

**PROCEDURAL ORDER NO.1**  
**GUELPH HYDRO ELECTRIC SYSTEMS INC. (“Guelph Hydro”)**  
**RESPONSES TO THE SEC’S INTERROGATORIES ON**  
**2012 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES**  
**FILE NUMBER EB-2011-0123**

*September 30, 2011*

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**GENERAL**

**Issue 1.1 Has Guelph Hydro responded appropriately to all relevant Board directions from previous proceedings?**

**Issue 1.2 Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?**

1. [Ex. 1/2/1, p.1] Please confirm that the actual return on equity of the Applicant for 2010 was 8.71% based on the 2010 Distributors' Annual Data published by the Board. Please advise why the Applicant has concluded that the return on equity will drop so precipitously in 2011 and 2012.

**Guelph Hydro's Response:**

Guelph Hydro confirms that its actual return on equity (ROE) for 2010 was 8.71%.

There are two primary drivers that cause return on equity to drop in 2011 and 2012 in the absence of rates requested in this application.

- (1) As reported in Ex 2/1/1, p.9, Guelph Hydro's rate base is expected to grow by \$29 million or 26% from 2010 to 2012. The two key capital items driving this increase are smart metering infrastructure and the construction of a new transformer station to serve growth in the south end of Guelph. This growth in rate base alone would result in an ROE reduction to approximately 7.00% on a deemed basis assuming net income stayed at the 2010 level.
- (2) As reported in Exhibit 4, operating costs are projected to increase at rates greater than inflation to support new service and regulatory requirements. In the absence of rate increases requested in this application, Guelph Hydro's net income is projected to drop to \$925,220 (refer to Ex. 1/2/4, p.3).

The net result of the above two drivers is a projected ROE of 1.6% in 2012 in the absence of a rate increase (Ex. 1/2/4, p.3).

2. [Ex. 1/2/2, p. 2] Please provide the presentation and supporting documents used for the review by the Finance Audit Committee of the 2012 Budget. If any material business planning assumptions, and the Applicant's response to them, are not included in those documents, please describe those assumptions and responses, and how they were communicated to the Finance Audit Committee.

**Guelph Hydro's Response:**

Please see the appendix Guelph\_SEC\_#2

3. [Ex. 1/2/2, p. 3] Please provide a list of all stakeholder engagement activities referred to, as implemented in the 12 month period leading up to approval of the 2012 budget.

**Guelph Hydro's Response:**

Guelph Hydro consults with the following stakeholders on a regular basis including the 12 month period leading up to the development and approval of the 2012 budget:

- City of Guelph (Senior Staff and Mayor and Council)
- Residential customers via customer surveys and community outreach events
- Commercial customers via Chamber of Commerce events
- Large customers via direct meetings
- Ontario Power Authority
- Electricity Distributors Association
- Employees via management and town hall meetings

4. Ex. 1/3/1, App. E, p. 33] Please provide the basis for the statement "In the absence of rate regulation, earnings before provision for payments in lieu of taxes would have been higher by \$4,288", and the calculation supporting it.

**Guelph Hydro's Response:**

**Response to be completed later.**

5. [Ex. 1/2] Please provide a copy of any shareholders' agreement, shareholder's direction, or other such document relating directly or indirectly to the Applicant, including but not limited to any agreement or direction relating to the parent company that indirectly affects the Applicant.

**Guelph Hydro's Response:**

Attached is a copy of the Shareholder Direction (see the appendix Guelph\_SEC\_IRR\_#5\_1) that was effective up until August, 2011 as well as a copy of the current Shareholder Declaration (please see the appendix Guelph\_SEC\_IRR\_#5\_2).

**Issue 1.3 Is service quality, based on the Board specified  
performance indicators, acceptable?**

**Issue 1.4 Is the proposal to align the rate year with its next fiscal year, which starts January 1, 2012, appropriate?**



**RATE BASE**

**Issue 2.1 Is the proposed rate base for the test year appropriate?**

**Issue 2.2 Is the working capital allowance for the test year appropriate?**

**Issue 2.3 Is the capital expenditure forecast for the test year appropriate?**

6. [Ex. 1/1/2, p. 3] Please provide an update on the status of the new St. Clair MTS.

**Guelph Hydro's Response:**

Arlen MTS is currently in the construction phase and Guelph Hydro expects to have the station in service and serving load before the end of 2011.

7. [Ex. 1/2/2, p. 4] Please provide the original cost-benefit analysis supporting the construction of the new MTS, and any updates to that analysis that have been prepared. Please confirm whether the most up to date cost-benefit analysis provided in response to this question represents the Applicant's current view of all costs and benefits associated with this project.

**Guelph Hydro's Response:**

Please refer to Guelph Hydro's 2011 IRM filing, file No. EB-2010-0130, Appendix 5.2, and Guelph Hydro's response to SEC interrogatory No. 2 in the 2011 IRM proceedings.

The original cost-benefit analysis was used to justify construction of the new MTS, and was incorporated into the 2011 IRM application and, subsequently, as a response to SEC interrogatory No. 2 in the 2011 IRM proceedings. No further cost-benefit analysis has been performed since committing to the project.

8. [Ex. 1/2/2, p. 1] Please provide the original document or documents listing and prioritizing the capital projects for 2011 and 2012, including those capital projects proposed but not ultimately included in the capital budget.

**Guelph Hydro's Response:**

The original listing and prioritization of capital projects for 2011 and 2012 is not available. They were developed and refined over the course of late 2010 and early 2011 and the most up to date version is available below.

