for such payment shall not exceed the greater of (1) 25% of the Company's liability, prior to the application of any deductible(s), for the loss or damage to Property Insured which necessitated the debris removal, or (2) \$5,000,000; however, in no event shall the Company's liability exceed the amount actually expended by the Insured for the removal of debris.

(iv) Demolition and Increased Cost of Construction

If, at the time of any direct physical loss or damage insured against by the Policy, there is in force any law or ordinance regulating the construction, repair, replacement or use of buildings or structures, then this Policy shall cover:

- (a) the additional loss sustained in demolishing any undamaged portion of the buildings or structures necessitated by such law or ordinance;
- (b) and the additional cost incurred in actually rebuilding both the damaged and undamaged portions of such buildings or structures with materials and in a manner to satisfy the minimum requirements of such law or ordinance;

however, the Company's liability under this coverage shall not exceed the actual expenditure incurred in demolishing the undamaged portion of the building(s) or structure(s) involved plus the lesser of the following:

- (a) the actual expenditure incurred, not including the cost of land, in rebuilding on another site, or
- (b) the cost of rebuilding on the same site.

The Company shall also be liable for payment under any Business Interruption or Extra Expense Coverage forming part of the Policy, for any additional time during which the resumption of business is curtailed, delayed or interrupted because of the enforcement of any law, by-law or ordinance as described above.

The Company shall not be liable for any cost of demolition, increased cost of construction or increase in Business Interruption or Extra Expense necessitated by any law or ordinance regulating any form of pollution or contamination.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Demolition and Increased Cost of Construction in the DECLARATIONS.

(v) Newly Acquired Locations

Subject to the terms and conditions of the Policy, newly acquired locations within Canada for a maximum period of ninety (90) days from the date of acquisition are covered, unless otherwise excluded.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Newly Acquired Locations in the DECLARATIONS.

(vi) Extra Expense

INSURING AGREEMENT

The Company agrees to pay the "Extra Expense" incurred by the Insured during the "Period of Restoration" resulting from direct physical loss or damage to Property Insured by a Peril Insured against by the Policy. Such Property Insured must be on the premises of a Location specified in the Schedule of Locations as being insured by the Policy, and is subject to the terms, conditions and provisions of the Policy.

DEFINITIONS

The following terms, wherever used in this Coverage, shall be defined as follows:

1. "Extra Expense" is defined as:

- (a) the reasonable and necessary extra expenses incurred to temporarily continue as nearly "normal" as practicable the conduct of the Insured's Business; and
- (b) the reasonable and necessary extra costs of temporarily using property or facilities of the Insured or others.

At the end of the "Period of Restoration" specified elsewhere in this Coverage, any value remaining in property obtained in connection with (a) or (b) above shall be taken into consideration in the determination of the actual loss sustained.

In no event shall these expenses include:

- i. loss of income;
- ii. costs which normally would have been incurred in conducting the Business during the same period had no damage insured against occurred; nor
- iii. cost of permanent repair or replacement of property that has been damaged or destroyed.

2. "Normal" is defined as:

The condition that would have existed had no damage of the type insured against occurred. In determining the indemnity payable under this Coverage, due consideration shall be given to the experience of the Business before the loss and the probable experience thereafter had no loss occurred.

3. "Period of Restoration" is defined as:

the length of time required, with the exercise of due diligence and dispatch, to rebuild, repair or replace such Property Insured as has been damaged and to make such property ready for operations under the same or equivalent physical and operating conditions that existed prior to the "Occurrence", unless otherwise provided in this Coverage. The "Period of Restoration" shall not include any additional time required for making changes to buildings, equipment or contents, regardless of the reason(s) for the changes, except as provided for in the Demolition and Increased Cost of Construction Extension of Coverage, if included herein; nor any additional time required for restaffing or retraining employees nor for delay of any kind caused by labour disputes, including strikes.

The liability of the Company under this Coverage shall be limited to the "Period of Restoration", but not by the expiration of this Policy.

ADDITIONAL EXCLUSIONS

This Coverage does not cover:

1. any period during which goods would not have been produced or Business operations or services maintained for any reason other than physical damage to which this Coverage applies;
2. extra expense incurred as a result of damage to finished products manufactured by the Insured nor the time required for their reproduction;
3. any extra expense incurred due to the suspension, cancellation or lapse of any lease, contract, license or order nor any loss due to fines or damage for breach of contract or for late or non-completion of orders or penalties of whatever nature, nor shall the Company be liable for extra expense incurred due to any other consequential or remote loss; nor
4. any extra expense resulting from loss or damage to property in transit.

ADDITIONAL CONDITIONS

1. Limit of Liability

The liability of the Company under this Coverage for any one "Occurrence" shall in no event exceed the Limit of Liability specified for this coverage in the DECLARATIONS.

2. Civil Authority

The Company shall be liable for the "Extra Expense" as covered hereunder during the period of time, not exceeding two (2) weeks, while access to the described Location is prohibited by order of civil authority, but only when such order is given as a direct result of damage to neighbouring premises by a Peril Insured against.

3. Media Limitation

With respect to loss as insured against hereunder to media or programming records pertaining to electronic and electromechanical data processing or electronically controlled equipment, including data thereon, the length of time for which there shall be liability under this Policy shall not exceed:

- i. thirty (30) consecutive calendar days, or the time required, with the exercise of due diligence and dispatch, to reproduce the data thereon from duplicates, or from originals of the previous generation, whichever is less; or
- ii. the length of time that would be required to rebuild, repair, or replace such other Property Insured as has been damaged; whichever is the greater length of time.

4. Use of Other Property

The Insured agrees to use any suitable property or service owned or controlled by the Insured or obtainable from other sources in reducing the "Extra Expense" incurred under this Coverage.

(vii) Ingress/Egress

This Policy covers the actual loss sustained and extra expense incurred by the Insured due to the necessary interruption of the Insured's business due to physical prevention of ingress to or egress from Locations specifically described on the Schedule of Locations, whether or not the premises or property of the Insured is damaged, provided that such prevention is a direct result of physical damage of the type insured by this Policy, to the kind of property not excluded by this Policy.

This Extension does not insure loss resulting from:

- a) lack of incoming or outgoing service consisting of electric, fuel, gas, water, steam, refrigerant, sewerage and voice, data or video.
- b) picketing or other action by strikers except for physical damage not excluded by this Policy.
- c) physical loss or damage caused by or resulting from Terrorism, regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss.

This Extension does not provide coverage for more than the number of consecutive days shown in the Limits of Liability clause of the DECLARATIONS, or for more than the Limit of Liability stated in the DECLARATIONS for any one "Occurrence".

(viii) Accounts Receivable

This Policy is extended to cover any shortage in collection of accounts receivable, resulting from direct physical loss or damage insured against by this Policy to records, subject to the following conditions:

1. In the event of loss hereunder, the Insured shall use all reasonable diligence and dispatch, including legal action if necessary, to effect collection of outstanding accounts receivable, the records for which have been destroyed, and the extra cost, if any, incurred thereby shall constitute a claim to the extent that it reduces the loss hereunder. This Company shall also be liable for interest charges on any loan to offset impaired collections, pending repayment of such sum uncollectible as the result of such damage or destruction.
2. Unearned interest and service charges on deferred payment accounts and normal credit losses on bad debts shall be deducted in determining the recovery hereunder.
3. The settlement of any loss hereunder shall be made within ninety (90) days from the date of such damage or destruction, and all amounts recovered by the Insured on accounts receivable outstanding at the time of such damage or destruction shall belong and be paid to this Company by the Insured up to a total not exceeding the amount of loss paid hereunder, but all recoveries in excess of that amount shall belong to the Insured.
4. In the event it is possible to reconstruct the Insured's accounts receivable records after they have been damaged or destroyed, so that no shortage in collection of accounts receivable is sustained, this Company shall be liable only for the cost of material and time required, with the exercise of due diligence and dispatch, to re-establish and/or reconstruct such accounts receivable records, but only so far as not covered by any other form of insurance.
5. This Extension of Coverage does not apply to loss due to bookkeeping, accounting or billing errors or omissions; or, errors or omissions in machine programming or instructions to machines; or, computer error or malfunction.
6. This Extension of Coverage does not apply to loss due to alteration, falsification, manipulation, concealment, destruction or disposal of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.
7. The Insured agrees to use any suitable property or service owned or controlled by the Insured or obtainable from other sources in reducing the loss under this Extension of Coverage.

Payment made hereunder shall in no event to exceed the Limit of Liability specified for Accounts Receivable in the DECLARATIONS.

(ix) Professional Fees

In the event of loss or damage insured against by this Policy, the Company shall be liable for the reasonable fees payable to auditors, accountants, lawyers, architects, engineers or other professionals, excepting the Insured's own employees or Public Adjusters, for producing and certifying particulars or details of the Insured's business required by the Company in order to arrive at the amount of loss payable under this Policy.

It is also agreed that the Company shall be liable for only those fees which it has previously authorized in writing, necessarily incurred to establish the amount of a loss.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Professional Fees in the DECLARATIONS.

(x) Unnamed Locations

Subject to the terms and conditions of the Policy, property of the Insured within Canada, reported under Unnamed Locations in Schedule of Locations attached to and forming part of this Policy is covered, unless otherwise excluded.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Unnamed Locations in the DECLARATIONS.

(xi) Valuable Papers

In the event of loss or damage insured against by this Policy to valuable papers and records, other than electronic data and the media on which they are stored, the Company shall be liable for the cost of blank paper, plus the cost of labour incurred by the Insured for reproducing such records.

Payment made hereunder shall be limited to a maximum of \$10,000 any one item for irreplaceable valuable papers and records unless a schedule declaring their values has been provided to the Company. In no event shall payment hereunder exceed the Limit of Liability specified for Valuable Papers in the DECLARATIONS. The valuation of loss or damage, insured against by this Coverage, exceeding the Limit of Liability specified in the DECLARATIONS, shall be in accordance with Section G, Conditions, 7. Valuation, item (d) and (e).

(xii) Electronic Data Processing/Media (EDP/Media)

In the event of loss or damage insured against by this Policy to electronic data processing media, data storage devices and program devices for electronic or electro-mechanical data processing and production equipment, valuation of such media shall be the cost of reproducing such media, data storage devices and program devices.

There is no coverage for loss or damage caused by or resulting from error in machine programming or instructions to machines.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Electronic Data Processing/Media (EDP/Media) in the DECLARATIONS.

The valuation of loss or damage, insured against by this Extension of Coverage, exceeding the Limit of Liability specified for this coverage in the DECLARATIONS, shall be in accordance with Section G, Conditions, 7. Valuation, item (f).

(xiii) Errors and Omissions

In the event of loss or damage to Property Insured located within the Territorial Limit of the Policy, and such loss is not payable under this Policy solely due to any unintentional error and/or omission by the Insured of either one or a combination of the reporting of a location or the description of a location, such loss or damage shall be insured by the Policy, but only to the extent that this Policy would have provided had the error or omission not been made.

It is a condition of this coverage that any error or omission shall be reported and corrected, including an appropriate adjustment of premium, when discovered.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Errors and Omissions in the DECLARATIONS.

(xiv) Exhibition Floater

It is understood and agreed that this Policy is hereby extended to cover Personal Property of the Insured, not otherwise excluded, which is temporarily removed from a Location described in Schedule of Locations attached to and forming part of this Policy, for the purpose of being displayed on exhibition.

It is also understood and agreed that this coverage is hereby extended to property while on exhibition in Canada and the Continental United States, only.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Exhibition Floater in the DECLARATIONS.

(xv) Expediting Expense

This Policy shall also pay for the reasonable extra cost to make temporary repairs and to expedite the permanent repair or replacement of Property Insured damaged by a Peril Insured, including overtime and the extra cost of express or other rapid means of transportation.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Expediting Expense in the DECLARATIONS.

(xvi) Fine Arts

This Policy is extended to cover "Fine Arts", except as otherwise excluded by this Policy.

As used here, "Fine Arts" shall include paintings, etchings, pictures, tapestries and other bona fide works of art (such as, valuable rugs, statuary, marbles, bronzes, antique furniture, rare books, antique silver, manuscripts, porcelains and rare glass) of rarity, historical value or artistic merit.

This Extension of Coverage does not insure against:

- (a) indirect damage;
- (b) loss or damage from any repairing, restoration or retouching process;
- (c) loss to property on exhibition at fairgrounds or premises of national or international expositions unless the premises are specifically described in this Policy; and
- (d) loss or damage to property while in transit.

In the event of loss or damage covered under this Extension of Coverage, the liability of the Company shall not exceed the lesser of the following:

- i. the cost to repair or restore the article to the condition that existed immediately prior to the insured event; or
- ii. the value designated for the article on the Schedule of Fine Art of file with this Company. If no Schedule of Fine Art is on file the maximum value designated for any one article is \$10,000.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Fine Arts in the DECLARATIONS.

(xvii) Fire Fighting Expenses

This Policy shall also pay for charges assessed against the insured by the Fire Department as a result of fire in, on or exposing the Property Insured.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Fire Fighting Expenses in the DECLARATIONS.

(xviii) Hazardous Substances

If, as a result of an "Occurrence" insured hereunder, Property Insured on the premises of a Location specified in Schedule of Locations attached to and forming part of this Policy is damaged, contaminated or polluted by, or exposed to, a substance declared by an authorized governmental agency to be hazardous to health or the environment, including, but not limited to, any mould, fungus, mildew or yeast including any "Spores" or toxins created or produced by or emanating from such mould, fungus, mildew or yeast, whether or not allergenic, pathogenic or toxigenic, the Company shall be liable under this Policy and any of its Coverages, for the "additional expenses" or "increase in loss" incurred for cleanup, repair or replacement, or disposal of that damaged, contaminated or polluted property, and for any ensuing increase in loss arising out of any Business Interruption or Extra Expense Coverage.

As used here, "additional expenses" or "increase in loss" shall mean expenses or increase in loss incurred beyond those for which the Company would have been liable if no substance, so declared as hazardous to health or to the environment, had been involved in the "Occurrence".

Payment made hereunder shall in no event exceed the Limit of Liability specified for Hazardous Substances in the DECLARATIONS.

(xix) Transit

This Policy shall also pay for direct physical loss or damage, not otherwise excluded, to Property Insured in transit within Canada, the 50 states of the United States of America and the District of Columbia including the coastal waters thereof, by any means of conveyance, from the commencement of loading and continuously thereafter during loading and unloading including the location of any repair, temporary storage, consignment or exhibition, including deviation and delay, until unloaded at place of final destination.

- (a) This insurance is extended to cover loss or damage:
 - i. to property of the Insured, and for which the Insured retains an interest, under terms terminating the shipper's responsibility short of points of delivery;
 - ii. caused by any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery; or
 - iii. resulting from the acceptance by the Insured, by its agents or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar fraudulent documents.
- (b) The Insured may accept bills of lading or receipts from carriers, bailees, warehousemen or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehouseman or processor.
- (c) The Insured's rights shall not be prejudiced by any agreements exempting lightermen from liability.
- (d) This Policy excludes property of others and the Insured's legal liability therefore, being hauled on vehicles owned, leased or operated by the Insured when acting as a common or contract carrier
- (e) This Policy excludes property on waterborne shipments to and from Hawaii, Alaska, and via the Panama Canal.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Transit in the DECLARATIONS.

(xx) Leasehold Interest

If, as a result of loss or damage due to an insured peril, this coverage will pay in the following manner;

- (a) If the lease agreement requires continuation of rent; and:
 - i. if the property is wholly untenable or unusable: the Company pays the actual rent payable for the unexpired term of the lease; or
 - ii. if the property is partially untenable or unusable: the Company pays the proportion of the rent payable for the unexpired term of the lease.
- (b) If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the Company pays the "Lease Interest" for the first three months following the loss, and the "Net Lease Interest" for the remaining unexpired term of the lease.

"Lease Interest" means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the Insured's lease.

"Net Lease Interest" means that sum which placed at 6% interest rate compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

This coverage does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the Insured exercising an option to cancel the lease; or from any act or omission of the Insured that constitutes a default under the lease. No lease renewal options will be considered in any loss settlement unless an offer to renew has been made to and accepted by the landlord, in writing, prior to the loss.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Leasehold Interest in the DECLARATIONS.

(xxi) Electronic Data, Programs or Software

- (a) Notwithstanding Section D EXCLUSIONS, item 3. Data Exclusion, this Policy is extended to cover loss or damage to Electronic Data, Programs or Software caused by the malicious introduction of a machine code or instruction, within the Territorial Limit of the Policy, including while in transit.
- i. With respect to loss or damage caused by the malicious introduction of machine code or instruction, this coverage will apply when the "Period of Interruption" is in excess of the Waiting Period as specified on the DECLARATIONS for this Extension.
 - ii. This coverage includes the cost of the following reasonable and necessary actions taken by the Insured:
 1. to temporarily protect and preserve insured electronic data, programs or software;
 2. for the temporary repair of insured Electronic Data, Programs or Software and to expedite the permanent repair or replacement of such damaged property, provided such actions are taken due to insured loss or damage to Electronic Data, Programs or Software.
 - iii. This coverage includes the reasonable and necessary costs incurred by the Insured to temporarily protect or preserve insured Electronic Data, Programs or Software against immediately impending loss or damage to Electronic Data, Programs or Software. In the event that the loss or damage does not occur, the costs incurred will be subject to the deductible that would have applied if the loss or damage had occurred.
- (b) Notwithstanding Section D EXCLUSIONS, item 3..Data Exclusion, this Policy is extended to include any Business Interruption or Extra Expense incurred during the "Period of Interruption" directly resulting from the failure of the Insureds Electronic Data Processing Equipment or Media to operate, provided such failure is the direct result of a malicious act directed at the NAMED INSURED.

This extension of coverage will apply when the "Period of Interruption" is in excess of the Waiting Period as specified on the DECLARATIONS for this Extension.

"Period of Interruption" means the period starting when the Insured's Electronic Data Processing Equipment or Media fails to operate and ending when with due diligence and dispatch, the Electronic Data Processing Equipment or Media could be restored to the same or equivalent operations condition that existed prior to the failure. Any additional time used to make changes to the Electronic Data Processing Equipment or Media is not included in the Period of Interruption.

The extension of coverage as provided in (a) and (b) does not insure against:

- (i) any amount recoverable elsewhere in this Policy.
 - (ii) loss or damage to data, programs or software when they are stock in process, finished goods manufactured by the Insured, raw materials, supplies or other merchandise not manufactured by the Insured.
 - (iii) loss or damage to data, programs or software from errors or omissions in programming or machine instructions; unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - (iv) deterioration, inherent vice, vermin or wear and tear; unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - (v) loss or damage to an "Object" or "Production Machine" as a result of an "Accident" caused directly or indirectly by the malicious introduction of a machine code or instruction.
 - (vi) business interruption unless the loss, damage or failure occurs at a location specified in the Schedule of Locations attached to and forming part of this Policy as being insured by such coverage.
- (c) Limit of Liability

Payment made hereunder shall in no event exceed the Limit of Liability specified for Electronic Data, Programs or Software in any one "Occurrence" or in the Aggregate during the Policy Term as stated in the DECLARATIONS.