Year	Project Name	Project Number	Project Investment Category	Project Category	Completed?	Updated In-Service Date
2011	Arlen MTS Feeder EGRESS AND FUTURE UNDERGROUND DUCTS	N/A	Development	CFDR		2011-11
2011	Hanlon Creek Business Park Phase 1A	2010-026-NC42	Development	CFDR	Complete	
2011	Hanlon Creek Business Park Phase 1B	2010-026-NC43	Development	CFDR		Oct-11
2011	Hanlon Creek Business Park Phase 2	2010-026-NC44	Development	CFDR		Dec-11
2011	Clair Road, Crawley to Southgate	N/A	Development	CFDR		Deferred to 2012
2011	Crawley Road , Clair Rd to 500m south of Clair Rd - Transmission Tap accommodation	2011-020-RC46	Development	CFDR	Complete	
2011	Victoria Road, Arkell To McAlister	2011-021-RC50	Development	CREL		Deferred to 2012
2011	Laird Interchange	N/A	Development	CREL		Dec-11
2011	Rockwood - MTO relocations	N/A	Development	CREL	Complete	
2011	Deteriorated POLE REPLACEMENTS	N/A	Rehabilitation	CREP		Dec-11
2011	Alice St, Arthur to Stevenson	2010-003-RC22	Rehabilitation	CREP		Feb-12
2011	Edinburgh Road, Speedvale to Woodlawn	2010-004-RC05	Rehabilitation	CREP		Oct-11
2011	Parkwood Gardens, Phase 3 Rehab	2009-028-RC19	Rehabilitation	CREP		Jun-12
2011	Vault - Whydham and Eramosa	2011-001-RC22	Rehabilitation	CREP		Deferred to 2012
2011	ARLEN MTS FEEDER - Arlen MTS to Pole 86 Clair Road West	2011-034-NC46	Development	CFDR		Nov-11
2011	ARLEN MTS FEEDER - Arlen MTS to Pole 171 Southgate Drive	2011-035-NC46	Development	CFDR		Nov-11
2012	Maltby Road Gordon to Crawley	N/A	Development	CFDR		beyond 2012
2012	Gordon St Clair to Maltby	N/A	Development	CFDR		2012
2012	York Road - Railway to Watson	N/A	Development	CFDR		2012
2012	Distribution Feeders	N/A	Development	CFDR		2012
2012	Line Relocation	N/A	Development	CREL		2012
2012	Line Modifications	N/A	Development	CMOD		2012
2012	Rehabilitations	N/A	Rehabilitation	CREP		2012
2012	Deteriorated POLE REPLACEMENTS	N/A	Rehabilitation	CREP		2012
2012	Sherwood Rehab	N/A	Rehabilitation	CREP		2012

9. [Ex. 1/2/2, p. 5] Please provide the "capital budget template" referred to or, if it is already in evidence, provide a specific reference to where it can be found.

**Guelph Hydro's Response:**

Ex. 2/4/4/B contains detailed and summary-level capital budget information for the 2012 test year.

10. [Ex. 2] Please provide the capital investment figures, broken down by category, for the last ten years.

**Guelph Hydro's Response:**

Guelph Hydro provided the required capital investment figures for years 2006-2010 along with a 2011 and 2012 capital investment budget. The provision of capital investment figures prior to 2006 was not a requirement for this Application, and it was therefore not assembled as part of the Application process. Guelph Hydro cannot provide material for the period prior to 2006 with reasonable effort, and will not be doing so.



**Issue 2.4 Is the capitalization policy and allocation procedure appropriate?**

11. [Ex. 2] Please provide the Applicant's current and former written capitalization policy documents, together with any report not already on the record dealing with changes to capitalization policy required due to the change to IFRS.

**Guelph Hydro's Response:**

Ex. 2/4/7 outlines Guelph Hydro's current capitalization policy under IFRS. KPMG's IFRS Conversion Impact Assessment report recently added to evidence on a non-confidential basis contains a discussion on page 16 of prior capitalization policies under CGAAP.

Please refer to OEB Staff Interrogatories 77 (g) for a listing of items and dollar amounts that have been excluded for capitalization under IFRS.

**LOAD FORECAST AND OPERATING REVENUE**

**Issue 3.1 Is the load forecast methodology including weather  
normalization appropriate?**

**Issue 3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?**

**Issue 3.3 Is CDM appropriately reflected in the load forecast?**

**Issue 3.4 Is the proposed forecast of test year throughput revenue appropriate?**

**Issue 3.5 Is the test year forecast of other revenues appropriate?**

## **OPERATING COSTS**

### **Issue 4.1 Is the overall OM&A forecast for the test year appropriate?**

12. [Ex. 1/2/2, p. 1] Please provide a copy of the “in-depth review of operating priorities and requirements” referred to.

#### **Guelph Hydro's Response:**

The budget presentation supplied in response to question 2 above, provides an overview of operating priorities and requirements for 2011 and 2012 as well as the implications for OM&A costs.

13. [Ex. 1/2/2, p. 2] Please provide details of all changes to the 2012 budget since its approval in November, 2010.

**Guelph Hydro's Response:**

There have not been any changes to the 2012 budget since its approval in November, 2010.



14. [Ex. 1/3/2, App. F] Please provide the most recent year to date results for 2011, together with any revisions to the forecast for the period ending December 31, 2011.

**Guelph Hydro's Response:**

Attached in Appendix Guelph\_SEC\_IRR\_#14\_1 are June 30, 2011 results along with a memo that summaries a forecast of 2011 year end results (please see the appendix Guelph\_SEC\_IRR\_#14\_2).

15. [Ex. 2/3/3, App. H – which appears to be misnumbered, and should be 1/3/3, App. H – p. 9] Please provide full details of the “restructuring” referred to.

**Guelph Hydro's Response:**

The restructuring referred to makes up only a portion of the \$1.2 million variance noted in the Appendix. The “restructuring” relates to an employee relations matter, and public disclosure of the particulars of that matter would constitute an unjustified invasion of personal privacy under the *Freedom of Information and Protection of Privacy Act*. Guelph Hydro will file additional information in this regard in confidence.

16. [Ex. 4/1/1, p.2] Please describe how, with budgets “built” on prior year actuals, opportunities to reduce or eliminate costs are included in the budget process.

**Guelph Hydro's Response:**

As noted in Ex. 1/2/2, the use of prior year actuals is only one of several sources of information used to develop a new budget. The process involves detailed departmental review of opportunities for efficiency and/or elimination as well as a senior cross-departmental review to identify potential savings that could arise through a technology and/or work flow re-design. Ex. 4/2/7, p.5 shows a detailed listing of efficiencies that have been achieved through this process since 2008.

17. [Ex. 4/2/5, p. 2] Please provide a table or chart showing all impacts of re-allocations between categories, and accounting changes, affecting any of the numbers on this table. Please explain all such impacts, such that it is possible to do proper comparisons between the figures on a year by year basis.

**Guelph Hydro's Response:**

Please refer to the following sections of the Rate Submission which provide a detailed discussion of the significant changes in OM&A expenses on a year by year basis:

- Variance Analysis on OM&A costs Ex.4/2/6
- Employee Compensation Breakdown Ex.4/2/7
- Impact of IFRS on Guelph Hydro's  
December 31, 2010 Financial Statements Ex.2/1/3
- Appendix "Transition to IFRS"

**Issue 4.2 Are the methodologies used to allocate shared services  
and other costs appropriate?**

18. [Ex. 1/1/14, p. 1] Please confirm that the current combined heat and power and district energy initiatives are being carried out in Ecotricity. Please provide a status report on that activity, including details of any utility resources being used to pursue those opportunities.

**Guelph Hydro's Response:**

All combined heat and power and district energy initiatives are being carried out in Ecotricity. The development activities related to these projects are being conducted by GHI management employees under a services contract between GHI and Ecotricity. There are no utility resources being used to pursue these opportunities.

To date, Ecotricity has developed and submitted four applications to the OPA under its Combined Heat and Power Standard Offer Program.

19. [Ex. 4/2/3, p. 1] Please provide a table showing all allocations from one department to another, including amounts and basis of allocation. Please advise any changes to those allocations during the period 2008 through 2012.

**Guelph Hydro's Response:**

**Response to be completed later.**

20. [Ex. 4/2/5, p. 4] Please provide the basis for estimating intervenor costs at \$25,000 and transcription costs at \$3,500.

**Guelph Hydro's Response:**

	<b>Number of Intervenors</b>	<b>Hours per interven or</b>	<b>Hourl y Rate</b>	<b>Sub- total</b>
<b>Preparation</b>	<b>2</b>	<b>30</b>	<b>\$230</b>	<b>\$13,800</b>
<b>Attendance - technical Conference</b>	<b>2</b>	<b>8</b>	<b>\$230</b>	<b>\$3,680</b>
<b>Attendance - Settlement Conference</b>	<b>2</b>	<b>8</b>	<b>\$230</b>	<b>\$3,680</b>
<b>Attendance - Oral Hearing</b>	<b>2</b>	<b>8</b>	<b>\$230</b>	<b>\$3,680</b>
<b>Argument</b>	<b>2</b>	<b>0.5</b>	<b>\$230</b>	<b>\$230</b>
<b>Totals</b>				<b>\$25,070</b>

<b>Estimated transcription costs</b>	<b>Number of hours</b>	<b>Hourly Rate</b>	
<b>OEB - transcription cost -</b>	<b>20 (1)</b>	<b>\$170</b>	<b>\$3,400</b>
<b>Other costs related to transcription</b>			<b>100</b>

(1) Detail hours  
transcripts

Settlement Conference	8
Oral Hearing	8
Preparation	4

In estimating the intervenor and transcription hourly rates, Guelph Hydro used the Board's Practice Direction on Cost Awards (Appendix A, page 9).

At the time Guelph Hydro budgeted the 2012 cost of service cost, it expected only two intervenors in the proceedings, as Guelph Hydro had had in the previous proceedings (i.e. 2008 COS, and the consecutive IRMs applications).

21. [Ex. 4/2/8, p. 2] Please confirm that the 10% markup described in Table 4 is intended to cover overheads, supervision, and similar indirect costs. Please provide backup for the estimate that 10% is a sufficient markup. If the markup is not for this purpose, please identify its purpose, and describe how indirect costs are included in the shared services allocation.

**Guelph Hydro's Response:**

The costs charged by GHESI to GHI and Ecotricity are based on fully allocated costs that already include applicable overheads and benefits. The 10% mark-up on top of these costs is intended to be a proxy for a return on rate base for utility resources utilized to provide these services.



22. [Ex. 4/2/8, p. 3] Please reconcile rent at "fair market value" with the description of rent at cost plus a 4% market. Please provide all market data supporting the amount charged.

**Guelph Hydro's Response:**

The 4% is a reference to GHI's share of total occupancy costs (heat, electricity, cleaning, etc.) and is based on GHI's percentage of total square feet occupied.

Attached as Appendix Guelph\_SEC\_IRR\_#22\_OffertoLease is a copy of an Offer to Lease similar space in Guelph as is currently occupied by GHI in GHESI's premises. This was obtained by GHI in 2009 as it was contemplating options for office space to support its expansion. GHESI and GHI agreed that the rental prices contained in the offer are representative of fair market value and appropriate for inter-company charges.

23. [Ex. 4/2/8, p. 3] Please provide the water billing "allocation model", fully populated with the latest data currently available.

**Guelph Hydro's Response:**

As per GHESI's contract with the City for water billing services, a fixed rate of [\$4.05] (2011 rate) per water meter read/bill is charged by GHESI. There is no allocation model associated with these service charges.

24. [Ex. 4/2/8, p. 3] Please describe how indirect costs are included in the charges for street and sentinel lighting maintenance. Please confirm that the Applicant provides operating, maintenance and emergency services to other utilities and arms length third parties, whether or not related to street or sentinel lighting. Please provide the basis on which those utilities and third parties are charged for those services, including any overheads, markups, and other such amounts.

**Guelph Hydro's Response:**

GHESI does not provide maintenance or emergency services to any parties other than for street and sentinel lighting services.

GHESI charges its fully allocated cost (including overheads) for street lighting maintenance but does not include a mark-up. This service is managed in such a way as to optimally utilize Guelph Hydro's maintenance resources by carrying out the work in phase with routine utility maintenance activities. Guelph Hydro is of the view that this arrangement is mutually beneficial for the company, the City, and ultimately rate payers and tax payers.

25. [Ex. 4/2/8, App. 2-L] Please provide a full breakdown of how much of the “actual cost for the service” listed on each line is allocated to the utility and each affiliate.

**Guelph Hydro's Response:**

[The allocation % shows how much of the actual cost is allocated. This is derived from the methodology described in Ex. 4/2/8. Attached as Appendix Guelph\_BoardStaff\_IRR\_#47b\_CostAllocationModel is a schedule that details how the 2011 and 2012 allocations were determined].

26. [Ex. 4/2/8, App. A, Services Agreement] With respect to the Services Agreement:

- a. Please provide a "compare" document marking up this agreement to the last services agreement approved by the Board for the Applicant and its affiliates.

**Guelph Hydro's Response:**

Attached as Appendix Guelph\_SEC\_IRR\_ #22\_OffertoLease, is a copy of the previous services agreements between GHESI and GHI and GHEIS and Ecotricity. Please note that the form of the agreement is quite different than the current agreement. Therefore a "compare" document would not be meaningful.

Also, we note the Board (OEB) has not approved either agreement as this has never been requested.

- b. P. 7. Please provide the most recent "detailed breakdown of its fully-allocated cost" received by the Applicant by each affiliate from which it receives services, and the most recent such documents provided by the Applicant to each affiliate to which it provides services.

**Guelph Hydro's Response:**

The schedule provided in response to question 25 (Appendix Guelph\_BoardStaff\_IRR\_#47b\_CostAllocationModel) represents the most recent detailed breakdown. This schedule was used to establish the 2011 and 2012 budgets for inter-company allocations and was most recently reviewed in July of this year to determine if any adjustments were required. At this time all parties agreed that no adjustments were required from what was originally budgeted.