(xxii) Land and Water Clean up Expenses

It is understood and agreed that this Policy is hereby extended to cover the expense to clean up, remove or dispose of contaminants from uninsured property consisting of land or water at a location described in the Schedule of Locations, when such land or water is contaminated or polluted, by a substance declared by an authorized governmental agency to be hazardous to the health or environment, due to direct physical damage to property insured by this Policy.

This endorsement does not cover:

- (a) The expense to clean up, remove or dispose of contaminants at any Unnamed Locations.
- (b) Fines, penalties, punitive or exemplary damages.
- (c) Any expenses that are not reported to the Company within 180 days of the date of direct physical damage.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Land and Water Clean up Expenses in any one "Occurrence" or in the Aggregate during the Policy Term as stated in the DECLARATIONS.

(xxiii) Service Interruption

- a. This Policy is extended to cover the direct physical loss or damage, not otherwise excluded, to Property Insured hereunder caused by or resulting from the lack of incoming electricity, fuel, water, gas, steam, refrigerant or telephone service, caused by a type of "Occurrence" that would otherwise be insured herein to property of a type not otherwise excluded herein, owned, operated, or controlled by the public utility company or any other company contracted by the Insured to supply said services directly to the Insured at a Location specified in the DECLARATIONS as being insured by this Extension of Coverage, provided the duration of such interruption is in excess of 48 hours.
- b. If Business Interruption/Extra Expense coverage is endorsed onto this Policy, then this Policy is further extended to cover the necessary interruption of business conducted by the Insured caused by or resulting from the lack of incoming electricity, fuel, water, gas, steam, refrigerant or telephone service, caused by a type of "Occurrence" that would otherwise be insured herein to property of a type not otherwise excluded herein, owned, operated, or controlled by the public utility company or any other company contracted by the Insured to supply said services directly to the Insured at a Location specified in the DECLARATIONS as being insured by this Extension of Coverage provided the duration of such interruption is in excess of 48 hours.

It is agreed that as respects the coverage provided by this Extension, Section D. Exclusions, 2. Perils Excluded, Part III, Paragraphs iv. and v. are hereby deleted.

Payment made hereunder shall in no event exceed the Limit of Liability specified for Service Interruption in any one "Occurrence" as stated in the DECLARATIONS and also is subject to any applicable Property Damage or Business Interruption or Extra Expense deductibles.

SECTION D

EXCLUSIONS

The following exclusions are applicable to Sections A, B and C.

1. Property Excluded

Unless specifically provided for herein, this Policy does not insure loss or damage to:

1. accounts, bills, currency, deeds, evidences of debt or title, money, notes, securities, fine art, jewellery, furs, precious metals, precious stones or bullion;
2. land, water, growing crops, animals or standing timber;
3. (a) aircraft, watercraft or spacecraft;
(b) vehicles licensed for highway use;
(c) "mobile equipment" while away from a location specified in the Schedule of Locations attached to and forming part of this Policy. This exclusion does not apply to the first \$1,000,000 of any loss for "mobile equipment" insured under this Policy. Payment made hereunder shall be part of, and not in addition to, the applicable Policy Limit of Liability
4. (a) underground mines, caverns and any property contained therein;
(b) wells or off-shore property;
5. dams, watershafts, power tunnels, dikes, gates and flumes;
6. (a) retaining walls not constituting part of a building when such loss is caused by ice or water pressure;
(b) docks, piers or wharves when such loss is caused by ice or collision;
7. nuclear reactor power plants including all auxiliary property on the site, or any other nuclear reactor installation;
8. any nuclear fuel or raw materials used in the nuclear fuel process at any point in the fuel cycle;
9. all electrical transmission and distribution lines, line transformers, cables, pipes and pipelines, and equipment or apparatus connected therewith, except those on the described premises or in the open on land within 1000 feet of the premises described in the Schedule of Locations;
10. property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers; nor
11. property in transit.

2. Perils Excluded

Part I

This Policy does not insure against loss or damage caused by or resulting from:

i.

- (a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual impending or expected attack,
 1. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces;
 2. by military, naval or air forces; or
 3. by an agent of any such government, power, authority or force,it being understood that any discharge, explosion or use of any weapon of war employing nuclear fission or fusion shall be conclusively presumed to be such a hostile or warlike action by such a government, power, authority or force;
- (b) insurrection, rebellion, revolution, civil war, usurped power or action taken by governmental

authority in hindering, combating or defending against an “Occurrence”; seizure or destruction under quarantine or customs regulations; confiscation or destruction by order of any government or public authority;

regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss.

- ii. nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, is not insured against by the Policy whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by any physical damage insured against by the Policy.

regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss.

- iii. infidelity or dishonesty of the Insured;
- iv. any shortage of property discovered upon the taking of inventory or any unexplained or mysterious disappearance of property;
- v. any increase in the loss due to any ordinance, law or regulation, rule or ruling restricting or affecting repair, alteration, use, operation, construction or installation; or by suspension, lapse, termination or cancellation of any license, lease or permit; or by any injunction or process of any court, except as specifically provided for in Section C, Item (iv);
- vi. lack of incoming electricity, fuel, water, gas, telephone service, steam or refrigerant, except when caused by an “Occurrence” insured herein to property not otherwise excluded located within 1000 feet of locations specified in the Schedule of Locations attached to and forming part of this Policy.; nor
- vii. collapse of air supported structures and any resultant damage to contents therein.

Part II.

This Policy does not insure:

i. Business Interruption

- (a) delay or loss of market, except as insured under Section B;
- (b) penalty for non completion of or delay in completion of any contract or noncompliance with any contract conditions; fines, penalties or punitive damages; or
- (c) any costs incurred to eliminate or reduce any of the foregoing, unless endorsed hereon;

ii. Fungi or Spores

- (a) loss or damage consisting of or caused directly or indirectly, in whole or in part, by any “Fungi” or “Spores”. This exclusion does not apply if the loss or damage by “Fungi” or “Spores” is directly caused by or directly results from fire, lightning, explosion, impact by aircraft, spacecraft or land vehicle, riot, vandalism or malicious acts, smoke, windstorm or hail, leakage from fire protective equipment, “Earth Movement”, tsunami, sewer backup, “Flood”, freezing or weight of snow and is not otherwise excluded in this Policy. Payment made hereunder shall be part of, and not in addition to, the applicable Policy Limit of Liability but in no event shall the Company’s liability exceed the Limit of Liability of \$1,000,000.
- (b) the cost or expense for any testing, monitoring, evaluating or assessing of “Fungi” or “Spores”. This exclusion does not apply to the first \$1,000,000 of any loss insured herein.

Payment made hereunder shall be part of, and not in addition to, the applicable Policy Limit of Liability

iii. Pollution

- (a) loss or damage caused directly or indirectly by any actual or alleged spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of pollutants, nor the cost or expense of any resulting clean up. This exclusion does not apply:
 - (i) if the spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of “pollutants” is a direct result of fire, lightning, explosion, impact by aircraft, spacecraft or land vehicle, riot, vandalism or malicious acts, smoke, windstorm or hail, leakage from fire protective equipment, “Earth Movement”, tsunami, sewer backup, “Flood”, freezing or weight of snow and which is not otherwise excluded in this Policy,
 - (ii) to loss or damage caused directly by fire, lightning, explosion, impact by aircraft, spacecraft or land vehicle, riot, vandalism or malicious acts, smoke, windstorm or hail, leakage from fire protective equipment, “Earth Movement”, tsunami, sewer backup, “Flood”, freezing or weight of snow and which is not otherwise excluded in this Policy.
- (b) cost or expenses for any testing, monitoring, evaluating or assessing of an actual, alleged, potential or threatened spill, discharge, emission, dispersal, seepage, leakage, migration, release or escape of pollutants except as specifically provided for in Section C, Item (xxii)

Part III

This Policy does not insure against:

- i. any defect or fault in material, workmanship, or design. However, if insured loss or damage directly results as a consequence of the defective or faulty material, workmanship, or design excluded above, the Company shall be liable for said consequences. The Company shall be liable for only those costs which are in addition to the costs of rectifying such defects or fault had the loss or damage not occurred.

This exclusion shall not apply to the mechanical or electrical breakdown of:

- (a) any boiler, pressure vessel, refrigerating system or any piping and accessory equipment;
or
- (b) any electrical or mechanical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power;

which has been installed, fully tested and contractually accepted by the Insured and which is being or has been operated at the insured location, in the capacity for which it was designed, as part of the Insured's normal production process or processes;

- ii. (a) wear and tear, deterioration, rust, corrosion or erosion;
(b) gradual cracking, settling, shrinkage, bulging, expansion or other gradually developing defects;
all unless loss by a peril otherwise insured against hereunder ensues and then the Company shall be liable only for such ensuing loss;
- iii. accumulated effects of smog or smoke or vapour or gas from agricultural or industrial operations;
- iv. contamination, shrinkage, evaporation, loss of weight, or loss of contents of containers by leakage; all unless such damage results directly from other physical damage not otherwise excluded by this Policy;
- v. extremes or changes of temperature or changes in relative humidity, all whether atmospheric or not; exposure to light; change in color or flavor or texture or finish; insects or vermin, seepage, condensation, dampness, depletion, disease, deterioration, dry rot, rot, infestation, inherent vice, latent defect, spoilage, decay; all unless such damage results directly from other physical damage not otherwise excluded by this Policy.

This exclusion shall apply only to raw materials, stock in process or finished goods;

- vi. errors in design, poor workmanship, or use of faulty materials in the development, processing,

testing or manufacture of the Insured's products or materials; loss attributable to manufacturing or processing operations which result in damage to stock or materials while such stock or materials are being processed, manufactured, tested, or otherwise being worked upon; all unless physical damage not otherwise excluded by this Policy results, in which event, this Policy shall cover only such resulting damage; nor,

- vii. any loss of or damage to escaped molten material from confinement within piping, plumbing systems, tanks, or equipment located on the described premises, nor the material, including all materials in solution or suspension in the molten material at the time of the escape; and there shall be no liability for the cost of locating or repairing the fault that permitted the escape of the molten material; all unless physical damage not otherwise excluded by this Policy results, in which event, this Policy shall cover only such resulting damage.

3. Data Exclusion

a. Data Exclusion - Direct Damage

- i. This Policy does not cover "data".
- ii. This Policy does not cover loss or damage caused directly or indirectly by "data problem", however, if loss or damage caused by "data problem" results in the "Occurrence" of further loss of or damage to property insured by the original insurance Policy that is directly caused by fire, lightning, explosion, smoke, leakage from fire protective equipment, impact by aircraft, spacecraft or land vehicle, windstorm or hail, earthquake, tsunami, "Flood", freeze or weight of snow, this exclusion (ii) shall not apply to such resulting loss or damage.

b. Data Exclusion - Business Interruption

Subject to (a) and (b) following, the Insurer shall not be liable under this Policy for loss of Business Interruption or "Extra Expense" as insured under this Policy directly or indirectly caused by "data problem".

- (a) If "data problem" results in direct physical loss of or damage to property at the premises caused by:
fire, explosion, smoke, leakage from fire protective equipment, lightning, impact by aircraft, spacecraft or land vehicle, windstorm or hail, earthquake, tsunami, "Flood", freeze or weight of snow, this exclusion shall not apply to resulting loss of Business Interruption or "Extra Expense" as insured under this Policy suffered through such resulting loss or damage.
- (b) If "data problem" is the direct result of:
fire, lightning, explosion, impact by aircraft, spacecraft or land vehicle, smoke, leakage from fire protective equipment; windstorm or hail, earthquake, tsunami, "Flood", freeze or weight of snow, at the premises this exclusion shall not apply to resulting loss of Business Interruption or "Extra Expense" as insured under this Policy.

4. "Terrorism" Exclusion

This exclusion applies to all coverages insured by this Policy, regardless of any other causes of the loss, or whether other causes acted concurrently or in any sequence with the excluded cause to produce the loss. This Policy does not cover loss or damage caused directly or indirectly, in whole or in part, by "Terrorism" or by any activity or decision of a government agency or other entity to prevent, respond to or terminate "Terrorism".

Any act which satisfies the definition of "Terrorism" shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage covered elsewhere in this Policy.

SECTION E

TERRORISM POOL

Notwithstanding Section D. Exclusions, Item 4., this Section covers physical loss or damage caused by or resulting from "Terrorism" only at Locations specifically described on the Schedule of Locations, and at Unnamed Locations described under Section C., Item (x), and Business Interruption, providing this Policy insures Business Interruption under Section B.

Amounts recoverable under this Section are excluded from coverage elsewhere in this Policy.

This Section does not cover loss or damage which also comes within terms of Section D EXCLUSIONS, 2. Perils Excluded, Part I, items (i) or (ii). Nor does this Section cover loss or damage directly or indirectly caused by or resulting from any of the following, regardless of any other cause or event, whether or not insured under this Policy contributing or in any sequence to the loss:

- (a) that involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination or that involves the discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion, or radioactive force, whether in time of peace or war and regardless of who commits the act; or
- (b) that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- (c) in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such material; or
- (d) that involves action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism.

Limit of Insurance

Payment made under this Section shall in no event exceed \$2,000,000 in any one "Occurrence" or in the Aggregate during the Policy Term. This Limit of Liability applies to the total of insured Real Property, Personal Property and Business Interruption, providing coverage is insured, at all Locations, whether named or not, by all Named Insureds affected by "terrorism" and insured by the Company under the Underwriting Group III.

Deductible

Coverage under this section will apply when the Total Loss Payable for an "Occurrence" exceeds the deductible stated for this Section in the DECLARATIONS.

SECTION F

DEFINITIONS

1. “Occurrence”

The term “Occurrence” shall mean any loss or series of losses arising out of one event. However, as respects the perils of “Wind”, “Earth Movement”, “Flood” and “Terrorism”, the term “Occurrence” shall mean the sum total of all the losses sustained by the Insured as the result of damage from these perils which arise during a continuous period of seventy-two (72) hours. The Insured may elect the moment from which each of the aforesaid periods of seventy-two (72) hours shall commence, but no two such seventy-two (72) hours periods shall overlap.

2. “Earth Movement”

The term “Earth Movement” shall include, but not be limited to, earthquakes, shocks, tremors, landslide, subsidence, tsunami, mud flow, rock fall, or any other “Earth Movement”.

3. “Flood”

The term “Flood” means waves, tide or tidal water, or the rising (including the overflowing or breaking of boundaries) of lakes, ponds, reservoirs, rivers, harbours, streams or other bodies of water, whether or not driven by “Wind”.

4. “Wind”

The term “Wind” shall include, but not be limited to, cyclone, tornado, hurricane or windstorm arising out of atmospheric disturbances or conditions.

5. “Mobile Equipment”

The term “Mobile Equipment” means land vehicles which may be self-propelled or not and which include attached machinery or equipment. “Mobile Equipment” does not include land vehicles that are subject to compulsory or financial responsibility law or other motor vehicle insurance law in the province where it is licensed or principally garaged.

6. “Object”

As used in this Policy, “Object” shall mean any boiler, fired or unfired pressure vessel, refrigerating or air conditioning system, piping and its accessory equipment and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

7. “Accident”

As used in this Policy, “Accident” shall mean a sudden and accidental breakdown of the “Object”, or a part thereof, which manifests itself at the time of its “Occurrence” by physical damage to the “Object” that necessitates repair or replacement of the “Object” or part thereof.

8. “Production Machine”

The term “Production Machine” means any complete machine or apparatus which processes, forms, cuts, shapes, grinds or conveys raw materials, materials in process or finished product, and any equipment forming a part of the driving or controlling mechanism for such machine or apparatus.

9. “Average Daily Value”

If used in this Policy, “Average Daily Value” shall mean the amount obtained, after due consideration being given to the experience of the Business before the “Occurrence” and probable experience thereafter, by dividing the estimated number of working days, had there been no “Occurrence”, during the period of total or partial prevention of Business, into the amount of “Gross Profit”, as defined in the Business Interruption Coverage of this Policy, that would have been earned had there been no “Occurrence”, during the said period of total or partial prevention of Business. The words "period of total or partial prevention of Business" are understood to include any period during which any expense for which the Company is liable under the said Coverage is incurred by the Insured to reduce or avert prevention of Business. Where the Business at more than one Location is affected by the “Occurrence”, the “Average Daily Value” shall be determined by using the total of the business at all Locations affected by the “Occurrence”.

10. “Consequential Damage”

As used in this Policy, “Consequential Damage” shall mean any such damage described in Section D Exclusions, 2.Perils Excluded, Part III, Paragraphs iv. and v. that results directly from other physical damage, other than “Ammonia Contamination”, not otherwise excluded by this Policy.

11. “Ammonia Contamination”

As used in this Policy, “Ammonia Contamination” shall mean any such damage described in Section D Exclusions, 2.Perils Excluded, Part III, Paragraphs iv. and v. that results directly from ammonia contacting Property Insured as a direct result of an “Accident” to any refrigerating or air conditioning vessels and piping described in the definition of “Object” that is not otherwise excluded by this Policy.

12. “Fungi”

“Fungi” includes but is not limited to any form or type of mould, yeast, mushroom or mildew whether or not allergenic, pathogenic or toxigenic, and any substance, vapour or gas produced by, emitted from or arising out of any “Fungi” or “Spores” or resultant mycotoxins, allergens or pathogens

13. “Spores”

“Spores” includes but is not limited to one or more reproductive particles or microscopic fragments produced by emitted from or arising out of any “Fungi”.

14. “Data” means representations of information or concepts, in any form.

15. “Data problem” means:

- (a) erasure, destruction, corruption, misappropriation, misinterpretation of "data";
- (b) error in creating, amending, entering, deleting or using "data"; or
- (c) inability to receive, transmit or use "data".

16. “Terrorism”

As used in this Policy means an unlawful ideologically motivated act or acts, including but not limited to the use of violence or force or threat of violence or force, committed by or on behalf of any group(s), organization(s) or government(s) for the purpose of influencing any government and/or instilling fear in the public or a section of the public.

SECTION G

CONDITIONS

1. Premium and Adjustments

The premium stated in the DECLARATIONS is for the Policy Term only.

On receipt of notification of Policy changes, premium adjustments (if applicable) will be made as of the effective date of the changes.

2. Limits of Liability

The Company shall not be liable for more than the amount shown as Policy Limit of Liability in the DECLARATIONS for any one "Occurrence". The specific Limits of Liability shown in the DECLARATIONS are part of, and not in addition to, the Policy Limit of Liability.

The insurance provided by this Policy shall not be reduced by the sum paid for any one "Occurrence", except as respects the perils of "Earth Movement" and "Flood" which shall be subject to the annual aggregate Limit of Liability as shown in the DECLARATIONS. However, fire and/or explosion which occur as a direct result of a "Flood" or "Earth Movement" shall not:

(a) be limited to the "Flood" or "Earth Movement" Limits of Liability, and;

(b) contribute to the annual aggregate Limit of Liability for "Flood" or "Earth Movement".

The inclusion of more than one Insured shall not operate to increase the limits of the Company's liability.

Unless otherwise provided herein, if Business Interruption Coverages are added to this Policy, the Limits of Liability, other than noted Business Interruption Limits of Liability, specified in the DECLARATIONS are combined Limits of Liability for Property Damage and Business Interruption Coverages. However, in the event of loss or damage to Property Insured herein, for which recovery is afforded under a specific Limit of Liability, the amount of the recovery, if any, applicable to Business Interruption shall not exceed any specified Business Interruption Limit of Liability.