- c. P. 20. Please provide a chart showing all of the most recent agreed monthly payments, what each is for, from and to whom it is payable, the date agreed and basis of the agreement, and the document in which the amount was agreed to.

**Guelph Hydro's Response:**

**Response to be completed later.**

27. [Ex. 4/2/8, App. A, Water agreement] With respect to the Water Agreement:

- d. P. 7. Please advise when the service in section 6.2 commenced, all costs incurred by the Applicant to add that service (with an appropriate breakdown and allocation), and any resulting price increase and how it was calculated.

**Guelph Hydro's Response:**

This service (known as Accounts Online) has been available to Guelph Hydro customers since [2005]. The company made it available to its customers primarily as a means to improve the level of access and customer service for electricity accounts. Since the company's existing billing system also includes water, there was no incremental cost to make this information available to customers as well.

- e. P. 10. Please provide the same information for the obligation described in section 11.1.

**Guelph Hydro's Response:**

Guelph Hydro has maintained a disaster recovery plan for many decades that, among other things, includes off-site data back-up and an arrangement with a third party to restore a complete version of critical systems and data at a remote site in the event of physical damage to the company's on-site data centre. There is no incremental cost to include water billing in this service due to the fact that it is integrated with the company's core billing and work order system.

- f. P. 11. Please provide the monthly Financial Statements described in section 13.6, as delivered in each month from September 2010 to August 2011 inclusive.

**Guelph Hydro's Response:**

**Response to be completed later.**

- g. P. 11. Please confirm that failure to collect any account does not result in financial consequences to the Applicant. Please provide an explanation of an incentive the Applicant has to maximize collection of accounts.

**Guelph Hydro's Response:**

Any bad debt associated with water billing is borne solely by the City. Guelph Hydro attempts to collect amounts owing for water hand in hand with electricity arrears. The main incentive to maximize collection of water accounts is to maintain

a high level of service to the City as the company's customer for this service. Guelph Hydro views this service as valuable to itself and ratepayers and therefore has a vested interest in retaining the City as its customer.

- h. P. 12. Please describe all changes that have been or are being implemented or proposed to the operational and financial terms of this Agreement as a result of the implementation by the Applicant of smart meters.

**Guelph Hydro's Response:**

It is Guelph Hydro and the City's intention to continue with the current arrangement for water billing services after smart meters have been fully implemented. The company has recently issued an RFP for meter reading services with a newly defined scope for post smart meter implementation. The new scope excludes approximately 48,000 electric meters that will be read remotely but still includes water meters and about 2,000 commercial electric meters. Guelph Hydro has advised the City that, depending on the responses to the RFP, an adjustment in the pricing may be required. The new meter reading contract is scheduled to become effective in mid-October.

- i. P. 14. Please explain the difference between Section 24.0 of the Water Agreement and Article 7 of the Services Agreement, and the reason this difference in liability exists.

**Guelph Hydro's Response:**

Guelph Hydro does not view the differences as material. There is no particular reason for the difference other than the agreements were negotiated by different individuals at different times prepared by two different legal counsel.

- j. P. 15. Please estimate the total cost of all insurance required by section 25.0, and describe how that cost is passed on to the City.

**Guelph Hydro's Response:**

Guelph Hydro maintains insurance at or in excess of the levels set out in section 25.0 as part of its overall corporate insurance. There is no incremental cost to the company's insurance as a result of the water billing services provided to the City.

- k. P. 19. Please provide full details of the calculation of the Contract Service Unit Cost for each of 2008 through 2010 as listed, and for each of 2011 (actual or forecast) and forecast for 2012.

**Guelph Hydro's Response:**

The rate per bill for water billing services was re-negotiated June 5, 2006 between Guelph Hydro and the City as follows:

2007 - \$2.60  
2008 - \$3.25  
2009 - \$3.82

On January 23, 2009, a more formal services agreement was signed between Guelph Hydro and the City that carried the rate of \$3.82 for 2009 and set a rate of \$3.93 for 2010. The agreement calls for rates to be renewed annually at a rate increase commensurate with Canadian inflation.



**Issue 4.3 Is the proposed level of depreciation/amortization expense  
for the test year appropriate?**

28. [Ex. 4/2/10, App. 2-M] Please restate Appendix 2-M on the basis that the half-year rule commences in 2012, and is not applied to 2011.

**Guelph Hydro's Response:**

**Response to be completed later.**

29. [Ex. 4/2/10, p. 3-6] Please add columns to these tables showing the depreciation rates used by the Applicant for each asset category or component, as the case may be, for each of 2008 through 2012 inclusive.

**Guelph Hydro's Response:**

**Response to be completed later.**

30. [Ex. 4/2/10, App. A, p. 17] Please describe the differences between the assets lists provided by the utilities and the asset list used by the consultant in the end. Please provide all written "feedback" incorporated by the consultant in the Final Report.

**Guelph Hydro's Response:**

**Response to be completed later.**

**Issue 4.4 Are the 2012 compensation costs and employee levels appropriate?**

31. [Ex. 1/1/13] With respect to the organization chart of the utility:

1. Please confirm that the utility does not have a CEO, and that the senior officer of the utility is the COO.

**Guelph Hydro's Response:**

Guelph Hydro confirms that the senior officer is the COO, there is no CEO position.

- m. For each person on this chart that provides services to more than just the utility, please provide a table showing the total amount of costs associated with their function (compensation, overheads, other direct costs, etc.), the entity initially bearing the costs, the amount allocated to the utility and to each affiliate of the utility, and the basis of allocation.

**Guelph Hydro's Response:**

**Response to be completed later.**

- n. Please advise the percentage of time spent by each of the CEO, the CFO and the Corporate Secretary in the last twelve months on GHI's combined heat and power and district energy initiatives.

**Guelph Hydro's Response:**

Please note that none of GHI's CEO costs are allocated to GHESI. The percentage of time spent on combined heat and power and district energy initiatives over the past 12 months are approximately:

CEO (GHI)	40%
CFO (GHI)	5%
Corporate Secretary (GHI)	< 5%
COO (GHESI)	0%

32. [Ex. 1/1/14, p.2-4] Please advise which, if any, of the "corporate officers" listed on the three tables are members of the respective boards of directors.

**Guelph Hydro's Response:**

None of the corporate officers listed are members of respective boards of directors.

33. [Ex. 1/2/2, p.2] Please provide, for each new position proposed for 2011 or 2012, the "benefit-risk analysis" prepared in respect of that position.

**Guelph Hydro's Response:**

This information is contained in the 2011 – 2012 Budget and Business Plan filed in response to question 2 (please see the appendix Guelph\_SEC\_IRR\_#2).

34. [Ex. 4/2/2, p. 2] Please file a corrected version of this table.

**Guelph Hydro's Response:**

OM&A Expense	2012 Test Year	Inflation rate
<b>Employees Costs (see Appendix 2-K)</b>		
Executive		
Management	\$7,257,111.00	2%
Non-Union	\$160,848.00	2%
Union	\$11,496,853.00	3%
<b>Total Compensation</b>	<b>\$18,914,812.00</b>	<b>2.61%</b>
<b>Total Compensation Charged to OM&amp;A</b>	10,338,884.00	2.61%
Other General and Administrative Expense	\$5,272,357.14	2%
<b>Total OM&amp;A</b>	<b>\$15,611,241.14</b>	
<b>Weighted Average Inflation Rate</b>		<b>2.40%</b>

35. [Ex. 4/2/5, p. 18] Please confirm that number of customers per FTEE is proposed to drop from 489.6 in 2008 to 447.1 in 2012, an 8.7% drop in productivity and from 514.3 in 2009 to 447.1 in 2012, a 13.1% drop in productivity. Please provide an explanation for this drop, and a summary of all steps the Applicant is taking or plans to take to reverse this trend of decreasing productivity. Please provide number of customers and FTEE, in the same format, for each of 2005, 2006 and 2007.

**Guelph Hydro's Response:**

Guelph Hydro does not accept the assertion that there has been a drop in productivity.

The implication that productivity is dropping would necessarily have to assume that there has been no change in services provided to customers over the time period mentioned. This is clearly not the case with numerous new legislative and regulatory driven requirements being added to Guelph Hydro's business. As illustrated in the company's 2011 – 2012 budget and business plan, time of use billing, Green Energy Act connection and smart grid requirements, mandated CDM targets, and increased regulatory compliance and reporting account for 50% of the increase in FTEE's in 2012 versus 2010.

In light of these new business requirements, Guelph Hydro does not agree with the statement in the question that productivity is declining.

Guelph Hydro has mitigated the impact of these increased services provided over time on productivity by implementing efficiencies. Please refer to EB-2011-0123 Exhibit 4, Tab 2, Schedule 7, pages 5 to 7 for more details.

We note that filing historical information prior to 2008 is not a requirement in this proceeding. However, Guelph Hydro has provided the requested information below:

Including Street Lighting, Sentinel and USL connections



	Actual 2008 CGAAP	Actual 2009 CGAAP	Actual 2010 CGAAP	Bridge Year 2011	Test Year 2012
Number of Customers/Connections (7)	61,301	62,260	63,285	64,857	66,470
Total OMA	9,833,172	9,815,349	9,768,304	9,729,964	9,729,964
OMA cost per Customer	160.41	157.65	154.36	150.02	146.38
Number of FTEEs	98	95	102	113	117
FTEEs/Customer	0.00160	0.00153	0.00161	0.00175	0.00176
OMA cost per FTEE	100,441	102,886	96,050	85,878	83,376
Number of Customers/Connections per FTEE	626	653	622	572	570
2012 to 2008 % Change	-9.04%				
2012 to 2009 % Change		-12.72%			

Excluding Street Lighting, Sentinel and USL connections

	Actual 2008 CGAAP	Actual 2009 CGAAP	Actual 2010 CGAAP	Bridge Year 2011	Test Year 2012
Number of Customers/Connections	47,983	48,860	49,795	51,042	52,321
Total OMA	9,833,172	9,815,349	9,768,304	9,729,964	9,729,964
OMA cost per Customer	204.93	200.89	196.17	190.63	185.97
Number of FTEEs	98	95	102	113	117
FTEEs/Customer	0.00204	0.00195	0.00204	0.00222	0.00223
OMA cost per FTEE	100,441	102,886	96,050	85,878	83,376
Number of Customers/Connections per FTEE	490	512	490	451	448
2012 to 2008 % Change	-8.53%				
2012 to 2009 % Change		-12.46%			

**Including Sentinel and Street Lighting Connections**

	2005	2006	2007
Number of Customers/Connections	57,119	58,513	60,010
Number of FTEEs	92	99.5	102.25
Number of Customers/Connections per FTEE	621	588	587

**Excluding Sentinel, Unmetered Scattered Load, and Street Lighting Connections**

	2005	2006	2007
Number of Customers/Connections	44,654	45,665	46,828
Number of FTEEs	92	99.5	102.25
Number of Customers/Connections per FTEE	485	459	458

36. [Ex. 4/2/6, p. 6] Please advise the amounts included for annual performance amounts for each of 2011 and 2012, and where they are included in the OM&A table.

**Guelph Hydro's Response:**

**Response to be completed later.**

37. [Ex. 4/2/6, p. 10] Please provide a table listing all positions that were “vacated during merger discussions”, and the actual date each such position was later filled after the merger discussions ended.

**Guelph Hydro's Response:**

During the merger discussions, some positions remained vacant as a result of employees vacating their position (i.e. *vacated positions*), or because of not filling any “new” positions (i.e. *unfilled positions*) covered under the last Cost of Service. It was decided not to fill these with ongoing employees until a final merger decision was made to avoid negative impacts on employees, and also related potential separation costs.

However, work continued to be done throughout merger discussions in such vacated positions, by temporarily using contracted out services or temporary employees, with more flexibility to end services should a merger occur. For example, contracted services or temporary employees were used to temporarily fill the in-house regulatory function, billing/settlements, customer inquiry, and key accounts. After a merger decision was made, such arrangements needed to end as they are not sustainable over the long-term.

Position	<i>Unfilled or vacated during merger discussions?</i>	What happened to the position?
Customer Inquiry and Regulatory Affairs Supervisor	Vacated	This position, along with the Rate Analyst position noted below, were reorganized into two positions: Manager of Regulatory Affairs filled on March 1, 2010 Customer Service Supervisor filled on April 18, 2011
Rate Analyst	Unfilled	Deleted due to reorganization. See above note
Billing/Settlements Supervisor	Vacated	Filled on November 10, 2008, right after the final merger decision was made
Key Account Manager	Unfilled	Filled on March 2, 2009
Vice-President	Vacated	Deleted. Services

Finance/CFO		purchased via shared services with Guelph Hydro Inc.
Technical Support Analyst - IS	Vacated	Reorganized and replaced with Systems Analyst filled on April 20, 2009
Technician/Technologist, Engineering	Unfilled	Filled on January 4th, 2010
SCADA & Communications Technologist	Unfilled	Currently at the end of the selection process, and will be filled in Q4, 2011.
System Control Operator	Unfilled	Filled on November 15, 2010.
"SMART meter/Advance Meter Information (AMI) position"	Unfilled	This resource was planned to be filled when more information was known on AMI requirements. This position was deleted due to reorganization of work and moving AMI related work to existing positions such as the Billing/Settlements Supervisor.
Customer Inquiry Clerk (full-time)	Vacated	Filled on April 1, 2009.
3 part-time Customer Inquiry Clerks (equivalent to 2.1 full-time)	1 vacated 2 unfilled	Filled by 2 full-time employees instead of 3 part-time employees on September 27, 2010 and October 4, 2010.