3. Deductibles

There shall be deducted from the amount of each claim for loss or damage arising out of one "Occurrence", the amount stated in the DECLARATIONS as Deductible. In the event that more than one Deductible amount applies to any one "Occurrence", then only the largest Deductible amount for that "Occurrence" shall be applied.

If this Policy insures against both Property Damage and Business Interruption losses, the deductible amount(s), as shown in this Policy, shall apply separately to each such coverage, unless otherwise noted herein or endorsed hereon, even if both are involved in a single "Occurrence".

If Business Interruption coverage(s) is endorsed to this Policy and a number of hours/days apply as a Business Interruption Waiting Period, then the Company shall not be liable for any losses under the Business Interruption Coverage occurring during the specified number of hours/days immediately following the "Occurrence".

4. Currency

It is agreed that all Limits and Deductibles expressed in the Policy or in any Endorsement thereto; and all premiums shall be in Canadian currency.

5. Reporting

The Insured shall file with the Company at each anniversary a report containing the current property values, by location, showing separate figures for each type of Property Insured. Stock and supplies shall be reported as an average over twelve (12) months.

6. Coinsurance

If the Insured fails to submit a report as specified herein, then coinsurance shall apply effective on the anniversary date and in the event of direct physical loss or damage, the Company shall be liable for no greater proportion of such loss or damage than the property damage values stated in the DECLARATIONS bear to 100% of the cost, at the time of loss at the same site, of replacement in a new condition with material of like kind, size, quality and capacity; except that if by ninety (90) days following the anniversary date, the Insured has submitted the required report, coinsurance shall automatically be waived.

7. Valuation

Unless otherwise endorsed hereon, adjustment of loss under the Policy shall be:

- (a) on stock in process, the value of raw material and labour expended plus the proper proportion of overhead charges;
- (b) on finished goods manufactured by the Insured, the replacement cost at the Location where the loss occurs;
- (c) on raw materials, supplies and other merchandise not manufactured by the Insured, the replacement cost;
- (d) on exposed film, records, manuscripts and drawings, the value blank plus the cost of transcription;
- (e) on books of accounts, drawings, card index systems and other records, other than as described in (f) below, shall not exceed the cost of blank books, blank pages or other materials, plus the cost of labour for actually transcribing or copying said records;
- (f) media, data storage devices, and programme devices for electronic and electro-mechanical data processing or for electronically controlled equipment and production equipment, notwithstanding that "data" is not covered, shall not exceed the cost of reproducing such media, data storage devices, and programme devices from duplicates or from originals of the previous generation of the media, but no liability is assumed hereunder for the cost of gathering or assembling information or "data" for such reproduction.
- (g) on any transformer manufactured prior to January 1, 1985, the liability for loss shall be limited to 20% of the cost of Repair or Replacement (defined as the cost to repair or replace the damaged property without deduction for depreciation with materials of like kind, size, quality and capacity). It is further agreed that the applicable deductible shall be applied after the liability for loss has been calculated as outlined in this condition.

This condition will not apply to transformers manufactured prior to January 1, 1985 that have been completely rewound within the past ten (10) years.

- (h) on all other property covered by the Policy, the cost of Repair or Replacement (defined as the cost to repair or replace the damaged property without deduction for depreciation with materials of like kind, size, quality and capacity), subject to the following:
 - i. Liability under these terms shall not exceed the least of the following:
 - 1. the cost to repair, rebuild or replace on the same site with material of like kind, size, quality and capacity;
 - 2. the actual expenditure incurred in repairing, rebuilding or replacing on the same, or another, site, but not to exceed the size and operating capacity that existed at the time of the loss.
 - ii. In the event of loss or damage to property which is not repaired, rebuilt or replaced within two years from the date of loss or damage, the Company shall not be liable for more than the actual cash value (with proper deduction for depreciation) of the property destroyed.

all to be computed as of the time and at the place of the loss when, with due diligence and dispatch, rebuilding, repairing or replacement of the damaged or destroyed property could be effected.

8. Vacant/Unoccupied Premises

Permission is given to cease operation and for the premises to be vacant or unoccupied for sixty (60) consecutive days, and for more than sixty (60) consecutive days providing the same degree of fire protection and watch service is maintained as existed at the time of the discontinuance of normal operations.

9. Property for Sale

If, during the term of this Policy, any Property Insured covered hereunder is offered for sale, the liability for loss or damage to such property shall in no event exceed the price for which it is offered for sale.

10. Notice

Any written notice to the Company may be delivered or sent by registered mail to the Company at its Head Office or any of its Branch Offices. Written notice may be given to the Insured named in the DECLARATIONS by letter personally delivered to the Insured or by registered mail addressed to the Insured at the latest post office address as notified to the Company. In this condition, the expression "registered" means registered in or outside Canada.

It is agreed that notice given to or by the Insured or his representative with respect to this Policy or any matter arising thereunder, shall be considered as given to or by all of the Named Insured under the Policy.

11. Loss Payable

Loss, if any, shall be adjusted with the Insured or his representative and payable to the Insured and to any Mortgagee, Loss Payee or other Named Insured or as directed by them.

12. Mortgagee Interests

- (a) This insurance and every documented renewal thereof - AS TO THE INTEREST OF THE MORTGAGEE ONLY THEREIN -is and shall be in force notwithstanding any act, neglect, omission or misrepresentation attributable to mortgagor, owner or occupant of the Property Insured, including transfer of interest, any vacancy or non-occupancy, or the occupation of the property for purposes more hazardous than specified in the description of the risk;
- (b) PROVIDED ALWAYS that the Mortgagee shall notify forthwith the Company (if known) of any vacancy or non-occupancy extending beyond thirty (30) consecutive days, or of any transfer of interest or increased hazard THAT SHALL COME TO HIS KNOWLEDGE; and that every increase of hazard (not permitted by the Policy) shall be paid for by the Mortgagee - on reasonable demand - from the date that such hazard existed, according to the established scale of rates for the acceptance of such increased hazard, during the continuance of this insurance.
- (c) Whenever the Company pays the Mortgagee any loss award under this Policy and claims that - as to the Mortgagor or Owner - no liability therefore existed, it shall be legally subrogated to all rights of the Mortgagee against the Insured. Any subrogation shall be limited to the amount of such loss payment and shall be subordinate and subject to the basic right of the Mortgagee to recover the full amount of its mortgage equity in priority to the Company. The Company may, at its option, pay the Mortgagee all amounts due, or to become due, under the mortgage, or on the security thereof, and shall thereupon receive a full assignment and transfer of the mortgage, together with all securities held as collateral to the mortgage debt.
- (d) If there be other valid and collectible insurance upon the property with loss payable to the Mortgagee - at law or in equity -then any amount payable thereunder shall be taken into account in determining the amount payable to the Mortgagee.
- (e) In the absence of the Insured, or the inability, refusal or neglect of the Insured to give notice for loss or deliver the required Proof of Loss under the Policy, then the Mortgagee may give the notice upon becoming aware of the loss and deliver as soon as practicable the Proof of Loss.

- (f) The term of this mortgage clause coincides with the term of the Policy; PROVIDED ALWAYS that the Company reserves the right to cancel the Policy as provided by Statutory provision but agrees that the Company will neither terminate nor alter the Policy to the prejudice of the Mortgagee without the notice stipulated in such Statutory provision;
- (g) HOWEVER, THE COMPANY reserves the right to suspend insurance (which shall include any insurance applying to the Interest of the MORTGAGEE) on any "Object" in accordance with the Suspension Condition of the Policy, and the Company agrees to furnish the MORTGAGEE, at the address specific with the name of the said MORTGAGEE, a copy of the suspension notice.
- (h) Should title or ownership to said property become vested in the Mortgagee and/or assigns as owner or purchaser under foreclosure or otherwise, this insurance shall continue until expiry or cancellation for the benefit of the said Mortgagee and/or assigns.

The terms of this mortgage clause shall supersede any Policy provision in conflict therewith, but only as to the interest of the Mortgagee.

13. Requirements in Case of Loss

When insured loss or damage occurs, written notice shall be given by or on behalf of the Insured to the Company as soon as practicable. The Insured shall protect the property from further damage. The Company shall have reasonable time and opportunity to examine the property and the premises of the Insured before repairs are undertaken or physical evidence of the loss or damage is removed, except for protection or salvage.

The Insured shall render a signed proof of loss statement as soon as practicable after a loss in such form as the Company may require, stating the time and origin of the loss, the interest of the Insured and of all others in the property, the value of the property involved in the loss, and the amount of loss or damage thereto.

The Insured, as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers at such reasonable time and place as may be designated by the Company, and shall permit extracts and copies thereof to be made.

14. Breach of Conditions

Where a loss occurs and there has been a breach of condition relative to a matter before the happening of the loss, which breach would otherwise disentitle the Insured to recover under this Policy, the breach shall not disentitle the Insured to recover if:

- (a) the Insured establishes that the loss was not caused or contributed to by the breach of condition; or
- (b) the breach of condition occurred in any portion of the premises over which the Insured has no control.

15. Salvage and Recoveries

When, in connection with any loss hereunder, any salvage or recovery is received subsequent to the payment of such loss, the loss shall be refigured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the loss was originally determined. Any amounts thus found to be due either party from the other shall be paid promptly.

16. Brands and Labels

If branded or labeled merchandise covered by the Policy is damaged and the Company elects to take all or any part of such merchandise at the value established by the terms of the Policy, the Insured may, at their own expense, stamp "salvage" on the merchandise or its containers, or may remove or obliterate the brands or labels, if such stamp, removal or obliteration will not physically damage the merchandise, but the Insured must re-label the merchandise or containers in compliance with the requirements of law.

17. Company's Options

It shall be optional with this Company to take all, or any part, of the property at the agreed or appraised value, and also to repair, rebuild or replace the property destroyed or damaged with other of like kind, size, quality and capacity within a reasonable time, on giving notice of its intention so to do within thirty (30) days after the receipt of notification of loss herein required.

18. Subrogation

In the event of any payment under this Policy, the Company shall be subrogated to the Insured's rights of recovery therefore against any person or organization. The Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after the "Occurrence" to prejudice such rights; however, permission is granted the Insured to waive subrogation, provided such waiver is entered into by the Insured in writing, prior to loss insured hereunder.

19. Assistance and Cooperation of the Insured

The Insured shall cooperate with the Company, and upon the Company's request and expense, shall attend hearings and trials and shall assist in effecting settlements securing and giving evidence, obtaining the attendance of witnesses and in conducting suits.

20. Inspection

The Company shall be permitted, but not obligated, to inspect at all reasonable times, the Property Insured. Neither the Company's right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of, the Named Insured, or others, to determine or warrant that such property is safe or healthful.

21. Due Diligence

The Insured shall, at the Insured's own expense, take all reasonable precautions and comply with all reasonable recommendations of the Company to prevent loss or damage to the Property Insured.

22. Fire Protection Services

The Insured shall forthwith notify the Company of any interruption to, or flaw or defect in any sprinkler system at a Location specified in Schedule of Locations attached to and forming part of this Policy, coming to the knowledge of the Insured.

23. Suspension

Upon the discovery of a dangerous condition with respect to any "Object" insured by the Policy, any representative of the Company may immediately suspend the insurance with respect to an "Accident" to said "Object", by written notice mailed, or delivered, to the Insured at the address of the Insured, as specified in the DECLARATIONS, or at the Location of the "Object". The insurance so suspended may be reinstated by the Company, but only by an Endorsement issued to form a part of this Policy. The Insured shall be allowed the unearned portion of the premium paid for such suspended insurance, pro rata, for the period of suspension.

24. Termination

This insurance may be terminated by the Company by giving the Insured written notice stating when, not less than sixty (60) days thereafter (fifteen (15) days for non-payment of premium), such termination shall be effective. This insurance may be terminated at any time by the Insured by surrender of the Policy to the Company or by mailing or delivery to the Company written notice stating when thereafter such termination shall take effect. Return premium shall be allowed to the Insured on a pro rata basis if the Company terminates, if the Insured terminates, the Company will refund to the Insured 75% of the pro-rata unearned premium.

Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of termination, but such payment shall be made as soon as practicable

25. Action Against Company

No action shall lie against the Company unless, as a condition precedent thereto, the Insured shall have fully complied with all terms of the Policy, and unless commenced within twelve (12) months from the date of the "Occurrence".

26. Other Insurance

The Policy does not cover any loss or damage which, at the time of the happening of such loss or damage, is insured by, or would, but for the existence of the Policy, be Insured by any other insurance policy or policies, either primary or excess. As used herein, the words "any other insurance policy or policies" shall include any deductible or self-insured retention provisions.

27. Waiver of Term or Condition

No term or condition of this Policy shall be deemed to be waived by the Company in whole or in part unless the waiver be clearly expressed in writing and is signed by the person authorized for that purpose by the Company.

Neither the Company nor the Insured shall be deemed to have waived any term or condition of this Policy by any act relating to the appraisal of the amount of loss or to the delivery and completion of proofs, or the investigation or adjustment of any claim under this Policy.

28. Territorial Limit

The Policy insures Property Insured only while such property is located within the territorial limit of Canada, unless otherwise specified in the Policy.

SECTION H
STATUTORY CONDITIONS and /or POLICY CONDITIONS

The Statutory Conditions apply to the peril of fire and apply as Policy Conditions to all other perils insured by this Policy:

1. Misrepresentation

If a person applying for insurance falsely describes the property to the prejudice of the Insurer, or misrepresents or fraudulently omits to communicate any circumstance that is material to be made known to the Insurer in order to enable it to judge of the risk to be undertaken, the contract is void as to any property in relation to which the misrepresentation or omission is material.

2. Property of Others

Unless otherwise specifically stated in the contract, the Insurer is not liable for loss or damage to property owned by any person other than the Insured, unless the interest of the Insured therein is stated in the contract.

3. Change of Interest

The Insurer is liable for loss or damage occurring after an authorized assignment under the Bankruptcy Act or change of title by succession, by operation of law, or by death.

4. Material Change

Any change material to the risk and within the control and knowledge of the Insured avoids the contract as to the part affected thereby, unless the change is promptly notified in writing to the Insurer or its local agent, and the Insurer when so notified may return the unearned portion, if any, of the premium paid and cancel the contract, or may notify the Insured in writing that, if he desires the contract to continue in force, he must, within fifteen days of the receipt of the notice, pay to the Insurer an additional premium, and in default of such payment the contract is no longer in force and the Insurer shall return the unearned portion, if any, of the premium paid.

5. Termination

This contract may be terminated:

(a) by the Insurer giving to the Insured written notice of termination at least:

- (i) fifteen days' before the effective date of termination if the contract is terminated by registered mail, or personally delivered, for non-payment of premium; or
- (ii) sixty days before the effective date of termination if the contract is terminated by registered mail or personally delivered, for any other reason.

(b) by the Insured at any time on request.

The fifteen days and sixty days mentioned in clause (a) above commences to run on the day following the receipt of the registered letter at the post office to which it is addressed.

Where this contract is terminated by the Insurer:

- 1. the Insurer shall refund the excess of premium actually paid by the Insured over the pro rata premium for the expired time, but in no event, shall the pro rata premium for the expired time be deemed less than any minimum retained premium specified; and
- 2. the refund shall accompany the notice unless the premium is subject to adjustment or determination as to amount, in which case the refund shall be made as soon as practicable.

Where this contract is terminated by the Insured, the Insurer shall refund as soon as practicable the excess of premium actually paid by the Insured over the short rate premium for the expired time, but in no event shall the short rate premium for the expired time be deemed to be less than any minimum retained premium specified.

The refund may be made by money, postal or express company money order or cheque payable at par.

6. Requirements After Loss

Upon the "Occurrence" of any loss of or damage to the insured property, the Insured shall, if the loss or damage is covered by the contract, in addition to observing the requirements of Conditions 9, 10 and 11,

- (a) forthwith give notice thereof in writing to the Insurer,
- (b) deliver as soon as practicable to the Insurer a proof of loss verified by a statutory declaration,
 - i. giving a complete inventory of the destroyed and damaged property and showing in detail quantities, costs, actual cash value and particulars of amount of loss claimed,
 - ii. stating when and how the loss occurred, and if caused by fire or explosion due to ignition, how the fire or explosion originated, so far as the Insured knows or believes,
 - iii. stating that the loss did not occur through any willful act or neglect or procurement, means or connivance of the Insured,
 - iv. showing the amount of other insurance and the names of other insurers,
 - v. showing the interest of the Insured and of all others in the property with particulars of all liens, encumbrances and other charges upon the property.
 - vi. showing any changes in title, use, occupation, location, possession or exposures of the property since the issue of the contract,
 - vii. showing the place where the property insured was at the time of loss;
- (c) if required, give a complete inventory of undamaged property and showing in detail quantities, cost, actual cash value,
- (d) if required and if practicable, produce books of account, warehouse receipts and stock lists, and furnish invoices and other vouchers verified by statutory declaration, and furnish a copy of the written portion of any other contract.

The evidence furnished under clauses (c) and (d) of this condition shall not be considered proofs of loss within the meaning of Conditions 12 and 13.

7. Fraud

Any fraud or willfully false statement in a statutory declaration, in relation to any of the above particulars, vitiates the claim of the person making the declaration.

8. Who May Give Notice of Proof

Notice of loss may be given and proof of loss may be made by the agent of the Insured named in the contract in case of absence or inability of the Insured to give the notice or make the proof, and absence or inability being satisfactorily accounted for, or in the like case, or if the Insured refuses to do so, by a person to whom any part of the insurance money is payable.

9. Salvage

The Insured, in the event of any loss of damage to any property insured under the contract, shall take all reasonable steps to prevent further damage to such property so damaged and to prevent damage to other property insured hereunder including, if necessary, its removal to prevent damage or further damage thereto.

The Insurer shall contribute pro rata towards any reasonable and proper expenses in connection with steps taken by the Insured and required under sub-paragraph (1) of this condition according to the respective interests of the parties.

10. Entry, Control, Abandonment

After loss or damage to insured property, the Insurer has an immediate right of access and entry by accredited agents sufficient to enable them to survey and examine the property, and to make an estimate of the loss or damage, and, after the Insured has secured the property, a further right of access and entry sufficient to enable them to make appraisalment or particular estimate of the loss or damage, but the Insurer is not entitled to the control or possession of the Insured property, and without the consent of the Insurer there can be no abandonment of insured property.

11. Appraisal

In the event of disagreement as to the value of the property insured, the property saved or the amount of the loss, those questions shall be determined by appraisal as provided under The Insurance Act before there can be any recovery under this contract whether the right to recover on the contract is disputed or not, and independently of all other questions. There shall be no right to an appraisal until a specific demand therefore is made in writing and until after proof of loss has been delivered.

12. When Loss Payable

The loss is payable within sixty days after completion of the proof of loss, unless the contract provides for a shorter period.

13. Replacement

The Insurer, instead of making payment, may repair, rebuild, or replace the property damaged or lost, giving written notice of its intention so to do within thirty days after receipt of the proofs of loss.

In that event the Insurer shall commence to so repair, rebuild, or replace the property within forty-five days after receipt of the proof of loss, and shall thereafter proceed with all due diligence to the completion thereof.

14. Action

Every action or proceeding against the Insurer for the recovery of any claim under or by virtue of this contract is absolutely barred unless commenced within one year * next after the loss or damage occurs, two years in Province of Manitoba and Yukon Territory.