38. [Ex. 4/2/6] Please provide a list of all new positions created from January 1, 2010 to the end of the Test Year. For each, please provide the actual starting date for the employee filling the new position, if that person has been hired.

**Guelph Hydro's Response:**

New positions created since January 1, 2010 to the end of 2012 are listed below. Please note that some new positions were created from reorganization of existing positions or replacing existing positions. Several positions have also been deleted since 2008: Rate Analyst, GIS Supervisor, Customer Service and Regulatory Affairs Supervisor, CFO/VP Finance and President.

<b>Positions created</b>	<b>Comments</b>	<b>Employee Starting Date</b>
Manager Regulatory Affairs	Reorganization of the work. Replaced part of the Customer Service and Regulatory Affairs Supervisor position vacated during merger discussions and Rate Analyst which remained vacant during merger discussions.	March 1, 2010
Engineer-in-training	New	May 17, 2010
Business Analyst	New	March 22, 2010
HR & Payroll Advisor	New	November 22, 2010
Director of Communications	New	March 22, 2010
Chief Operating Officer	Replaced President position	August 17, 2010

Manager of Customer Service and Billing	New	November 1, 2010
Customer Service Supervisor	Replaced part of the Customer Service and Regulatory Affairs Supervisor position vacated during merger discussions.	April 18, 2011
Energy Services Representative	New	August 15, 2011
Part-time Administrative Assistant – Executive area	New	March 1, 2011
Energy Services position	New	Expected to be filled in Q1, 2012
SCADA and Communications Technologist	New, was an unfilled position arising from merger discussions	Currently at the end of the selection process, expected to be filled in Q4, 2011
Smart Grid Technician Resource #1	New	Expected to be filled after the OEB approves the GEA Plan. Date is currently unknown.
Smart Grid Technician #2	New	Expected to be filled after the OEB approves

		the GEA Plan. Date is currently unknown.
Senior Clerk	New	Currently at the end of the selection process, expected to be filled in Q4, 2011
Part-time Customer Inquiry Clerk	New	This position is currently temporarily filled and is expected to be filled in Q1, 2012.
Communications Coordinator/Specialist	New	Expected to be filled in Q1, 2012
Protection and Control Technologist	New	Expected to be filled in Q1, 2012



39. [Ex. 4/2/7, p. 1] Please provide the missing numbers that were not requested in 2008.

**Guelph Hydro's Response:**

The missing numbers are in reference to the "Last Approved Rebasing Year 2008" under Ex. 4/T2/Sc7 Appendix 2-K, numbers which were not requested by the OEB at that time.

The only missing numbers in Appendix 2-K are those relating to Compensation – Average Yearly Overtime, which is provided in the following table. As in Appendix 2-K, all dollar amounts are in actual dollar amounts (i.e. not in thousands)

Compensation – Average Yearly Overtime	Last Approved Rebasing Year - 2008
Executive	
Management	\$2,479
Non- Union	
Union	\$3,588
Total (weighted average)	\$3,064

The other missing numbers relate to Accrued Pension and Post-Retirement Benefits. Please refer to Dion Durrell's Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits, as at January 1, 2008, being submitted as an Appendix to this Question (please see the Appendix Guelph\_SEC\_IRR\_#39). Unfortunately, the report is not broken down by various employee groups and Guelph Hydro is unable to provide this level of detail without having another actuarial study done. Guelph Hydro is only able to report the Total, as currently reported in Appendix 2-K.

40. [Ex. 4/2/7, p. 2] Please confirm that the App. 2-K includes FTEEs and costs that are actually borne by GHI and other affiliates through sharing arrangements, and excludes FTEEs and costs that are actually borne by the Applicant for employees of GHI and other affiliates. Please provide an analysis of the impact of this presentation on the FTEEs and costs of the regulated utility as set forth in this required filing.

**Guelph Hydro's Response:**

Appendix 2-K provides total actual (or budgeted for 2011 and 2012) Guelph Hydro compensation costs and FTE's, without netting out the intercompany transaction charges. Therefore, Appendix 2-K includes the Applicant's FTEE's and costs that are actually borne by GHI and other affiliates through sharing arrangements, and excludes GHI and other affiliate FTEE's and costs that are actually borne by the Applicant.

An analysis of shared services and related costs, whether borne or gained by the Applicant, is provided in a separate part of this application. Please refer to EB-2011-0123 Exhibit 4, Tab 2, Schedule 8 Appendix 2-L for details of employee costs being transferred between the Applicant and GHI/affiliates.

41. [Ex/ 4/2/7, p. 3] Please provide the impact of the change in presentation of agency contractors.

**Guelph Hydro's Response:**

The only year where agency contractors were incorrectly reflected in Appendix 2-K was in the Last Approved Rebasing Year, 2008, in the "number of employees" section. Here is the impact of removing the agency contractors from FTE numbers. All other numbers remain unchanged.

	Revised numbers showing removal of Agency contracts Last Approved Rebasing Year - 2008
Number of Employees (including Part-time)	
Management	33
Non-Union	6
Union	72
Total	111
Number of Part-Time Employees	
Management	0
Non-Union	6
Union	0
Total	6

42. [Ex. 4/2/7, p. 3] Please define the term “confidential employees” as used in this Application.

**Guelph Hydro's Response:**

Confidential employees include all non-unionized employees who are not in a supervisory role but who have a managerial role and/or have access to information of a confidential nature, such as payroll, strategy, labour relations, personal employee information. For example, Executive Administrative Assistants, Business Analyst, Senior Systems Analyst.

43. [Ex. 4/2/7] Please provide, for each year from 2008 through 2012, the number of students employed during the year (not by FTEEs, but by actual number of part-time employees at any time during the year).

**Guelph Hydro's Response:**

The following table sets out the number of student terms filled by year. Each student is hired for a four month term.