15. Notice

Any written notice to the Insurer may be delivered at, or sent by registered mail to, the chief agency or head office of the Insurer in the Province. Written notice may be given to the Insured named in the contract by letter personally delivered to him or by registered mail addressed to him at his latest post office address as notified to the Insurer. In this condition, the expression "registered" means registered in or outside Canada.

Niagara West Transformation

2010 Schedule of Locations

<u>Address</u>	<u>City</u>	<u>Postal Code</u>
3021 Regional Rd 12,	Smithville	L0R 1M0

APPENDIX 12a – Doc 1



REMIT TO:
333 Centennial Parkway North
Hamilton, Ontario L8E 2X6
Telephone: (905) 561-2808
Fax: (905) 573-8209

Niagara West Transformation Corp

28 Lake St
Grimsby ON L3M 2G7

<WORK LOCATION>

3021 Mountain Rd
Grimsby ON

Attn: Peter Wicks

Invoice No. J020032
Invoice Date Apr 30/10

Terms Net 15

Customer Ref. 2010-1-2

File No. A5688

GST/BN No. 104616958RT

Purchase Order No.: 2010-1-2

Stage 2
Technical services to remove temporary grounding on transformer
T1/T2 and associated equipment and replace/repair with permanent
installation.
As per Quote H-5805-R1

5,770.00

EXTRA:

Additional material required not included in quote, as
agreed to by Peter Wicks.

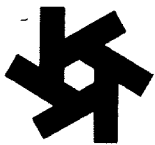
4/0 Green Insulated RW90 19 Strand Copper Wire
20 Meters
4/0-1C Soft Drawn 19 Strand Bare Copper Wire
80 Meters

328.68

1,123.20

Subtotal	7,221.88
GST	361.09
Total	7,582.97
	=====

APPENDIX 12a – Doc 2



K-TEK ELECTRO-SERVICES LIMITED

12731 Highway 48, Stouffville, Ontario, Canada L4A 7X5
Tel: (905) 640-0660 - Fax (905) 640-8566 - www.K-Line.ca

INVOICE NO

91889

Date: **February 26, 2009**

CUSTOMER 21962

Niagara West Transformation Corp.
28 Lake Street
Grimsby, ON L3M 2G7

CUSTOMER REFERENCES

P.O. No.: 2009-2-3
Contact: Accounts Payable
Terms: Net 30 Days
2% per month charged on overdue accounts

PROJECT DESCRIPTION

Gas Detector
S & I Refurbished Gas Detectio
T2-230kW MTS
Grimsby, ON

PROJECT REFERENCES

Project No.: 06695-09-72
Project Manager.: K. Ramnarine
Last Day Worked.: February 2009

DESCRIPTION OF CHARGES

DESCRIPTION	RATE CODE	QTY	RATE	EXTENSION
Supply and Install a refurbished Gas Detection Relay. Remove old unit	lot @	1.00	6,950.00	6,950.00

NO. 21962
DATE
MAR 9

OK 398

SUBTOTAL 6,950.00

GST 347.50

PST

AMOUNT DUE \$7,297.50

Revenue Canada Busines No.10288 9789 RT0001:

Niagara West Transformation Corporation

28 Lake Street
Grimsby, Ontario
L3M 2G7
Tel: 905-309-0611

PURCHASE ORDER NO.

2009	2	3
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T0: K-Tek Electro – Services Ltd
37 Sandiford Dr. Unit 107
Stouffville, On.
L4A 7X5

DATE REQUIRED:
ASAP

DATE: Feb. 17, 2009	F.O.B.: Transformer Site	QUOTE #: 2009-72-KT
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DATE	QTY	UNIT	DESCRIPTION	PRICE	TOTAL
1		1	Supply and install a refurbished Gas Detection Relay. Remove old unit.		\$6,950.00
Please Co-ordinate all actions with Peter Wicks. Old Unit to be retained by NWTC.				SUBTOTAL	\$6,950.00
				PST	
				GST	\$347.50
				TOTAL	\$7,297.50

Requisitioned by: N/A

Approved by: S.R. Woodland

Title: Vice-President Operations

K-LINE MAINTENANCE & CONSTRUCTION LIMITED

12731 Highway 48, Stouffville, Ontario, Canada L4A 7X5
Tel: (905) 640-2002 - Fax (905) 640-8887 - www.K-Line.ca

INVOICE NO.

92488

Date: **May 08, 2009**

CUSTOMER 11085

Niagara West Transformation
28 Lake Street
Grimsby, ON L3M 2G7

CUSTOMER REFERENCES

P.O. No.: 200922
Contact: Peter Wicks
Terms: Net 30 Days
2% per month charged on overdue accounts

PROJECT DESCRIPTION

NWTC 230kV Stn Repairs Ph III

PROJECT REFERENCES

Project No.: 31044-09-20

Project Manager.: K. Graul

Last Day Worked.:

DESCRIPTION OF CHARGES

DESCRIPTION	RATE CODE	QTY	RATE	EXTENSION
NWTC 230kV Station Repairs				60,698.25

RECEIVED BY _____ DATE: 15/06/99
APPROVED BY: _____ DATE: _____
COPIES APPROVED BY: _____ DATE: _____
COPIES IN CL _____
CL DISTRIBUTION

VOUCHER NO.

SUBTOTAL	60,698.25
GST	3,034.91
PST	
AMOUNT DUE	<u>\$63,733.16</u>

Revenue Canada Business No.10285 9246 RT0001:



200 Front Street West
Toronto ON M5V 3J1
Telephone:
(416) 344-1012

Certificate of Clearance
Certificat de décharge

CONTRACTOR
L'ENTREPRENEUR

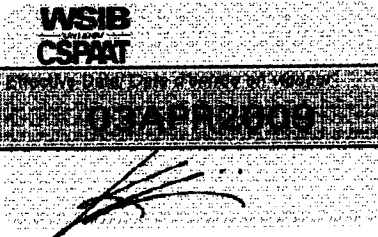
K-LINE MAINTENANCE &
CONSTRUCTION LIMITED
12731 HIGHWAY 48
STOUFFVILLE ON
L4A 7X5

The Workplace Safety and Insurance Board (WSIB) hereby waives its rights under Section 141 of the Workplace Safety and Insurance Act to hold the Principal, that is in a contractual agreement with the Contractor named, liable for any Section 141 liability of the Contractor for premiums and levies of the WSIB owing now or within 60 days from the date of this Certificate.

Par la présente, la Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail (CSPAAT) renonce aux droits qui lui sont conférés en vertu de l'article 141 de la Loi sur la sécurité professionnelle et l'assurance contre les accidents du travail et qui l'autorisent à tenir l'entrepreneur principal, qui a signé une entente contractuelle avec l'entrepreneur dont le nom figure sur le présent certificat, responsable du paiement de toute prime ou de toute somme que l'entrepreneur est tenu de verser à la CSPAAT immédiatement ou dans les 60 jours suivant la date indiquée sur ce certificat.

THIS CERTIFICATE IS VALID FOR ALL CONTRACTS OF
THE NAMED CONTRACTOR DURING THE EFFECTIVE PERIOD

LE PRESENT CERTIFICAT EST VALIDE POUR TOUS LES CONTRATS PASSES PAR
LEDIT ENTREPRENEUR PENDANT LA PERIODE D'APPLICATION DU CERTIFICAT



Account No. / N° de compte 1617486	Firm No. / N° d'entreprise 220006A
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Valid only when signed by an authorized Officer at the WSIB.
Non valide sans la signature d'un agent autorisé de la CSPAAT.

Rate/Taux	Description	Rate/Taux	Description
4124001	POWER TRANSMISSION		

Contract Description/ Description du contrat	Certificate No. / N° de certificat 203576865
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Contact the WSIB if you question the validity of this document.
Veuillez communiquer avec la CSPAAT si vous doutez de la validité du présent document.

9056404984

Niagara West Transformation Corporation

28 Lake Street
Grimsby, Ontario
L3M 2G7
Tel: 905-309-0611

PURCHASE ORDER NO.

2009	2	2
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T0: K-Line Maintenance & Construction Limited
12371 Highway #48
Stouffville, ON.
L4A 7X5

DATE REQUIRED:
To be arranged

DATE: February 6, 2009	F.O.B.: Transformer Site	QUOTE #: 2008-288-SS-R2
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DATE	QTY	UNIT	DESCRIPTION	PRICE	TOTAL
1			Reinstall T2 CT/CVT's		\$11,952.44
2			Remove and Reinstall T1 CT/CVT's		21,915.52
3			Test T1 and T2 CT/CVT's and report		10,882.37
4			Supply and install aux. Wiring from CT/CTV's to SCADA in building		6,713.86
5			Supply & install added SCADA points		9,234.06
Please Co-ordinate all actions with Peter Wicks				SUBTOTAL	\$60,698.25
				PST	
				GST	\$3034.91
				TOTAL	\$63,733.16

Requisitioned by: N/A

Approved by: S.R. Woodland

Title: Vice-President Operations



K-Line Maintenance & Construction Limited
12371 Highway #48
Stouffville, Ontario
L4A 7X5
Phone: 905.640.2002
Fax: 905.640.4984

January 26, 2009

Niagara West Transformation Corporation
231 Roberts Road
Grimsby, Ontario
L3M 5N2

Attention: Mr. Peter Wicks
Board Member

Reference: Niagara West Transformer Station
230 kV Substation Repairs – Phase III
Our Proposal No.: 2008-288-SS.R2

Dear Mr. Wicks:

In response to your recent inquiry, we are pleased to provide our revised proposal for 230 kV Substation Repairs – Phase III, for Niagara West Transformation Corporation's ("NWTC") Niagara West Transformer Station located in the vicinity of Grimsby, Ontario.

The K-Line team has more combined experience in the design, construction, commissioning and maintenance of high voltage electrical systems, than any of our competitors. In business since 1967, we are fully committed to customer satisfaction and ensuring that your projects are completed within budget and on schedule.

The K-Line Group's liability is limited to our Scope of Supply only.

The safety and training programs at K-Line are second to none.

K-Line will ensure that safety is an integral part of every project that we are involved with, and to that end, "We are relentlessly pursuing the paths to Zero". We are the first contractor to receive the E&USA Gold (Outcomes Level) Safety Achievement Award, as of June 2, 2008. What this means to NWTC is that we protect our personnel, public & private property and limit your level of risk and liability through our managed safety program.

The K-Line Group will be ISO 9001 & OHSAS 18001 certified shortly, and well on our way to ISO 14001, which will further demonstrate our commitment to excellence and overall customer satisfaction through adherence to standardized processes.

PHASE III - SCOPE OF WORK:

The intent of Phase III activities is to re-install the Trench-modified CT/CVT's, install wiring for auxiliary contacts, install additional SCADA points, and commission equipment prior to being placed back into service

1. T2 - CT/CVT's - Shutdown 1

- 1.1. Mobilize to site
- 1.2. Offload three (3) Trench CT/CVT's from transport trailer
- 1.3. Remove temporary bypass jumpers between 2508T2 and the 2508T2-Q23BM 230 kV 3-Phase Isolation Switch
- 1.4. Reinstall the three (3) CT/CVT's
- 1.5. Reconnect the HV connections
 - 1.5.1. Supply and install one (1) new 795 AAC jumper and associated mechanical, bolted-style connectors.
- 1.6. Reconnect the LV metering wiring harness at the Metering Cabinet
- 1.7. Commission the CT/CVT's prior to putting them into service;
 - 1.7.1. Inspect Physical and Mechanical condition
 - 1.7.2. Perform contact resistance across the primary terminal conductor at 100A
 - 1.7.3. Perform current transformer tests, inclusive of:
 - 1.7.3.1. Ratio
 - 1.7.3.2. Polarity
 - 1.7.3.3. Saturation curve verification
 - 1.7.3.4. Insulation resistance of secondary winding
 - 1.7.4. Perform voltage transformer tests, inclusive of:
 - 1.7.4.1. Ratio
 - 1.7.4.2. Polarity
 - 1.7.4.3. Insulation resistance tests winding-to-winding and winding-to-ground
 - ✓ 1.7.5. Perform high voltage capacitance and power factor (Doble™) test
 - 1.7.6. Provide test report detailing all findings
- 1.8. Demobilize from site

2. T1 - CT/CVT's - Shutdown 2

- 2.1. Mobilize to site
- 2.2. Remove all primary and secondary connections and make secure
- 2.3. Unbolt and lower three IT's to the ground for loading on Trench drop deck trailer
- 2.4. Supply and install three (3) 795 AAC jumpers, complete with NEMA 2-hole mechanical connections at either end
- 2.5. Demobilize from site, awaiting notice from Client for return
- 2.6. Mobilize to site
- 2.7. Offload three (3) Trench CT/CVT's from transport
- 2.8. Remove temporary bypass jumpers between 2508T1 and the 2508T1-Q24BM 230 kV 3-Phase Isolation Switch
- 2.9. Reinstall the three (3) CT/CVT's
- 2.10. Reconnect the HV connections
- 2.11. Reconnect the LV metering wiring harness at the Metering Cabinet

*Sequels
Part*

- 2.12. Commission the CT/CVT's prior to putting them into service;
 - 2.12.1. Inspect Physical and Mechanical condition
 - 2.12.2. Perform contact resistance across the primary terminal conductor at 100A
 - 2.12.3. Perform current transformer tests, inclusive of:
 - 2.12.3.1. Ratio
 - 2.12.3.2. Polarity
 - 2.12.3.3. Saturation curve verification
 - 2.12.3.4. Insulation resistance of secondary winding
 - 2.12.4. Perform voltage transformer tests , inclusive of:
 - 2.12.4.1. Ratio
 - 2.12.4.2. Polarity
 - 2.12.4.3. Insulation resistance tests winding-to-winding and winding-to-ground
 - 2.12.5. Perform high voltage capacitance and power factor (Doble™) test
- 3. T1 & T2 – CT/CVT's – Auxiliary Contacts
 - 3.1. At the reworked CT/CVT's, supply and install new 8#14 Black cable between the junction boxes on the auxiliary contacts and the new ESAC remote RTU cabinet
 - 3.2. We have assumed that the existing PVC control pipes will have adequate space to pull in new cables
 - 3.3. Testing
 - 3.3.1. Simulate contact operation at the RTU cabinet and prior to ESAC panel being installed
- 4. SCADA System Points Addition (In conjunction with ESAC)
 - 4.1.1. Site Implementation
 - 4.1.1.1. Mount all equipment

BY OTHERS:

- 1. Hydro One (HONI) Isolation and Reconnect Fees
- 2. IESO Fees
- 3. MSP fees for testing or re-certifying the revenue metering system

PROJECT CLARIFICATIONS:

1. Project scheduling will be determined by HONI Interruption schedules, Trench and ESAC
 - 1.1. We are prepared to take our isolation from the 230 kV disconnect switches and main 28 kV breakers
 - 1.2. Earliest K-Line Availability – week of February 2, 2009, based on using stock mechanical connectors. Add six-eight weeks for compression connectors
 - 1.3. Earliest K-Tek Availability – week of February 9, 2009
 - 1.4. ESAC currently informs us that they will be unable to mobilize to site until May 2009.
 2. Quotation is based on work starting, and being completed in 2009
 3. Estimate is based on all work being completed during normal business hours; no overtime has been considered
 4. Prices are based on the award of all sections of this estimate, and include for the supply of all material relative to the fulfillment of our Scope of Work
 5. Costs to update existing NWTS “As-Built” drawings have not been included
 6. All staff proposed for this project are members of IATW local 93, and as such, shall be deemed as full-time employees of K-Line
 7. We are responsible for equipment downtime or dispatching suitable replacement equipment as and when required
 8. Attendance at NWTC Safety and Orientation Meetings will be charged at prevailing hourly rates
 9. NWTC to clear snow to provide a clear access to the workshop
 10. NWTC to ensure that the work on site will in no way conflict with our site activities
 11. NWTC shall provide adequate space to park our vehicles at a designated secured facility
 12. ESA inspection, or project sign-off as per rule 22/04, if required is not included
 13. Bonding has not been included in our proposal and can be provided at an additional cost if required
 14. Project management has been included
 15. The K-Line Group carries the following levels of Insurance
 - 15.1. \$2 million Professional Liability Errors and Omissions (E & O)
 - 15.2. \$5 million Comprehensive General Liability (CGL)
 - 15.3. \$5 million Umbrella Coverage
 - 15.4. \$5 million Automobile Insurance
 - 15.5. \$2 million Forest Fire & Fire Suppression Liability
 - 15.6. \$2 million Contractor's Pollution Liability
 16. The K-Line Group does not carry the following coverage;
 - 16.1. Aircraft and Watercraft Liability Insurance
 17. K-Line is a member in good standing with E&USA
 18. GST is not included
- ✕ The validity of this proposal is 60 days from date of issue.

Our Standard Terms and Conditions are attached for your reference

If you have any questions regarding this proposal, please do not hesitate to contact the undersigned. We look forward to having an opportunity to work with you on this project.