<b>YEAR</b>	<b>NUMBER OF STUDENT TERMS</b>
<b>2008</b>	<b>16 (actual)</b>
<b>2009</b>	<b>10 (actual)</b>
<b>2010</b>	<b>12 (actual)</b>
<b>2011</b>	<b>14 (actual)</b>
<b>2012</b>	<b>12 (budget)</b>

44. [Ex. 4/2/7, p. 58] Please provide the basis on which the Applicant believes its compensation and HR policies are “competitive” with other Ontario companies, including any compensation or other studies undertaken.

**Guelph Hydro's Response:**

The Company's compensation philosophy is to be competitive with comparable size organizations for similar roles. The primary market for LDC specific roles is the LDC market and the primary market for non-industry roles is the broader market place. “Competitive” does not mean being at the top or bottom, but generally in the median/average ranges for similar roles. Guelph Hydro conducts studies on periodic basis to ensure it is competitive. In 2010, a major study was undertaken with Mercer to review salary structures and incentive programs for Guelph Hydro's Board's approval. The study results which were implemented in 2011 is detailed in one of the Appendices (i.e. Appendix Guelph\_SEC\_IRR#44\_PaylineAnalysis and Guelph\_SEC\_IRR#44\_IncentivePlan) to this question. A second Appendix (i.e. Appendix Guelph\_SEC\_IRR#44\_PaylineAnalysis) shows Mercer's Payline analysis of where Guelph Hydro is in relation to other markets such as the LDC market and the Greater Toronto and Southwestern Ontario market. The third Appendix (i.e. Appendix Guelph\_SEC\_IRR#44\_PlanDesignComparision) related to this question is the result of a comparison conducted by the Williamson Group in 2009 with other LDCs in their data bank, relating to Guelph Hydro's benefit plans.

45. [Ex. 4/2/7, p. 61] Please provide a copy of the Applicant's incentive plan or plans.

**Guelph Hydro's Response:**

Guelph Hydro's incentive plan, which is the result of the Mercer study conducted in 2010, is in Appendix Guelph\_SEC\_IRR#44\_IncentivePlan.

**Issue 4.5 Is the test year forecast of property taxes appropriate?**

46. [Ex. 4/3/3] Please explain the substantial increase in net property taxes in 2011 and 2012.

**Guelph Hydro's Response:**

The significant increase in property taxes forecasted for 2011 and 2012 is due to the inclusion of an estimated \$88K – 2011, \$92K – 2012 in property taxes related to Guelph Hydro's new Transformer Station. This estimate was determined based on information obtained from the Assessment Review Office of the City of Guelph.



**Issue 4.6 Is the test year forecast of PILs appropriate?**

**COST OF CAPITAL AND RATE OF RETURN**

**Issue 5.1 Is the proposed capital structure, rate of return on equity,  
and short term debt rate appropriate?**

**Issue 5.2 Is the proposed long term debt rate appropriate?**

47. [Ex. 1/3/1, App. E, p. 34] Please confirm that all of the \$65 million December 2010 debentures are held by arms-length third parties. If any material percentage of those debentures are held by non-arms-length parties, please provide details.

**Guelph Hydro's Response:**

All of the \$65 million debentures are held by arms-length parties.

## **SMART METERS**

### **Issue 6.1 Is the proposed inclusion of the smart meter costs in the 2012 revenue requirement appropriate?**

48. [Ex. 4/2/6, p. 2] Please confirm that the Test Year OM&A budget includes \$703,311 of smart meter expenses incurred in prior periods.

#### **Guelph Hydro's Response:**

The test year OM&A budget includes \$701,311 of smart meter expenses incurred in prior periods

**Issue 6.2 Is the proposed disposition of the balances in variance  
accounts 1555 and 1556 appropriate?**

**Issue 6.3 Is the proposal related to stranded meters appropriate?**

## **COST ALLOCATION**

### **Issue 7.1 Is Guelph Hydro's cost allocation appropriate?**

**Issue 7.2 Are the proposed revenue-to-cost ratios for each class appropriate?**



**RATE DESIGN**

**Issue 8.1 Are the fixed to variable splits for each class appropriate?**

**Issue 8.2 Are the proposed Retail Transmission Service Rates  
appropriate?**

**Issue 8.3 Are the proposed LV rates appropriate?**

**Issue 8.4 Are the proposed loss factors appropriate?**

**DEFERRAL AND VARIANCE ACCOUNTS**

**Issue 9.1 Are the account balances, cost allocation methodology  
and disposition period appropriate?**

**Issue 9.2 Are the proposed rate riders to dispose of the account  
balances appropriate?**

**Issue 9.3 Are the proposed balances for Other Regulatory Assets –  
Sub-account Deferred IFRS Transition Costs appropriate?**

49. [Ex. 4/2/5, p. 9] Please advise which costs were paid to arms length third parties, and which costs were internal to the Applicant or its affiliates. For all internal costs, please describe how they are incremental to the Applicant's normal budget.

**Guelph Hydro's Response:**

All of the costs listed in the table were paid to arm's length third parties with the exception of the line item "Participation of Staff" \$11,651 which represents a dedicated co-op student who was hired to work on the project.

50. [Ex. 4/2/5, p. 14] Please confirm that each of the steps described on this chart has been completed prior to December 31, 2010. If any have not, please advise their status and all costs incurred after that date.

**Guelph Hydro's Response:**

All of the steps in the chart have been completed by December 31, 2010. No further third party costs have been incurred associated with the implementation phase of the project.



**LRAM/SSM**

**Issue 10.1 Is the proposal related to LRAM/SSM appropriate?**

**MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Issue 11.1 Is the proposed revenue requirement determined using modified IFRS appropriate?**

51. [Ex. 1/2/4, p. 3] Please provide a detailed breakdown (explanatory and numeric) of all impacts of IFRS (as compared to CGAAP) on the Historical Year and Bridge Year costs, revenues, and rate base, and the Test Year revenue requirement, including but not limited to differences in depreciation rates or methods, inclusion of asset retirement obligations, differences in pension and OPEB accounting, and changes in amounts capitalized. Please provide details of all changes in capitalization policy resulting from the change to IFRS on January 1, 2011.

**Guelph Hydro's Response:**

**Response to be completed later.**

52. [Ex. 1/2/6] Please confirm that this exhibit has been prepared on the assumption that IFRS has been used for both the Bridge and Test Years. Please restate all figures in the Revenue Requirement Work Form on the assumption that CGAAP is used for both the Bridge and Test Years. Please provide an explanation of any material differences from the IFRS figures.

**Guelph Hydro's Response:**

Per the Board's filing requirements, only the pivot year (2010) has been prepared under both CGAAP and IFRS. The Bridge and Test Years are prepared under IFRS.

Restating all figures under CGAAP would be time consuming process that would need significant analysis and manual effort to produce. Guelph Hydro does not have a budgeting system that has the ability to restate financial statements under different accounting policies.