Yours truly,

K-Line Maintenance and Construction Limited

Charles Mossman

Charles Mossman
VP Sales and Marketing

CM/tm
Enclosure

Account Representative:	C. Mossman
Approved for Release by:	C. Mossman

Date: January 26, 2009

BUDGET

COMMERCIAL PROPOSAL

1 Prices to complete the works as detailed above

1. Reinstall T2 CT/CVT's	11,952.44
2. Remove and Reinstall T1 CT/CVT's	1,915.52
3. Test T1 and T2 CT/CVT's and provide report	\$ 1,882.37
4. Install auxiliary wiring between CT/CVT pressure gauges and remote SCADA panels in the Control Building	\$ 6,714.86
5. Supply and install additional SCADA System Points	\$ 9,234.06
Total	\$ 60,698.24

- GST extra, PST Included

1. *Quotations are irrevocable for a period of thirty (30) days.*
2. *Upon acceptance of a quotation, KLG reserves the right to request a guarantee of the Owner's ability to make payment of the amount hereby quoted or tendered. If the Owner is unable to provide such guarantee, then "KLG" is released from any obligation to enter into a formal contract with the Owner for the completion of the work covered by this quotation or tender.*
3. *All quotations are based upon plans, specification and information supplied. Any alteration may be subject to a revision in the quoted price.*
4. *"KLG" warrants its work shall be completed in a good and workmanlike manner in accordance with the Owner's design, plans, specifications and the Contract executed by the parties and subject to compliance with building by-laws and the Electrical Safety Code. "KLG" shall correct promptly at its own expense defects or deficiencies in its work which appear prior to and during the period of one year from the date its installation has been completed to an in-service condition. Guarantees on materials or equipment are limited to the guarantees provided by the manufacturers. There are no conditions, warranties, terms, provisions, agreements, collateral agreements or representations, expressed or implied, statutory or otherwise with respect to the equipment, accessories thereto or the work of services of "KLG", unless noted hereon or attached hereto and any implied condition, warranty or guarantee under the Sale of Goods Act is excluded. "KLG" will not be liable for any indirect or consequential loss, damages, defect, deficiency or injury howsoever caused.*
5. *Delay or failure by "KLG" to perform its obligations shall be excused to the extent of an event or occurrence beyond its reasonable control and without its fault or negligence, such as, without limitation, acts of God, action by any governmental authority, fires, floods, wind storms, explosions, accidents, riots, natural disasters, wars, sabotage, labour problems, inability to obtain power, material, labour, equipment, transportation or access, court order or injunction.*
6. *Unless otherwise stated, prices for excavation or concrete work are based on our ability to complete the work when frost or harsh conditions do not exist. We reserve the right to make additional charges when working under frost or harsh conditions.*
7. *Prices quoted for excavation work are based upon work being undertaken in normal conditions. We reserve the right to make additional charges where rock or contaminated soil or any other abnormal or unexpected conditions are found to exist.*
8. *All prices quoted do not include the Provincial Sales Tax, Goods and Services Tax or any other government or government agency at, rate, assessment, charge, penalty or interest unless otherwise stated.*
9. *Unless otherwise specifically agreed to in writing, monthly progress payments are to be made by the 30th day following the whole or partial installation or delivery of the works.*
10. *Holdbacks shall be released after the expiration of the 45 Day Lien period, and shall be based on Substantial Completion of our Works, not the Head Contract.*
11. *Interest on overdue accounts is 2% per month*
12. *Quoted prices unless otherwise noted, do not include charges for any additional work performed.*
13. *All prices quoted are for performing the work during KLG's normal working hours. No premium time has been allowed for unless specified.*
14. *KLG reserves the right to adjust material costs (if award after 10 days) to the settlement price on the London Metal Exchange (LME) on the first available market day after the receipt of an order.*
15. *Site and access thereto must be clear of all building materials, debris or obstructions and must be finished to grade as per plans and specifications within a clearance of +/- 6 inches.*
16. *Any and all charges from any local utility, municipal or other Public authorities are the responsibility of the Owner.*
17. *The title, ownership and right of property in and to any material or equipment shall not pass to the Owner on delivery or installation of the material or equipment but shall remain with "KLG" until all amounts due hereunder are fully paid in cash. The payment of any amounts due hereunder may be renewed or extended by "KLG" without passing the title of the material or equipment to the Owner. Any loss, damage or destruction of the equipment shall not release the Owner from payment as provided herein.*
18. *If the Owner defaults on any obligation with or payment due to "KLG", or if any proceeding in Bankruptcy or a proposal under the Company's Creditors Arrangement Act, assignment, receivership or insolvency, be filed by or against the Owner, or, if "KLG" has reasonable cause to believe that the project is in jeopardy, or if the project be misused, the unpaid portion of the amount payable to "KLG" shall, without notice, at the option of "KLG", become due and payable immediately. The Owner agrees in any such case to pay said amount to "KLG", upon demand, or, at the election of "KLG" to deliver the project to "KLG" and to pay any remaining unpaid portion after deducting the price of any such project. "KLG" may retain, as compensation for the use of the project while in the Owner's possession, all payments made by the Owner. "KLG" may sell the project at private or public sale (at which "KLG" may be the purchaser), in accordance with the laws of the place where such sale is made. The proceeds of any such sale, less all expenses (including reasonable legal fees) of retaking, transporting, repairing, storing, processing, advertising and selling the project, shall be credited on account of the amount payable hereunder. The Owner shall pay any remaining balance forthwith as liquidated damages for the breach of this contract, and shall receive any surplus. The Owner specifically agrees that the project shall at all times and for all purposes be considered and shall remain personal property, notwithstanding the manner or mode of its attachment to real estate and any and all of the remedies set out in the Personal Property Security Act shall be applicable hereto.*
19. *Any action to enforce payment hereunder or any indulgence or rearrangements granted the owner shall not be a waiver of or affect any rights of "KLG". All rights and remedies of "KLG" are cumulative and not alternative.*
20. *This contract shall be binding upon and shall ensure to the Benefit of the respective heirs, executors administrators, successors and the assigns of the parties hereto. The Owner's plans, specifications "KLG" quotation, these Quotation Terms & Conditions and any Contract executed by "KLG" constitute the entire agreement between the parties and no waivers or modifications shall be valid unless in writing and signed by the parties hereto.*
21. *Contract documents shall be those of the standard Canadian Standard Construction Contract Forms.*
22. *Any charges arising from cancellation and/or modification of orders, or change orders, will be invoiced and payable in accordance with KLG's terms of payment.*
23. *Labour unit shall be as published in "The NECA Manual of Labour Units".*

APPENDIX 12c

June 1, 2009

Rondar Quotation No: H-5508-R3

Niagara West Transformation Corporation
28 Lake Street
Grimsby, ON
L3M 2G7

Attention: **Peter Wicks**
Tel #: (905) 563-3587 Email: pwicks@cogeco.ca

Subject: **2009, Five (5) Year - 230kV Power System Service and Maintenance Contract**

Rondar Inc. is pleased to offer this quotation to provide a five (5) year maintenance contract proposal for the Niagara West Transformation Corporation, 230kV Substation, located in Grimsby, Ontario. Rondar Terms and Conditions (copy attached) form an integral part of this quote.

Item #1 **MAINTENANCE – WORK SCOPE**

I Passive Inspection Main Outdoor/Indoor:

- 230kV Structure / Insulators Inspection
- Ultra Sonic Survey: (All 230 – 27.6kV outdoor / indoor electrical equipment)
- Areva GIS SF6 Gas Pressure Inspection and Log Gauge Read-Outs

II Thermographic Inspection:

- Rondar Inc. to provide qualified thermographer to perform Infra-red Scanning at your facility, utilizing advanced Flir ThermoCAM® imaging camera system.
- Niagara West Transformation Corporation to schedule scan during their facility peak load periods prior to power outage.
- The following power system equipment will be scanned: 230kV substation yard structure and connected equipment, D.C Battery Bank, AREVA - 27.6kV pfisterer connections and termination points at overhead riser pole locations.
- A report will be provided in a timely manner to meet your schedule. Thermal anomalies requiring immediate attention will be reported to your representative at the time of the scan, and confirmed in writing within one business day. The report will provide an itemized list of all equipment scanned.
- Plus a separate summary of thermal anomalies, complete with the type of defect found and corrective action required.
- Upon request, Rondar will provide a quotation for any identified repair work.

III Transformers T1/T2 and Station Service T1/T2 Mechanical Inspections:

- Porcelain Insulator condition will be cleaned and inspected for chips, cracks or tracking.
- All current carrying connections will be inspected and tightened, as required
- Inspect the general physical condition, including any evidence of oil leaks.
- Inspect all tank grounding cables.
- Inspect the control box for debris, corrosion, moisture or any sign of overheating.
- Inspect and record the lightning discharge counter readings.
- Verify liquid level of the conservator.
- Check for and remove any debris from radiators.
- Check for and report any paint damage and signs of rusting.
- Visually check all gauges.
- Check physical condition, operation and rotation of the cooling fan blades.
- Clean any debris from fan housing.
- Inspect and report on the condition of the Silica-Gel breather and the color of the desiccant (**Replacement Desiccant not included in price**).

IV Transformers T1/T2 Electrical Inspections:

- Turns ratio on all available tap positions by electrically operating OLTC through the upper and lower range limits.
- Winding resistance on high and low side windings – including attached neutral reactor.
- Insulation resistance on high and low side windings – including attached neutral reactor.
- Insulation resistance of the core.
- Polarization Index.
- Doble power factor and capacitance test:
 - Windings in accordance with IEEE method II
 - 10kV winding excitation current
 - Bushing C1 and C2 capacitance taps
 - Lightning Arrester
- Check sudden pressure/rise, winding and oil temperature alarm and trip contacts

V Transformers T1/T2 and Station Service T1/T2 Insulating Fluid Analysis:

- Dielectric Breakdown to ASTM D877 and D1816 – (2mm Gap).
- Water Content per ASTM D1533.
- Power Factor @ 25°C per ASTM D924.
- Interfacial Tension per ASTM D971.
- Acidity per ASTM D974.
- Color per ASTM D1500.
- Visual per ASTM D1524.
- Dissolved Gas Analysis per ASTM D3612.

YEAR – (SIX) – (Price Not Included)

- Oxidation Stability per ASTM D3446
- Furan Analysis per ASTM D5837
- Particle Count per ISO 4406 and 4407

VI Station Service Switchgear

- All switchgear components will be thoroughly cleaned and inspected.
- The main disconnecting devices will be exercised, lubricated and mechanically adjusted as required.
- The main device contacts will be cleaned. Contacts will be cleaned and lubricated as required.
- Contact resistance of main devices will be measured.
- All cable and bus connections will be inspected and tightened as required.
- All feeder and distribution devices will be cleaned and inspected.
- Insulation resistance will be measured.
- If applicable, the current transformer and wiring will be inspected.

VI Grounding System

- Perform fall of potential method in accordance to IEEE Standards.
- Visually inspect accessible grounding points for wear or physical damage.

VIII Maintenance - Bus – A/B – 230 – 27.6kV

- 230kV Switch/Bus/Insulators – Inspect/Clean-(pressure wash)/Lubricate and electrical testing to Include: Insulation Resistance @ 10kV DC and Contact Resistance @ 100 Amps.
- Instrument Transformers:
 - Turns ratio
 - Insulation resistance / polarization index
 - Winding resistance

If applicable, current transformers are present – additional testing

- Ratio
- Polarity
- Resistance
- Saturation
- Insulation Resistance

- Insulation resistance testing of 27.6kV GIS main and feeder cables @ 10kV DC.

IX Relay Protection:**(10-GE F60, 2-GE-T60, 2-GE-D30, 3-SEL 351A) Bus – A/B – 230 27.6kV**

- Confirm applied settings with current approved engineered setting sheets.
- Simulate meter functions by secondary injection to verify the voltage and current ratios.
- Calibrate as per the engineered approved settings and drawings.
- Testing of all digital inputs and outputs as per schematic drawings.
- Verify trip circuits via secondary injection.
- On-Load measurements and verification following energization to confirm correct phasor relationship.
- Any item not covered in this scope will be reviewed with the customer and charged as an extra if approved.

X DC Battery Bank

- Check overall general condition of batteries, cabinet and charger.
- Check for physical damage and evidence of corrosion.
- Check inter-cell bus link integrity.
- Measure and record electrolyte specific gravity of each individual cell and visually check fill level.
- Verify the presence of flame arresters.
- Check for proper battery support racks, mounting, anchorage and clearances.
- Clean and grease battery posts as required and verify tightness of bolted electrical connections.
- Verify all indicating lamps and alarms for proper operation.
- Measure and record each cell voltage and total battery voltage with charger energized and in the float mode of operation.
- Confirm applied settings with current approved engineered setting sheets.
- Perform thermographic inspection under normal operation.
- Perform a capacity load test in accordance with manufacturer's specifications or ANSI/IEEE 450.

YEAR 1 - Price: (Regular Hours - Monday to Friday).....\$ 25,564.00
 (Scope of Work: I, II, III, IV, V, VI, VII, (VIII, IX - Bus A) and X

YEAR 2 - Price: (Regular Hours - Monday to Friday).....\$ 3,787.00
 (Scope of Work: I, II, III and V)

YEAR 3 - Price: (Regular Hours - Monday to Friday).....\$ 25,917.00
 (Scope of Work: I, II, III, IV, V, VI, VII, (VIII, IX - Bus B) and X

YEAR 4 - Price: (Regular Hours - Monday to Friday).....\$ 3,890.00
 (Scope of Work: I, II, III and V)

YEAR 5 - Price: (Regular Hours - Monday to Friday).....\$ 3,938.00
 (Scope of Work: I, II, III and V)

- A report will be provided in a timely manner to meet your schedule. Recommendations will be based upon test sheet results, NETA Standards, ESA Code requirements and Environmental Regulatory Standards.

Note #1 **ELECTRICAL SAFETY AUTHORITY REQUIREMENTS**

In order to meet the Electrical Safety Authority Rule 2-004 requirements, Rondar is obligated to:

- (a) Apply in advance for site inspection.
- (b) Prepare a "Substation Maintenance Report" for the Electrical Safety Authority to meet the requirements of Rule 2-012. Rondar must submit a report to the Local Electrical Safety Authority Office within fourteen (14) days of power connection.
- (c) Respond within an established time frame to any **Deficiency Reports** issued by ESA Inspector. Rondar will co-ordinate all actions with its Customer before responding to ESA with corrective actions and timetable.

We have **included** in our price, the cost of the application for inspection and preparation of the Substation Maintenance Condition report. Based on RONDAR's participation in the ESA Approved Contractors Program (ACP), the Inspector will pre-authorize your Utility to reconnect the station when work is completed. Inspection of the completed work will be carried out by the Inspector during normal working hours on his next available day in that area.

We have **not included** in our price, the cost for the ESA Inspector to inspect the site during premium hours for any non-standard maintenance and/or repairs / upgrades, or if a visit is deemed necessary by ESA during the shutdown.

We have **not included** in our price, the cost for Rondar to respond and co-ordinate any deficiency report requirements.

Note #2 **UTILITY REQUIREMENTS**

- Your Utility (Hydro-One), will be required to disconnect and reconnect your high voltage supply equipment. Rondar will schedule the outage. As a result of the "Utility Work Protection Code", Rondar is required by your utility to apply for a "Supporting Guarantee" two (2) weeks prior to the required outage date. (Utility Work Protection Code reference data available upon request.)
- We have **not** included Utility costs in our price. Two (2) options are available if payment is required. Customer to issue a Purchase Order directly to the Utility **or** upon customer request, Rondar will issue a Purchase Order to the Utility and invoice Customer, including an Administrative charge.
- Niagara West Transformation Corporation to co-ordinate outage schedule with Rondar.

Note #3 **POTENTIAL ADDITIONAL CHARGES**

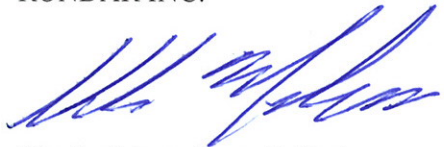
- Delays not related to Rondar.
- Rescheduling at customer request.
- Where customer insists on maintaining a work schedule despite Rondar's warning re: inclement weather and weather problems subsequently interfere with timely work completion.
- ESA and Utility fees beyond those expressly included in above quotation.

We trust that you will find this quotation acceptable. Please contact us to discuss any questions, and to confirm arrangements regarding:

- Work Scope and Scheduling
- Utility and ESA Procedural and Scheduling Requirements
- Purchase Order

We thank you for the opportunity of quoting your requirements.

RONDAR INC.



Charles Monachino, C. Tech.
Technical Service Representative

CM/sr

Encl.

TERMS AND CONDITIONS

THIS QUOTATION IS MADE SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS WHICH MAY NOT BE VARIED EXCEPT BY WRITTEN INSTRUMENT SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF RONDAR INC. ('RONDAR').

1. **ACCEPTANCE:** This quotation is made subject to approval by **Rondar** of Purchaser's credit and, subject to such approval, is open for acceptance for a period of thirty (30) days unless otherwise specified within our proposal.
2. **PRICES, TAXES AND PAYMENTS:** The prices quoted are in Canadian Dollars and unless otherwise stated herein are exclusive of all taxes. In the cases where taxes (including Federal and Provincial Sales, use or other taxes), are included, any changes to the tax rate after the quotation are to the Purchaser's account. Prices quoted are based on rates for work performed during **Rondar's** normal business hours. Overtime work involves extra charges unless otherwise specified. **Rondar** shall be entitled to charge reasonable storage charges over the prices quoted where storage of repaired equipment results from any cause for which Purchaser is directly or indirectly responsible. Where any work is delayed as a result of any cause for which Purchaser is directly or indirectly responsible, the date for determining the date on which payment is due for the work shall be the date upon which **Rondar** advises Purchaser as to its ability to perform. **Rondar** may request payment in advance notwithstanding payment terms specified if in the opinion of **Rondar**, Purchaser's financial condition does not at any time warrant continuation of work. Any payments not made to **Rondar** when due shall be subject to a service charge of 2% per month (24 % per annum) provided that the foregoing is not to be construed as permitting any extension of time for payment.
3. **COMPLETION OF WORK:** Any completion dates specified are subject to events of force majeure and the receipt from Purchaser of all information necessary to allow maintenance of **Rondar's** schedule.
4. **FORCE MAJEURE:** **Rondar** shall not be responsible or liable for any loss, damage, detention or delay caused by war, invasion, insurrection, riot, the order of any civil or military authority, or by fire, flood, weather or other acts of the elements, breakdown, lockouts, strikes or labour disputes, the failure of **Rondar's** supplier to meet their contractual obligations or any other cause beyond the reasonable control of **Rondar** including any default of Purchaser and the time for the performance by **Rondar** of any of its obligations shall be extended by an amount of time equal to the delay caused by any such event.
5. **INCLEMENT WEATHER:** **Rondar** may cancel any work scheduled where inclement weather is forecasted. If **Rondar** cancels and Purchaser wishes work to proceed, Purchaser shall be liable for charges relating to additional time to complete the work or for reasonable cancellation charges in the event work cannot proceed. Reasonable cancellation charges shall include travel charges and a minimum of 4 hours per person charge.
6. **HYDRO DELAYS:** On disconnecting and reconnecting power source, any delay caused by hydro, Purchaser shall be charged as an extra.
7. **WARRANTY:** **Rondar** warrants that the specific equipment or part serviced under this contract will not fail for a period of one (1) year from commencement of the servicing by **Rondar**. Provided that **Rondar** may notify Purchaser if in **Rondar's** opinion, the equipment cannot be adequately repaired or serviced and **Rondar** shall have no further obligation hereunder. **Rondar's** warranty remains in effect provided the equipment is properly maintained and operated in accordance with the manufacturer's and **Rondar's** maintenance instructions and that the equipment is not moved for any reasons whatsoever after the servicing. This warranty only applies to equipment failures that can be proven to be a direct result of the repair servicing performed by **Rondar**, i.e. failures caused by other events or reasons not directly related to **Rondar's** repair work are not covered by this warranty. Should the customer's equipment fail during **Rondar's** one (1) year warranty period, **Rondar** will refund to the customer, the portion of the contract price (less all taxes) associated with specific part of the equipment giving rise to the claim, provided that the customer immediately informs **Rondar** of said claim in writing. Under no circumstances will **Rondar** be liable for an amount exceeding the original contract price (less all taxes). This warranty expressly excludes failures caused by acts of God, acts of third parties and negligent acts of the Purchaser. A warranty refund to the Purchaser shall not renew nor extend the warranty. **Rondar** will not directly give nor cause to be implied this equipment warranty on any contracts that do not involve direct servicing of equipment by **Rondar** (engineering studies, laboratory work, and oil processing do not constitute direct servicing). The foregoing constitutes the only warranties of **Rondar** and there are no other warranties or conditions, express or implied, statutory or otherwise, relating to the work to be performed or to the parts or components to be supplied by **Rondar** under this quotation. This warranty is not transferable to a third party without the express written consent of a duly authorized representative of **Rondar**.
8. **LIMITATION OF LIABILITY:** Notwithstanding any other provisions herein contained or any applicable statutory provisions, **Rondar** shall not be liable to Purchaser or third parties for special consequential damages or damages for loss or use arising directly or indirectly from any breach of the agreement resulting from the acceptance of this quotation, fundamental or otherwise, or from any tortious acts or omissions of its employees or agents. The liability of **Rondar** with respect to any defective work or any part of the work which is subject to late completion shall not exceed the unit price of such defective or late work, as the case may be and, in no event, shall the total liability of **Rondar** exceed the total amount paid by Purchaser for the work performed hereunder.
9. **SCOPE OF WORK:** Obligations of **Rondar** are limited to the work specified in this quotation. **Rondar** shall not be liable for any failure of Purchaser to be specific nor for any inaccuracy in delineating the work. The definition of the scope of work is the sole responsibility of Purchaser.
10. **COMPLETE AGREEMENT:** If accepted within the time period stipulated above, the terms and conditions of this quotation shall constitute the entire agreement between Purchaser and **Rondar** with respect to the subject matter hereof. Such agreement shall not be amended except by written instrument signed by a duly authorized representative of **Rondar**, and shall be governed by the laws of the Province of Ontario.

October 28, 1996

APPENDIX 14d – Doc 1

This agreement executed this 3rd day of September, 2009

Between

Niagara Peninsula Energy Inc.
With principal offices at
7447 Pin Oak Drive
Niagara Falls, Ontario
L2E 6S9

(hereinafter referred to as "NPEI")

and

Niagara West Transformer Company
With principal offices at
5093 St. Georges Drive
Beamsville, Ontario
L0R 1B7

(hereinafter referred to as "NWTC")

jointly referred to as "the Parties", and individually as a "Party."

Whereas NPEI has certain specific knowledge and experience and NWTC has requested the supply of professional services (hereinafter referred to as "Services") during the term of this agreement.

NPEI and NWTC agree as follows:

1. **Conditions Precedent.** This agreement establishes the terms and conditions under which work will be performed for NWTC.
 2. **Agreement.** NPEI agrees to offer and NWTC agrees to accept the Services upon the terms and conditions contained in this agreement.
 3. **Effective Date & Term.** The term of this agreement shall be in effect from the date of execution. This term shall be 12 months. This term may be extended by mutual agreement for an additional twelve (12) months no less than 30 days prior to expiration of this agreement.
 4. **Facilities.** NWTC shall provide at no charge to NPEI access to facilities at all hours, when given reasonable notice of such a requirement by NPEI.
-

5. Performance of Services & Deliverables

Prerequisite Conditions;

NWTC maintains a contractual relationship with Hydro One Networks Inc. to provide remote supervisory and control functions for electrical operation of the transformer station. Through the Hydro One Barrie control center, Hydro One is the authorized controlling authority for real time operating of the transmission and distribution voltage level electrical apparatus at the site. Under normal operating circumstances no devices within the transformer station, under the control of Hydro One, can be operated without the authorization of Hydro One. The Hydro One control center in Barrie provides 24 / 7 supervisory control and data acquisition (SCADA) and responds to monitored events at the site utilizing established and approved protocols. Under this services agreement it is required that this Hydro One contracted function remain in place.

Services to be provided by NPEI;

- i) The NPEI control room at 7447 Pin Oak Drive will be identified as the NWTC real time operation contact for Hydro One. During normal working hours the control room staff will respond to Hydro one operational notifications and requests. After hours calls will be automatically routed through to the answering service who in turn will page the duty man.

Example, Status and analogue alarms at the station such as building security, DC systems, sump pumps, communications circuits, transmission voltage level re-close and transfer events, station loading issues, etc. NPEI staff will respond and / or direct staff to investigate and resolve these issues.

- ii) The NPEI control Room at 7447 Pin Oak Drive will be identified as the NWTS outage planning contact for Hydro One. Requests from Hydro One for load transfer, isolation and work protection requirements will be processed, arranged and executed by NPEI. NWTC load transfer, isolation and work protection requirements will be coordinated with Hydro One and the IESO and processed, arranged and executed by NPEI.

Example, Requests by Hydro One to provide equipment isolation for Hydro maintenance work such as transformer bank isolation for 230 kV circuit work will be arranged through the NPEI control room. NPEI staff will perform the local switching, locking, tagging and documentation required for these requests.

- iii) The NPEI control room maintains limited SCADA viewing functionality of the NWTC facilities. Events occurring at the station, annunciated, and acknowledged by the control room staff during normal working hours will be investigated as warranted.
-

Example, Alarms annunciated through the SCADA system are normally acknowledged and responded to by Hydro One staff at the Barrie control center. NPEI receives duplicate information through the SCADA system for most local status and analogue points at NWTC. During normal business hours NPEI control room staff will monitor and respond to annunciated alarms for the station.

- iv) NPEI operations and engineering staff will perform scheduled (frequency to be determined) inspections at NWTC of all electrical and civil apparatus contained within the perimeter of the station site to identify current functional status and operation within acceptable limits. Documentation of all inspected items will be maintained for compliance and audit purposes.

Example, As part of an established preventative maintenance procedure, NPEI staff will visit the station on a monthly schedule to inspect and document the operating parameters of all pertinent station equipment. All electrical equipment will be visually inspected with all status points and analogue values recorded. All civil structures will be visually inspected for integrity and security. A detailed report will be completed and maintained for audit and compliance purposes.

- v) NPEI engineering staff will interrogate protection system relays after system events (breaker operations etc.) to verify correct relay operations and provide comment and follow-up when necessary.

Example, Events that result in the activation of station protection systems are captured and logged within the protective relays. During the scheduled station inspections the relay sequence of event logs will be interrogated to monitor activity. The event data will be reviewed to confirm proper relay operation and functionality.

- vi) NPEI operations staff will perform switching, isolation and de-energizing procedures on the 27.6 equipment within the station as required for reconfiguration and work protection requirements.

Example, Requests from NPEI or GPI for isolation from a breaker position requires the operation of switches contained within the 27.6 kV gas insulated switchgear in the station. For these requests NPEI staff will coordinate, execute and document these activities.

- vii) NPEI operations staff will perform limited work on 230 kV apparatus within the transformer station. The 230 kV disconnect switch will only be operated by remote control, no manual operation will be permitted under any condition other than a de-energized state. Functions under energized conditions will be limited to verification of position and motor operation de-coupling and
-

lockout as required for work protection requests. 230 kV grounding switch manual operation will only be performed upon guaranteed open status of the 230 kV disconnect switch. No work will be performed on any 230 kV equipment line side of the transformer disconnect switches under any condition.

Example, Isolation of the transformer banks is required for transformer testing and for 230 kV circuit testing and isolation. NPEI staff will confirm the position of the 230 kV disconnect switches, deactivate, lock and tag these devices as required for transformer and 230 kV circuit requirements. Operation of the 230 kV grounding switches, load side of the 230 kV disconnect switches will be performed only after isolation guarantees from the 230 kV and 27.6 kV sources.

- viii) Testing and scheduled maintenance of station equipment required to maintain warrantee, IESO and NERC compliance will be coordinated by NPEI engineering staff based upon obligations, contracts and timelines established by NWTC.

Example, The power transformers, switchgear and protection systems require isolation for maintenance, testing and commissioning activities. Scheduled and unscheduled activities for these services are coordinated through third party service providers. NPEI staff will work with representatives of these service entities to plan, schedule and execute these required functions.

- ix) General maintenance, cleaning and housekeeping requirements at NWTC will be performed and or coordinated by NPEI.

Example, Items such as garbage disposal, weed control and grass cutting will be performed by NPEI staff or an NPEI contractor.

Service Fee's

All costs for services rendered will be charged on a time and materials basis. Charges for third party vendors will be billed at the acquired cost. NPEI will notify NWTC of third party estimated service costs prior to procuring third party services. Estimated costs for typical services provided are listed in appendix 1.

2009 Fee Structure

Engineering Technician / Journeyman Line staff	\$ 54.00 / Hour
Engineering Manager / Lines Supervisor	\$ 76.00 / Hour

Service hours provided outside of normal hours of work are subject to premium labour costs of 2X the standard rate.

Vehicle utilization (pickup – van) \$ 12.50 / Hour

Where NPEI service fee's are anticipated to exceed \$1,000.00 per calendar month or where the cost of providing 3rd party service fees for specific maintenance requirements will exceed \$1,000.00 per occurrence, NPEI will acquire approval from NWTC prior to proceeding with the work. ✓

6. **Acceptance.** Acceptance of the Services and / or Deliverable shall be based solely upon the Deliverable meeting the requirements stated in this contract and shall be indicated by the CUSTOMER signoff on said Services and / or Deliverables. If the CUSTOMER does not provide such acceptance or rejection within a fifteen (15) business day period, or if the CUSTOMER uses a Deliverable for productive purposes, then acceptance by the CUSTOMER is deemed to have occurred.

7. **Terms of Payment.** All prices are in Canadian funds, exclusive of all applicable taxes. NWTC agrees to pay NPEI any applicable taxes or provide NPEI with documentary evidence of an appropriate exemption. NPEI payment terms are net thirty (30) days from date of invoice. Services will be billed on a monthly basis. An interest charge of two (2%) percent per month, pro-rated on the basis of a thirty (30) day month, will be assessed on overdue payments.

8. **Key Personnel.** NPEI will assign experienced and qualified individuals to complete the Deliverables. ✓

NPEI reserves the right to replace personnel with an individual of like skill sets if for any reason the assigned person can no longer perform the function required. ✓

Where NWTC assigns its employees or agents to perform Services, which may, directly or indirectly, impact the Services & Deliverables to be provided by NPEI, NWTC shall ensure that such staff has the required awareness, skill, experience and knowledge to perform the Service. ✓

9. **Performance of Standards.** In performing the foregoing Services, NPEI shall perform work of professional quality conforming to generally accepted utility practices. NPEI agrees to comply with NWTC policies and security procedures while performing Services for NWTC on NWTC premises. NPEI shall assume no responsibility for the violation of any policies and security procedures not communicated to NPEI through NWTC.

10. **Change Procedures.** Changes to the Deliverables and Services as specified in the Agreement shall be subject to the following change procedures:
-

- a) NWTC shall advise NPEI, in writing, of the desired change, specifying the scope of the change to the same degree of specificity as in the Agreement.
- b) The receipt and processing of a request for change shall not prevent NPEI's progress on the Deliverables and Services until such time that NWTC has approved the change.
- c) NPEI shall assess the impact of the desired change and any further areas that, in the opinion of NPEI, are likely to be affected by the desired changes. NPEI reserves the right to decline the implementation of the change, if it is NPEI's reasonable opinion that such change may compromise its ability to provide Services to the required standards.
- d) NPEI shall invoice, at the then current rates, the cost of assessing the impact of the desired changes.
- e) If and to the extent NWTC accepts NPEI's offer, this agreement shall be deemed amended to incorporate the requested and approved changes. The price stated in this agreement, plus the cost of preparation of the estimates shall be recoverable from NWTC by NPEI outside any limit of maximum expenditure in the agreement.

11. Dispute Resolution Procedure. Any disputes and controversies arising out of, or in any manner relating to, this agreement shall be subject to the following dispute resolution procedure:

- a) If the designated Utility and Customer Representatives cannot resolve a dispute in within thirty (30) calendar days such dispute shall be documented in writing and identical copies shall be submitted for resolution to the respective CEO's.
- b) If the CEOs do not or cannot resolve the dispute within thirty (30) calendar days after either of the Parties notifies the other of its desire to arbitrate such dispute or controversy, it shall be settled by arbitration by a designated Arbitrator, competent in technology related matters, authorized under the laws of Canada, and agreed to by both Parties. "Such arbitration shall be conducted under the Arbitration Rules of the Ontario Arbitration and Mediation Society and be held in the City of Toronto, Ontario.
- c) The award or decision made in such arbitration shall be binding upon the Parties and, subject to the laws of Ontario, a decision or award may be enforced in any court having jurisdiction. The prevailing Party shall be entitled to recover from the other Party all reasonable costs and expenses of arbitration.

12. Termination. If either Party shall at any time neglect, fail, or refuse to perform under any provisions of this agreement, then the other Party may serve upon the defaulting Party notice of intention to terminate this agreement, which notice shall specify the alleged neglect, failure, or refusal and shall be served via facsimile, registered mail or courier. If within thirty (30) calendar days after the date of service of such notice, the defaulting Party shall not have fully cured such defaults, then upon expiration of said thirty (30) calendar days, the other Party

APPENDIX 14d – Doc 2

may, at its own option, elect to terminate this agreement. Without limiting any rights, which, NPEI may have, NPEI reserves the right to terminate this agreement, in whole or in part, at its convenience upon thirty (30) calendar days written notice. In the event of such termination NWTC agrees to pay NPEI, subject to the provisions relating to payment, the amount due to NPEI for Services performed and expenses incurred up to the effective date of termination.

13. Effect of Termination or Expiration. In the event this agreement is terminated by either Party and upon receipt of payment from NWTC of fees and expenses in accordance with Article 7 of this agreement or upon the expiration of the term of this agreement, either Party shall immediately thereafter deliver to the other Party, at its own expense, any and all information and materials that are the property of the other Party or information and materials in any way related to the subject matter of this agreement.

14. Taxes and Duties. The fees payable under this agreement shall not be construed to include any Provincial, Federal Sales, or GST, or similar taxes or duties properly charged to NWTC, and any such taxes or duties shall be assumed and paid for by NWTC.

15. Insurance and Indemnity. NPEI shall be responsible for any damage to NWTC's equipment when such damage is the consequence of its own or its employees' negligence. Without limiting the liability of NPEI, it shall be the responsibility of NPEI to maintain and keep in force during the term of this agreement, comprehensive general liability insurance covering all operations in connection with this agreement. Limits of such policy shall not be less than \$2,000,000.00 for bodily injury and property damage for any one occurrence.

16. Confidentiality. The Parties acknowledge that they will receive each other's confidential information and that they shall use the same only in the furtherance of the purposes contemplated by this agreement, and not for any other purpose. The Parties also agree that they shall not disclose the other Party's confidential information to any person without the other Party's prior written authorization, which may be arbitrarily withheld. The confidentiality obligations stated herein shall not apply to confidential information:

- a) which is publicly available without breach of this agreement;
 - b) which the receiving Party can demonstrate it developed independently;
 - c) which the receiving Party already possessed without obligation of confidentiality; and
 - d) which the receiving Party is obliged by law to disclose, in which case it shall give the other Party written notice prior to disclosing the same, and it will make a reasonable effort to secure a protective order in respect thereof.
-

Confidential information includes all trade secrets, commercial, financial, scientific or technical information in any form or medium that is designated as such by the disclosing Party, that the disclosing Party may own or possess which relates to its business or affairs in respect hereof or the business or affairs of its respective sub-contractors, and which derives actual or potential value from not being generally known by others who could obtain value from its use or disclosure. Some examples of confidential information include software, its architecture, design or coding, research and development information, purchasing costs, prices and discounts, financial information, reports, business plans and projects, data, compilations, methods, techniques, processes, know-how, plans, manuals, documents, records, specifications, samples, studies, findings, inventions, customer lists and customer data.

17. Force Majeure. The Parties shall not be liable to each other for any loss, damage or other claim whatsoever arising out of a delay, failure or inability to perform any obligation(s) contained in this agreement for any cause, which, is beyond the Parties reasonable control. Without fault or negligence, such causes may include, but are not limited to, any act of God, fire, flood, lightning, earthquake, tornado, labour disputes, war, revolution, riot, sabotage, act of the public enemy, explosion, embargo, confiscation, act or failure to act of any government, agency, board or commission. Lack of finances shall in no event be deemed to be a cause beyond a Party's control.

In the event that performance of this agreement, in the reasonable opinion of either Party, is made impossible by force majeure, then such Party shall so notify the other in writing and NPEI shall:

- a) terminate the agreement;
 - b) complete the performance of the Services with such adjustments as are required by the existence of the force majeure and are agreed upon by both Parties; or
 - c) suspend all Services to be provided pursuant to this agreement for the duration of an emergency work stoppage resulting from, for example, a labour dispute. Upon resolution of such an emergency work stoppage both Parties shall advise in writing, that work can be resumed and NPEI shall use commercially reasonable efforts to restaff the project. Any adjustments to be made to the work schedules due to the suspension of Services shall be agreed upon by both Parties.
-

18. Notices. Any notices required or permitted to be sent, under this agreement shall be sent via facsimile, registered mail or courier. Notices are deemed to be effective the next business day following receipt. The agreement number shown at the top of each page of this agreement shall be referred to on all correspondence. Any notices required to be sent shall be sent to:

Any notice required to be sent to NPEI, shall be sent to:

NWTC

5093 St. Georges Dr.
Beamsville, Ontario L0R 1B7

Attention:

Peter Wicks

Tel: 905 563-0972

NPEI

7447 Pin Oak Drive
Niagara Falls, Ontario L2E 6S9

Attention:

Dan Sebert

V.P. of Operations

Fax: 905-356-2831

19. Entire Agreement. This agreement constitutes the entire agreement between NWTC and NPEI in relation to the Deliverables and Services described may be amended only by written agreement between the Parties. No provision of this agreement shall be construed as modifying the provisions of any other agreement between NWTC and NPEI.

20. Non-Assignability. NWTC shall not assign this agreement or sub-contract to any person any right, duty or obligation herein without the prior written consent of NPEI and any attempt so to assign or sub-contract without such consent shall be null and void and of no effect. Where consent is so obtained any assignment or sub-contract shall be made subject to the terms of this agreement and NWTC shall require the assignee or sub-contractor to acknowledge such terms in writing at the time the assignment or sub-contract agreement is executed.

21. Severability. If any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, such invalidity will not affect any other provision of this agreement.

22. Governing Law. This agreement is to be governed by and in accordance with the laws of the Province of Ontario, and the Parties agree to attorn to the jurisdiction of the courts of that Province.

IN WITNESS WHEREOF, the Parties have caused this agreement to be duly executed as of the day and year first above written.

NIAGARA PENINSULA ENERGY INC.

Per: [Signature] Per: _____

Printed: Dan Sabat Printed: _____

Title: V.P. OPERATIONS Title: _____

NIAGARA WEST TRANSFORMER COMPANY

Per: [Signature] Per: [Signature]

Printed: KAREN BUBISH Printed: PETER WICKS

Title: VP ADMINISTRATION Title: VP OPERATIONS

Appendix 1

Scheduled station inspections will be performed on a monthly frequency, typically during the first week of each month. The inspection will be performed by two (2) technical staff and is expected to average 3 hours in duration.

The estimated cost for this service would be \$ 361.50 + GST per occurrence

Review of protection relay sequence of events history will be performed by an Engineering Manager following protective relay operation at the station. Normally event history will be downloaded at the time of the monthly station inspections. If a suspicious or repeating protection operation event occurs a specific site visit will be performed to investigate the operation. Normally a review of the sequence of events logs will take 1 hour.

The estimated cost for this service would be \$ 76.00 + GST per occurrence ✓

Investigation of repeating or unusual relay operations will be charged at the Engineering Manager rate for the actual time occurred.

Response to Hydro One queries regarding alarm or anomalous events at the station will be via the NPEI control room or the NPEI duty man via the after hours answering service. Acknowledgement of the condition by the control room or the duty man requires minimal time and would not normally be charged. Events requiring mobilization of staff for site response will be charged at the hourly rates identified, for the duration of the event. When required, typically one (1) technical staff member would respond initially for site investigation regarding the event in question.

Work protection requirements for scheduled and unscheduled events will be administered through the NPEI control room. The necessary notification and documentation will be prepared by control room staff and charged at the technician rate. A typical scenario requiring the isolation and temporary de-energizing of a power transformer bank would require 2 hours of time by the control room to request, arrange and document. Two (2) line staff would be required to attend the site to perform the required isolation, de-energizing, locking and tagging with an estimated duration of 3 hours.

The estimated cost for this service would be \$ 469.50 + GST per occurrence

Normally isolation requirements of this nature for NWTs station maintenance and Hydro One 230 kV line maintenance occur 2 to 3 times a year with 2 occurrences per event.

Scheduled preventative maintenance activities at the station will be performed by third party service vendors. Arrangements for these activities will be determined by NWTS and NPEI collectively. NPEI will provide one technical staff member to permit access to the site for service staff and equipment and to monitor the activities of the service provider.

Costs for organizing maintenance activities will be charged at the Engineering Manager rate while site access and site monitoring activities will be charged at the technician rate. Normally the annual maintenance activities required at the site total a duration of approximately 1 week.

On an annual basis, for regular anticipated inspection and maintenance activities exempt from any unexpected internal equipment failures or transmission system events, estimated costs for the proposed services would be;

Monthly inspections, documentation and relay event review

12 occurrences * (361.50 + 76.00) = \$5,250.00

Monthly building and yard cleaning and minor maintenance

12 occurrences * 120.00 = \$1,440.00

IESO notification, work protection and isolation application, planning and documentation activities by the NPEI control room and site switching by line staff.

3 occurrences * (2 * 469.50) = \$2817.00

Co-ordination and inspection of annual contracted maintenance activities by Rondar for station maintenance activities on major equipment

3 day's * (8 * (54.00 + 12.50)) = \$1,596.00

Minor events requiring after hours paging of staff for investigation

\$1,000.00

Total estimate = \$12,103.00 applicable taxes extra

Actual incurred costs will be billed

Costs associated with contract services ie. grass cutting, weed control and equipment maintenance etc. are extra.

APPENDIX 17a

**Commercial Banking**

40 King Street
St. Catharines, Ontario L2R 3H4
Telephone No.: 905-685-7631
Fax No.: 905-685-7053

Fax Cover Sheet

This Fax is intended only for the addressee and may contain information that is legally privileged, confidential and/or exempt from disclosure under applicable law. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you have received this communication in error, or are not the named recipient(s), please immediately notify the sender.

TO: # 176

FAX NUMBER: 1-416-361-7366

DATE: Jan 25/11

NUMBER OF PAGES SENT: 7
(Including cover page)

FROM: David Drosky - Manager TD Commercial Banking

TELEPHONE NUMBER: 905-685-7631
FACSIMILE NUMBER: 905-685-7053

INSTRUCTIONS:

Niagara West Transformation Corp

Letter Agreement dated Oct 16/09

as per request from Karen Redick V.P.
NWTC.

Tha Gr.

IF INSTRUCTIONS OR COPIES NOT CLEAR, PLEASE CALL SENDER



Commercial Banking

Commercial Banking Centre
40 King Street
St. Catharines, Ontario
L2R 3H4

Telephone No.: 905 685-7631
Fax No.: 950 685-7053

October 16, 2009

Niagara West Transformation Corporation
28 Lake Street
Grimsby, Ontario
L3M 2G7

Dear Sirs:

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

BORROWER

Niagara West Transformation Corporation (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its 40 King Street branch, in St. Catharines, Ontario.

CREDIT LIMIT

1) CDN \$5,262,000

**TYPE OF CREDIT
AND BORROWING
OPTIONS**

- 1) Committed Reducing Term Facility available at the Borrower's option by way of:
- Floating Rate Term Loan available by way of:
 - Prime Rate Based Loans in CDN\$ ("Prime Based Loans")
 - Bankers Acceptances in CDN\$ or US\$ ("B/As")

PURPOSE

- 1) Originally advanced to assist with construction financing for new transformer station.

TENOR

- 1) Committed

**CONTRACTUAL
TERM**

- 1) March 9, 2012

AMORTIZATION

- 1) January 25, 2025

90

**INTEREST RATES
AND FEES**

Advances shall bear interest and fees as follows:

- 1) Committed Reducing Term Facility:
 - Floating Rate Term Loans available by way of:
 - Prime Based Loans: Prime Rate + 0.00% per annum
 - B/As: Stamping Fee at 0.75% per annum.

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

DRAWDOWN

- 1) Fully drawn.

**REPAYMENT AND
REDUCTION OF
AMOUNT OF CREDIT
FACILITY**

- 1) Commencing March 2005, loan to be repaid in blended monthly payments over 20 years via Banker's Acceptances (B/As) Interest Rate Swap (IRS) to have Optional Exit Strategy date of March 9, 2012 with 5 year intervals thereafter. ✓

PREPAYMENT

Optional prepayments of outstanding borrowings are permitted. Amounts prepaid in respect of outstanding B/As prior to their maturity will be kept as security to fund in whole or in part such B/As upon their maturity.

Cancellation: The Borrower may cancel any undrawn portion of the Facility without penalty upon 5 business days written notice to the Lender and in minimum amounts and multiples of \$250,000. Any cancellation is irrevocable, amounts cancelled will not be reinstated.

SECURITY

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

- a) General Security Agreement ("GSA") ✓
- b) Assignment of relative fire insurance.
- c) Assignment liability insurance.
- d) General Security Agreement ("GSA") representing a first charge on all assets executed by Niagara Power Incorporated. (To be obtained) ✓
- e) Limited Guarantee of Advances in the amount of \$3,250,000. executed by Niagara Power Incorporated (the "Guarantor") (To be obtained) ✓
- f) General Security Agreement ("GSA") representing a first charge on all assets executed by Peninsula West Power Inc. (To be obtained) ✓
- g) Limited Guarantee of Advances in the amount of \$3,250,000. executed by Peninsula West Power Inc. (the "Guarantor") (To be obtained) ✓

**DISBURSEMENT
CONDITIONS**

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

- a) Letter of Undertaking from Grimsby Power Inc. to contribute any cashflow shortfall to Niagara West Transformation Corporation within 30 days of default of Financial Covenant #1 - Debt Service Covenant (DSC).

**REPRESENTATIONS
AND WARRANTIES**

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

- a) Compliance with all applicable laws.
- b) No Material litigation.
- c) Provision of all material financial information.

**POSITIVE
COVENANTS**

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

- a) Comply with all applicable environmental regulations at all times.
- b) Comply with all contractual obligations and laws, including payment of taxes, at all times.
- c) Maintain adequate liability insurance.
- d) Remain in the regulated business of electricity transmission/distribution and maintain all requisite licenses to do so.
- e) Comply with all terms of all licenses and immediately advise the Bank if the OEB shall notify the Borrower of a default under a license or if the license is amended, cancelled, suspended or revoked. (Any of such occurrences will be an event of default.)
- f) Cost overruns to be the responsibility of Municipality (parent) owners if LDC's cannot provide.
- g) A minimum level of 85% regulated EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) to be maintained from each of the guarantors. (Niagara Power Incorporated and Peninsula West Power Inc.)

Reporting:

- a) Provide audited annual financial statements within 120 days of fiscal year end for Niagara West Transformation Corporation, Niagara Power Inc. (consolidated & unconsolidated) and Peninsula West Power Inc. (consolidated & unconsolidated).
- b) Provide management prepared quarterly financial statements within 30 days of Q1, Q2 and Q3 (Q4 not required) for Niagara West Transformation Corporation. Quarterly financial statement submissions are to be accompanied by a Certificate of No Default, which details compliance calculations outlined under financial conditions.

**NEGATIVE
COVENANTS**

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

- a) Change its ownership/control without the Bank's prior written consent.
- b) Undertake further material outside investments, mergers, amalgamations or consolidations without the Bank's prior written consent.
- c) Undertake additional debt or guarantee without the Bank's prior written consent.

PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:
Purchase Money Security Interests, not to exceed at any time:

- i) for the Borrower \$250,000. in the aggregate;
- ii) for each of the Guarantors \$250,000.

**FINANCIAL
COVENANTS**

The Borrower agrees at all times to:

- 1) Maintain a minimum Debt Service Coverage (DSC) ratio of 1.10x defined as:

$$\frac{\text{Free Cash flow (FCF)*}}{\text{Total Obligations}}$$

* Free Cash Flow (FCF) is defined as:
EBITDA less Cash taxes less 40% CAPEX (net contributed capital).

Total Obligations is calculated as the interest expense and principal obligations of the Borrower.

To be tested on a rolling four quarter basis beginning FYE 2009.

- 2) Maintain a minimum Tangible Net Worth of not less than \$1,000,000.
To be tested quarterly.

Tangible Net Worth is defined as shareholder's equity plus amounts due to related companies, less amounts due from related companies and less intangibles assets including without limitation, goodwill, research and development, franchises, patents and trademarks

**EVENTS OF
DEFAULT**

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

- a) Any material adverse change in the legislation or regulation of the electrical distribution business in Ontario.
- b) Material judgments.
- c) Loss of OEB license.
- d) Accelerated payment of subordinated debt.
- e) Cross default with any other agreements for the borrowed money entered into by Borrower, any of its subsidiaries or any of the Guarantors or Niagara Peninsula Energy Inc. or Grimsby Power Inc.
- f) Judgements in excess of \$500,000.

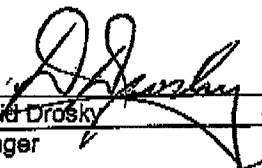
**SCHEDULE "A" -
STANDARD
TERMS AND
CONDITIONS**

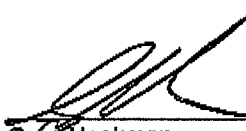
Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the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

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before **November 16, 2009**.

Yours truly,

THE TORONTO-DOMINION BANK

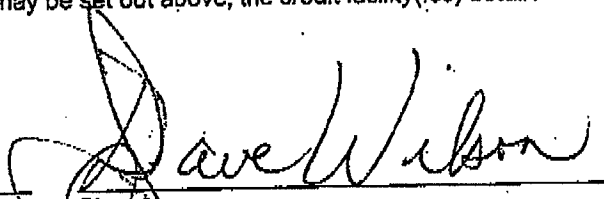

David Drosky
Manager


Greg Hoekman
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

Niagara West Transformation Corporation hereby accepts the foregoing offer this 17 day of Dec, 2009. The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be used by or on behalf of any third party.


Signature


Signature

TONY QUIRK, CHAIR
Print Name & Position

DAVE WILSON
Print Name & Position

6


APPENDIX 17b



Securities

TD Bank Financial Group
Royal Trust Tower
77 King Street West, 14th Floor
Toronto, Ontario M5K 1A2

January 15, 2007

NIAGARA WEST TRANSFORMATION CORPORATION

Fax: 905-563-0838
Phone: 905-563-5550 ext 23

ATTN: Brad Randall

The Toronto-Dominion Bank

Contact: Amor Agustin
Phone: 416-983-0774
Fax: 416-983-1553

Dear Sir:

Reference: AMENDED SWAP Transaction Confirmation (Reference: #670642T)

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement as specified below. **This Confirmation supersedes any previous Confirmation or other communication with respect to the Transaction and evidences a complete and binding agreement between us as to the terms of the Transaction.**

The definitions and provisions contained in the 2000 ISDA Definitions, (the "Definitions") as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of March 31, 2004, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

Each party represents to the other party that it is entering into this Transaction as principal (and not as agent or in any other capacity) with the full understanding of the terms, conditions and risks thereof and that it is capable of and willing to assume those risks.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Amount	:	CAD 6,000,000.00
Trade Date	:	April 30, 2004
Effective Date	:	April 30, 2004

Member of TD Bank Financial Group

Termination Date : January 31, 2025 subject to adjustment in accordance with the Modified Following Business Day Convention; provided, however, that neither Party elects to exercise its right to terminate this Transaction in accordance with the provisions set forth in the Early Termination Provisions as stated herein

FIXED PAYMENTS

Fixed Rate Payer : NIAGARA WEST TRANSFORMATION CORPORATION (**Party "B"**)

Fixed Rate Payer Payment Dates : Monthly on the last business day of each month commencing May 31, 2004 up to and including the Termination Date subject to adjustment in accordance with the Modified Following Business Day Convention

Fixed Rate : 5.60000 %

Fixed Rate Day Count Fraction : ACTUAL / 365 FIXED

FLOATING PAYMENTS

Floating Rate Payer : The Toronto-Dominion Bank (**Party "A"**)

Floating Rate Payer Payment Dates : Monthly on the last business day of each month commencing May 31, 2004 up to and including the Termination Date subject to adjustment in accordance with the Modified Following Business Day Convention

Floating Rate for Initial Calculation Period : 2.04857 % (excluding the Spread if applicable)

Floating Rate Option : CAD-BA-CDOR

Designated Maturity : 1 month

Spread : Inapplicable

Floating Rate Day Count Fraction : ACTUAL / 365 FIXED

Reset Dates : The first day of each Calculation Period or Compounding Period if Compounding is applicable

Compounding	:	Inapplicable
Calculation Agent	:	The Toronto-Dominion Bank
Business Days in CAD	:	TORONTO
Netting of Payments	:	Applicable
Fees	:	Inapplicable

EARLY TERMINATION

1. Early Termination

Optional Early Termination	:	Applicable
Option Style	:	Bermuda
Calculation Agent	:	The Toronto-Dominion Bank

2. Procedure for Exercise

Bermuda Option Exercise Date	:	The date that is 5 Business Days preceding the selected Cash Settlement Payment Date
Expiration Date	:	The date that is 5 Business Days preceding the selected cash Settlement Payment Date
Expiration Time	:	4:00 pm Toronto time
Partial Exercise	:	Inapplicable
Multiple Exercise	:	Inapplicable
Written Confirmation of Exercise	:	Applicable
Party A Contact Details for Purpose of Giving Notice	:	Trading Swap Desk
Party B Contact Details for Purpose of Giving Notice	:	To be advised.
Business Days	:	Toronto

3. Settlement Terms

Cash Settlement	:	Applicable
Cash Settlement Valuation Time	:	4:00 pm Toronto time
Cash Settlement Valuation Date	:	Cash Settlement Payment Date[s]
Cash Settlement Payment Date[s]	:	March 9, 2007 March 9, 2012 March 9, 2017 March 9, 2022 subject to adjustment in accordance with the Modified Following Business Day Convention
Cash Settlement Method	:	Cash Price
Cash Settlement Currency	:	CAD
Settlement Rate	:	Reference Banks
Quotation Rate	:	Bid

SETTLEMENT INSTRUCTIONS

Payments to NIAGARA WEST TRANSFORMATION CORPORATION in CAD

Settlement Instructions to be advised

Payments to TORONTO DOMINION BANK in CAD

To	:	TORONTO DOMINION BANK
Favor Of	:	TORONTO DOMINION BANK
Account Number	:	036001-4106729

This Confirmation may be executed in one or more counterparts, either in original or facsimile form, each of which shall constitute one and the same agreement. When executed by the parties through facsimile transmission, this Confirmation shall constitute the original agreement between the parties and the parties hereby adopt the signatures printed by the receiving facsimile machine as the original signatures of the parties

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us.

Jan 2025

02/20/2007 15:49 9055630808
FEB 20 2007 13:23 FR TD SECURITIES

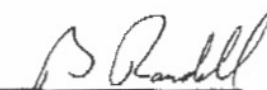
PEN WEST
416 982 8796 TO 19055630838

PAGE 02
P.06

RE: NIAGARA WEST TRANSFORMATION CORPORATION, Transaction
CAD 6,000,000.00 (SWAP Reference: #670642T)

We acknowledge receipt of your facsimile dated Jan 15, 2007 with respect to the above-referenced Transaction between The Toronto-Dominion Bank and NIAGARA WEST TRANSFORMATION CORPORATION with an Effective Date of April 30, 2004 and a Termination Date of January 31, 2025 and confirm that such facsimile correctly sets forth the terms of our agreement relating to the Transaction described therein.

Regards,



Name : B. RANDALL

Title : V.P. of ADMINISTRATION

Yours truly,

The Toronto-Dominion Bank



55 Robert Johnson
Manager
Global Capital Markets Finance & Operations

Approved by Marketer/Trader _____

Amortization Schedule

Start Date	End Date	Notional Amount in CAD
04/30/04	5/31/04	6,000,000.00
05/31/04	6/30/04	6,000,000.00
06/30/04	7/30/04	6,000,000.00
07/30/04	8/31/04	6,000,000.00
08/31/04	9/30/04	6,000,000.00
09/30/04	10/29/04	6,000,000.00
10/29/04	11/30/04	6,000,000.00
11/30/04	12/31/04	6,000,000.00
12/31/04	1/31/05	6,000,000.00
01/31/05	2/28/05	6,000,000.00
02/28/05	3/31/05	5,986,000.00
03/31/05	4/29/05	5,975,000.00
04/29/05	5/31/05	5,962,000.00
05/31/05	6/30/05	5,952,000.00
06/30/05	7/29/05	5,940,000.00
07/29/05	8/31/05	5,927,000.00
08/31/05	9/30/05	5,918,000.00
09/30/05	10/31/05	5,905,000.00
10/31/05	11/30/05	5,894,000.00
11/30/05	12/30/05	5,882,000.00
12/30/05	1/31/06	5,869,000.00
01/31/06	2/28/06	5,859,000.00
02/28/06	3/31/06	5,844,000.00
03/31/06	4/28/06	5,832,000.00
04/28/06	5/31/06	5,817,000.00
05/31/06	6/30/06	5,807,000.00
06/30/06	7/31/06	5,795,000.00
07/31/06	8/31/06	5,783,000.00
08/31/06	9/29/06	5,771,000.00
09/29/06	10/31/06	5,756,000.00
10/31/06	11/30/06	5,745,000.00
11/30/06	12/29/06	5,732,000.00
12/29/06	1/31/07	5,717,000.00
01/31/07	2/28/07	5,707,000.00
02/28/07	3/30/07	5,691,000.00
03/30/07	4/30/07	5,678,000.00
04/30/07	5/31/07	5,665,000.00
05/31/07	6/29/07	5,652,000.00
06/29/07	7/31/07	5,637,000.00
07/31/07	8/31/07	5,626,000.00
08/31/07	9/28/07	5,613,000.00
09/28/07	10/31/07	5,596,000.00
10/31/07	11/30/07	5,585,000.00
11/30/07	12/31/07	5,571,000.00
12/31/07	1/31/08	5,558,000.00
01/31/08	2/29/08	5,544,000.00
02/29/08	3/31/08	5,529,000.00

03/31/08	4/30/08	5,515,000.00
04/30/08	5/30/08	5,501,000.00
05/30/08	6/30/08	5,486,000.00
06/30/08	7/31/08	5,472,000.00
07/31/08	8/29/08	5,458,000.00
08/29/08	9/30/08	5,442,000.00
09/30/08	10/31/08	5,429,000.00
10/31/08	11/28/08	5,415,000.00
11/28/08	12/31/08	5,397,000.00
12/31/08	1/30/09	5,385,000.00
01/30/09	2/27/09	5,370,000.00
02/27/09	3/31/09	5,352,000.00
03/31/09	4/30/09	5,339,000.00
04/30/09	5/29/09	5,323,000.00
05/29/09	6/30/09	5,306,000.00
06/30/09	7/31/09	5,292,000.00
07/31/09	8/31/09	5,277,000.00
08/31/09	9/30/09	5,262,000.00
09/30/09	10/30/09	5,246,000.00
10/30/09	11/30/09	5,230,000.00
11/30/09	12/31/09	5,214,000.00
12/31/09	1/29/10	5,199,000.00
01/29/10	2/26/10	5,181,000.00
02/26/10	3/31/10	5,163,000.00
03/31/10	4/30/10	5,149,000.00
04/30/10	5/31/10	5,132,000.00
05/31/10	6/30/10	5,116,000.00
06/30/10	7/30/10	5,099,000.00
07/30/10	8/31/10	5,082,000.00
08/31/10	9/30/10	5,067,000.00
09/30/10	10/29/10	5,050,000.00
10/29/10	11/30/10	5,031,000.00
11/30/10	12/31/10	5,016,000.00
12/31/10	1/31/11	4,999,000.00
01/31/11	2/28/11	4,982,000.00
02/28/11	3/31/11	4,962,000.00
03/31/11	4/29/11	4,946,000.00
04/29/11	5/31/11	4,927,000.00
05/31/11	6/30/11	4,910,000.00
06/30/11	7/29/11	4,892,000.00
07/29/11	8/31/11	4,873,000.00
08/31/11	9/30/11	4,857,000.00
09/30/11	10/31/11	4,839,000.00
10/31/11	11/30/11	4,821,000.00
11/30/11	12/30/11	4,802,000.00
12/30/11	1/31/12	4,783,000.00
01/31/12	2/29/12	4,766,000.00
02/29/12	3/30/12	4,746,000.00
03/30/12	4/30/12	4,727,000.00
04/30/12	5/31/12	4,709,000.00

05/31/12	6/29/12	4,690,000.00
06/29/12	7/31/12	4,670,000.00
07/31/12	8/31/12	4,652,000.00
08/31/12	9/28/12	4,633,000.00
09/28/12	10/31/12	4,612,000.00
10/31/12	11/30/12	4,594,000.00
11/30/12	12/31/12	4,574,000.00
12/31/12	1/31/13	4,555,000.00
01/31/13	2/28/13	4,536,000.00
02/28/13	3/28/13	4,513,000.00
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"05/31/13	6/28/13	4,453,000.00
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"07/31/13	8/30/13	4,412,000.00
"08/30/13	9/30/13	4,391,000.00
"09/30/13	10/31/13	4,371,000.00
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11/29/13	12/31/13	4,328,000.00
12/31/13	1/31/14	4,308,000.00
01/31/14	2/28/14	4,287,000.00
02/28/14	3/31/14	4,263,000.00
03/31/14	4/30/14	4,242,000.00
04/30/14	5/30/14	4,220,000.00
05/30/14	6/30/14	4,198,000.00
06/30/14	7/31/14	4,176,000.00
07/31/14	8/29/14	4,155,000.00
08/29/14	9/30/14	4,131,000.00
09/30/14	10/31/14	4,110,000.00
10/31/14	11/28/14	4,088,000.00
11/28/14	12/31/14	4,063,000.00
12/31/14	1/30/15	4,042,000.00
01/30/15	2/27/15	4,019,000.00
02/27/15	3/31/15	3,994,000.00
03/31/15	4/30/15	3,972,000.00
04/30/15	5/29/15	3,948,000.00
05/29/15	6/30/15	3,924,000.00
06/30/15	7/31/15	3,901,000.00
07/31/15	8/31/15	3,878,000.00
08/31/15	9/30/15	3,855,000.00
09/30/15	10/30/15	3,830,000.00
10/30/15	11/30/15	3,806,000.00
11/30/15	12/31/15	3,782,000.00
12/31/15	1/29/16	3,758,000.00
01/29/16	2/29/16	3,732,000.00
02/29/16	3/31/16	3,708,000.00
03/31/16	4/29/16	3,683,000.00
04/29/16	5/31/16	3,657,000.00
05/31/16	6/30/16	3,633,000.00
06/30/16	7/29/16	3,607,000.00

07/29/16	8/31/16	3,581,000.00
08/31/16	9/30/16	3,557,000.00
09/30/16	10/31/16	3,531,000.00
10/31/16	11/30/16	3,505,000.00
11/30/16	12/30/16	3,479,000.00
12/30/16	1/31/17	3,452,000.00
01/31/17	2/28/17	3,427,000.00
02/28/17	3/31/17	3,398,000.00
03/31/17	4/28/17	3,372,000.00
04/28/17	5/31/17	3,343,000.00
05/31/17	6/30/17	3,318,000.00
06/30/17	7/31/17	3,291,000.00
07/31/17	8/31/17	3,264,000.00
08/31/17	9/29/17	3,236,000.00
09/29/17	10/31/17	3,208,000.00
10/31/17	11/30/17	3,181,000.00
"11/30/17	12/29/17	3,152,000.00
12/29/17	1/31/18	3,123,000.00
01/31/18	2/28/18	3,097,000.00
02/28/18	3/29/18	3,067,000.00
03/29/18	4/30/18	3,038,000.00
04/30/18	5/31/18	3,009,000.00
05/31/18	6/29/18	2,980,000.00
06/29/18	7/31/18	2,950,000.00
07/31/18	8/31/18	2,922,000.00
08/31/18	9/28/18	2,892,000.00
09/28/18	10/31/18	2,861,000.00
10/31/18	11/30/18	2,833,000.00
11/30/18	12/31/18	2,802,000.00
12/31/18	1/31/19	2,772,000.00
01/31/19	2/28/19	2,742,000.00
02/28/19	3/29/19	2,710,000.00
03/29/19	4/30/19	2,679,000.00
04/30/19	5/31/19	2,649,000.00
05/31/19	6/28/19	2,618,000.00
06/28/19	7/31/19	2,585,000.00
07/31/19	8/30/19	2,555,000.00
08/30/19	9/30/19	2,523,000.00
09/30/19	10/31/19	2,491,000.00
10/31/19	11/29/19	2,459,000.00
11/29/19	12/31/19	2,426,000.00
12/31/19	1/31/20	2,395,000.00
01/31/20	2/28/20	2,362,000.00
02/28/20	3/31/20	2,328,000.00
03/31/20	4/30/20	2,296,000.00
04/30/20	5/29/20	2,262,000.00
05/29/20	6/30/20	2,228,000.00
06/30/20	7/31/20	2,195,000.00
07/31/20	8/31/20	2,161,000.00
08/31/20	9/30/20	2,128,000.00

09/30/20	10/30/20	2,093,000.00
10/30/20	11/30/20	2,058,000.00
11/30/20	12/31/20	2,024,000.00
12/31/20	1/29/21	1,989,000.00
01/29/21	2/26/21	1,954,000.00
02/26/21	3/31/21	1,917,000.00
03/31/21	4/30/21	1,883,000.00
04/30/21	5/31/21	1,847,000.00
05/31/21	6/30/21	1,811,000.00
06/30/21	7/30/21	1,775,000.00
07/30/21	8/31/21	1,738,000.00
08/31/21	9/30/21	1,702,000.00
09/30/21	10/29/21	1,665,000.00
10/29/21	11/30/21	1,628,000.00
11/30/21	12/31/21	1,591,000.00
12/31/21	1/31/22	1,554,000.00
01/31/22	2/28/22	1,516,000.00
02/28/22	3/31/22	1,478,000.00
03/31/22	4/29/22	1,440,000.00
04/29/22	5/31/22	1,401,000.00
05/31/22	6/30/22	1,363,000.00
06/30/22	7/29/22	1,324,000.00
07/29/22	8/31/22	1,285,000.00
08/31/22	9/30/22	1,246,000.00
09/30/22	10/31/22	1,206,000.00
10/31/22	11/30/22	1,167,000.00
11/30/22	12/30/22	1,127,000.00
12/30/22	1/31/23	1,086,000.00
01/31/23	2/28/23	1,046,000.00
02/28/23	3/31/23	1,005,000.00
03/31/23	4/28/23	964,000.00
04/28/23	5/31/23	923,000.00
05/31/23	6/30/23	882,000.00
06/30/23	7/31/23	840,000.00
07/31/23	8/31/23	798,000.00
08/31/23	9/29/23	756,000.00
09/29/23	10/31/23	713,000.00
10/31/23	11/30/23	671,000.00
11/30/23	12/29/23	628,000.00
12/29/23	1/31/24	585,000.00
01/31/24	2/29/24	542,000.00
02/29/24	3/28/24	498,000.00
03/28/24	4/30/24	454,000.00
04/30/24	5/31/24	410,000.00
05/31/24	6/28/24	365,000.00
06/28/24	7/31/24	320,000.00
07/31/24	8/30/24	276,000.00
08/30/24	9/30/24	230,000.00
09/30/24	10/31/24	185,000.00
10/31/24	11/29/24	139,000.00

11/29/24	12/31/24	93,000.00
12/31/24	1/31/25	47,000.00

APPENDIX 19

NIAGARA WEST TRANSFORMATION CORPORATION

Financial Statements
for the Year Ended December 31, 2008
and Auditors' Report to the Shareholders

NIAGARA WEST TRANSFORMATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2008

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CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Niagara West Transformation Corporation:

We have audited the balance sheet of Niagara West Transformation Corporation as at December 31, 2008 and the statements of income and deficit and of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Durward Jones Barkwell & Company LLP
Licensed Public Accountants

April 25, 2009

Big enough to know ►
SMALL ENOUGH TO CARE

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF INCOME AND DEFICIT
YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUE		
Transformer connection charges	\$ 649,937	\$ 659,789
Other revenue	10,733	11,767
	<u>660,670</u>	<u>671,556</u>
EXPENSES		
Administration	220,667	133,626
Depreciation	180,794	180,794
Interest	339,812	272,255
	<u>741,273</u>	<u>586,675</u>
INCOME (LOSS) BEFORE PAYMENT IN LIEU OF TAXES	<u>(80,603)</u>	<u>84,881</u>
FUTURE PAYMENT IN LIEU OF TAXES REDUCTION (Note 5)	<u>(178,000)</u>	<u>(100,000)</u>
NET INCOME (Note 8)	<u>97,397</u>	<u>184,881</u>
DEFICIT, BEGINNING OF YEAR	<u>(1,397,518)</u>	<u>(1,582,399)</u>
DEFICIT, END OF YEAR	<u><u>\$(1,300,121)</u></u>	<u><u>\$(1,397,518)</u></u>

NIAGARA WEST TRANSFORMATION CORPORATION

BALANCE SHEET
DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash	\$ 296,512	\$ 373,892
Accounts receivable	67,914	63,442
Prepaid expenses	1,578	4,261
	366,004	441,595
Property and equipment (Note 2)	6,699,310	6,880,104
	\$ 7,065,314	\$ 7,321,699
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 3)	\$ 449,335	\$ 451,117
Current portion of term loan	183,000	174,000
	632,335	625,117
Term loan (Note 4)	5,214,000	5,397,000
Future payment in lieu of taxes (Note 5)	119,000	297,000
Contingency (Note 8)		
	5,965,335	6,319,117
SHAREHOLDERS' EQUITY		
Share capital		
<i>Authorized</i>		
Unlimited common shares		
Unlimited Class A special shares, non-voting, redeemable at \$10,000 per share		
<i>Issued</i>		
100 common shares	100	100
240 Class A special shares	2,400,000	2,400,000
	2,400,100	2,400,100
Deficit	(1,300,121)	(1,397,518)
	1,099,979	1,002,582
	\$ 7,065,314	\$ 7,321,699

Approved by the Board:

..... Director

..... Director

NIAGARA WEST TRANSFORMATION CORPORATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Net income	\$ 97,397	\$ 184,881
Items not affecting cash		
Depreciation	180,794	180,794
Change in unrealized difference on fair market value adjustment of interest rate swap	6,999	(87,862)
Future payment in lieu of taxes reduction	(178,000)	(100,000)
	<u>107,190</u>	<u>177,813</u>
Changes in non-cash operating assets and liabilities		
Accounts receivable	(4,472)	70,420
Prepaid expenses	2,683	(2,669)
Accounts payable and accrued charges	(8,781)	(70,531)
Payment in lieu of taxes receivable	-	4,770
	<u>96,620</u>	<u>179,803</u>
FINANCING ACTIVITY		
Repayment of term loan	(174,000)	(161,000)
INCREASE (DECREASE) IN CASH	(77,380)	18,803
CASH, BEGINNING OF YEAR	373,892	355,089
CASH, END OF YEAR	\$ 296,512	\$ 373,892

During the year, interest in the amount of \$332,813 (2007 - \$360,117) was paid and payment in lieu of taxes in the amount of nil (2007 - \$4,770) were recovered.

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Nature of business

The Company is subject to the provisions of the Ontario Business Corporations Act and provides hydro transformation services to Grimsby Power Inc. and Niagara Peninsula Energy Inc.

Property and equipment

Property and equipment are stated at cost. Depreciation is recorded on a straight-line basis over the estimated life of the assets as stated in Note 2. Depreciation is recorded at one half of the normal rates in the year of acquisition.

Revenue recognition

Revenue from the transformation of electricity is recorded on the basis of peak demand for the month. Revenue is recognized when the peak demand has occurred.

Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the security granted by the Ontario Energy Board Act (1998). The OEB has the power and responsibility to approve or fix rates for the transformer connection fees that the Company charges. The OEB may also prescribe license requirements and conditions of service which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.

The Company has an interim rate order from the OEB establishing the connection fees which the Company is allowed to charge. The rate order was renewed effective February 19, 2008 and expires February 18, 2011, at which time, the Company may become subject to a rate application process. Historically, all transformers costs and connection fees in the province have been pooled, with the same rate in effect for all transformers in that pool.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Accounts receivable are stated after evaluation of amounts expected to be collected and an appropriate allowance for doubtful accounts. Amounts recorded for depreciation of building and equipment are based on estimates of useful service life.

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

2. PROPERTY AND EQUIPMENT

		<u>2008</u>		<u>2007</u>
	Annual Depreciation Rates	Assets at Cost	Accumulated Depreciation	Net Book Value
Land	-	\$ 149,992	\$ -	\$ 149,992
Building	S.L. 50 yrs.	1,224,419	122,442	1,101,977
Machinery and equipment	S.L. 40 yrs.	6,252,217	804,876	5,447,341
		\$ 7,626,628	\$ 927,318	\$ 6,699,310
				\$ 6,880,104

3. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2008</u>	<u>2007</u>
Accounts payable		
Trade	\$ 2,737	\$ 3,404
Goods and Services Tax	2,394	11,406
Unrealized difference on fair market value adjustment of interest rate swap	440,904	433,905
Accrued liabilities	3,300	2,402
	\$ 449,335	\$ 451,117

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

4. TERM LOAN

The term loan is a variable rate loan at prime issued as bankers acceptances and is due March 9, 2012. The loan is secured by a general security agreement, assignment of fire insurance and guarantees by the Class A shareholders in the amount of \$6,500,000. The Company has entered into a swap transaction for the full amount of the debt, the effect of which is to fix the interest rate of the loan at 5.6% until January 31, 2025.

The fair value of the interest rate swap agreement is based on future discounted cash flows at an effective interest rate calculated at 5.33%. At December 31, 2008, the interest rate swap agreement was in a net unfavourable position of \$440,904 (2007 - \$433,905), which has been classified as held for trading. This unfavourable amount has been included in accounts payable and accrued liabilities as noted above. The current year impact of the change in the fair value of the interest rate swap amounted to \$6,999 and is included in interest on long-term debt expense.

	<u>2008</u>	<u>2007</u>
Term loan - as described above	\$ 5,397,000	\$ 5,571,000
Less principal due within one year	<u>183,000</u>	<u>174,000</u>
	<u>\$ 5,214,000</u>	<u>\$ 5,397,000</u>

The principal amounts due over the next five years assuming the term loan is renewed under similar terms and conditions are as follows:

2009	\$ 183,000
2010	198,000
2011	214,000
2012	228,000
2013	<u>246,000</u>
	<u>\$ 1,069,000</u>

5. FUTURE PAYMENT IN LIEU OF TAXES

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Company is required to compute taxes under the Income Tax Act and Ontario Corporations Tax Act and remit such amounts computed thereunder to the Ministry of Finance (Ontario).

Future payment in lieu of taxes relate to claiming capital cost allowance for tax purposes in excess of depreciation charged in the financial statements less the benefit of non-capital losses carried forward. The Company has Provincial non-capital losses in the amount of approximately \$677,939 available for carry forward to reduce future years' payments in lieu of taxes which begin to expire as follows:

December 31, 2014	\$ 47,953
2015	344,575
2026	157,321
2028	<u>128,090</u>
	<u>\$ 677,939</u>

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

6. RELATED PARTIES

The Company is controlled under common ownership by Peninsula West Power Inc. and Niagara Power Inc. which is the parent company of Grimsby Power Inc.

During the year, the Company recorded transformer connection charges of \$377,552 (2007 - \$424,335) from Grimsby Power Inc.

At December 31, 2008, included in accounts receivable were amounts due from Grimsby Power Inc. in the amount of \$32,855 (2007 - \$43,573).

All transactions are measured at the exchange amount, are under similar terms with non-related parties and are in the normal course of business.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) *Fair values*

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Interest rate swap	Held-for-trading
Term loan	Other liabilities

Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of income and deficit. At December 31, 2008, the Company reported a loss of \$6,999 as a result of the change in value of its interest rate swap which has been included in interest on long-term debt. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized costs using the effective interest method.

The fair value of cash, accounts receivable, and accounts payable and accrued charges are assumed to approximate their carrying amounts because of their short term to maturity. The carrying amount of the long-term debt approximates its fair value because the interest rates approximate the market rate.

b) *Derivative financial instrument*

The Company utilizes an interest rate swap contract to manage the risk associated with fluctuations in interest rates. The Company's policy is not to utilize financial instruments for trading or speculative purposes. The interest rate swap contract is used to reduce the impact of fluctuating interest rates on the Company's long-term debt. The swap agreement requires the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt. Gains and losses on forward exchange contracts are recognized into income during the same period as the corresponding revenue and expenses.

NIAGARA WEST TRANSFORMATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) *Risk Management*

In the normal course of business, the Company is exposed to financial risks that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost effective basis.

i) Liquidity risk

Liquidity is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors the collection efforts to ensure sufficient cash flows are generated from operations to meet the current debt obligations. The Company monitors cash flow on a daily basis and in aggregate through its annual budget process. The Company expects that cash flow from operations in fiscal 2009 will be adequate to fund on-going investment in working capital and capital expenditures.

ii) Credit risk

The Company had a significant exposure of sales to two customers during the year. As at December 31, 2008 the Company had accounts receivable totaling \$67,914 of which \$58,379 or 86% related to two customers. The majority of this amount is current and management monitors collections on a regular basis and is not aware of any collection issues related to these accounts.

8. CONTINGENCY

During the year, the Company experienced a fire which damaged several pieces of equipment and required the Company to incur costs to repair that equipment. Total costs incurred to date with regards to this fire amounted to \$175,963. As at December 31, 2008, \$115,210 has been recognized as reimbursements by the Company's insurance coverage net of the Company's \$10,000 deductible. Of this amount, \$9,535 is included in accounts receivable at December 31, 2008. The Company has an outstanding claim for the remaining \$60,753 of the costs, which are still in dispute. The Company is unable to determine at this time the benefit, if any, that may result from this claim. The Company's management is confident these costs will be recovered in full in the future. No provision for a possible further cost recovery has been made in these financial statements. Any recoveries resulting from this claim will be reflected in the year in which they are received.

9. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's financial statement presentation.

The comparative figures for the year ended December 31, 2007 were reported on by other auditors.