53. [Ex. 1/3/2, App. F and G] With respect to the Pro Forms:

- a. Please provide 2010 actuals in the same format, first in CGAAP and second in IFRS.

**Guelph Hydro's Response:**

Please see Appendix Guelph\_BoardStaff\_IRR\_#3.

- b. Please confirm that App. F and G are prepared using IFRS. If they are not prepared using IFRS, please provide on that basis.

**Guelph Hydro's Response:**

Guelph Hydro confirms that App. F and G are prepared using IFRS.

- c. Please provide App. F and G using CGAAP (assuming the current presentation is IFRS).

**Guelph Hydro's Response:**

As per response to Interrogatory #52 we are unable to provide the requested information on a CGAAP basis.

54. [Ex. 4/2/5, p. 2] Please restate this table two ways: first, with all figures for all years based on CGAAP, and second, with all figures for all years based on IFRS.

**Guelph Hydro's Response:**

As per response to Interrogatory #53(a) we are unable to provide the requested information for 2011 and 2012 on a CGAAP basis. By extension we are unable to provide IFRS financial information for the periods preceding 2010. Under IFRS rules the earliest date that Guelph Hydro was required to present information on an IFRS basis was January 1, 2010 i.e. the opening balance sheet date for the comparative year to 2011. Since there is no requirement under IFRS rules, or by the Ontario Energy Board to provide IFRS financial information prior to 2010, and due to significant amount of time and resources that would be required to restate 2008 and 2009 on an IFRS basis we are unable to provide the requested information.

55. [Ex. 4/2/6, p. 21-23] Please identify the impact on each variance of the change from CGAAP to IFRS, including both the dollar amount and the reason for it.

**Guelph Hydro's Response:**

All significant variances resulting the change from CGAAP to IFRS related to these schedules are discussed on Ex. 4/2/6 Variance Analysis on OM&A costs.

**GREEN ENERGY ACT PLAN**

**Issue 12.1 Is Guelph Hydro's Green Energy Act plan, including the Smart Grid component of the plan, appropriate?**

## Appendices



**Appendix Guelph\_SEC\_IRR\_#2 – Budget and Business Plan Presentation**

# Guelph Hydro Electric Systems Inc.

## 2011-12 Budget Presentation and Five Year Outlook

CONFIDENTIAL

1

## Strategic Plan Context

- Lead Ontario in powering community well being and environmental stewardship with sustainable energy solutions
  1. Deliver balanced financial and social returns by investing in quality energy production and distribution infrastructure
  2. Be a leader in the provision and implementation of an energy conservation and sustainable energy culture to our customers and employees that is consistent with the energy initiatives of our shareholder and Province
  3. Be a leader in efficient, safe, reliable, and economic distribution of energy
  4. Be a great place to work and communicate it to attract and retain employees
  5. Ensure we enhance our position as an asset to our shareholder and the communities by engaging all stakeholders in our key initiatives and objectives

## New Business Requirements in 2011

Requirement	Origin	Impact on Resources	
		Operating	Capital
Time of use rates	Ministry	FTE's \$0.2M Customer Communication \$0.1M	\$0.6 million
Transformer station	Customer growth	\$100K Property tax and maintenance	\$10.9 million
Conservation targets / Smart Grid	Green Energy Act	1 FTE (Energy Services Rep) \$0.1M	\$0.0
Collection procedures	OEB	0.5 FTE filled by internal efficiency	\$0.0

Note that capital budget does not yet reflect Smart Grid Plan – amounts are anticipated to be less than \$5M over 5 years.

## Key Overarching Assumptions

- GHESI \$65M private placement of debentures at 5.5%
- 1.0% revenue growth from new load assumed in 2011 and 2012
- Successful IRM application (13% increase May 1, 2011)
- January 1 effective date for 2012 rate rebasing
  - Assumes 9.85% ROE
  - 15% distribution rate increase
- Remaining transformer station investment \$10.9M (2011)
- GHI investments 2011 - 2015
  - Solar (1.7 MW) \$3.1M (\$12.4M levered)
  - District Energy / CHP \$9.4M (\$30.0M levered)
  - Total \$12.5M (\$42.4M levered)

# 2011-2012 HR Planning GHESI

- Human Resources needed for 2011 and 2012 deliverables
  - 2011 and 2012 compensation

November 23<sup>rd</sup>, 2010  
Board Meeting

## HR Challenges and Context

GHESI Plan and HR Challenges	Industry/Environmental Context
<ul style="list-style-type: none"> <li>• Building of Transformer Station</li> <li>• Implementation of IFRS</li> <li>• Cost of Service Rate Application</li> <li>• Time of Use complexity and billing requirements</li> <li>• Green Energy Act Smart Grid Plan targets and strategy</li> <li>• Document Management/knowledge transfer</li> <li>• Compensation Plan Implementation</li> <li>• Succession Planning: 23 GHI/GHESI employees <u>could</u> retire by 2016, and 31 more <u>could</u> retire by 2021</li> <li>• Payroll/HRIS efficiencies</li> <li>• New OEB Regulations: Collections and Disconnection Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Aging population in the electrical industry is worse than in other sectors.</li> <li>• No age limit on how long employees can work.</li> <li>• Skills shortages possible in trades, technical and "power" engineering.</li> <li>• Regulatory pressure in all areas (OEB, Human Resources, Safety, Environmental, etc.) is creating more work.</li> <li>• Low diversity; more and more employees will be of more and more diverse backgrounds.</li> <li>• Changing technology, roles and jobs in the energy space requiring continuous learning and adaptation.</li> </ul>
<p><b>STRATEGY:</b> <i>Be a great place to work and communicate it to attract and retain employees</i></p> <p><b>VALUE:</b> <i>We care about our people. We foster and respect their talents and value the contribution they make to the Company's ongoing success.</i></p>	

***FIVE Additional 2011 FTE Requirements***  
**(see Appendix for details on benefits/risks)**

Position	Comment/Cost (in Millions)
1. Customer Service Supervisor	TOU and new Billing Requirements
2. "Smart Grid Resource #1"	GEA Smart Grid Plan
3. Energy Services Representative	OEB CDM targets
4. Senior IBEW Clerk – Engineering/CDM/Operations	Succession planning/knowledge transfer
5. Part –time IBEW Customer Service Clerk	Anticipated call volume increase
<b><i>TOTAL COST OF FIVE ADDITIONAL 2011 FTE'S</i></b>	<b><i>\$0.4</i></b>
Students (equivalent to 4 FTE's)	Investing in future employees
Part-time, temporary administrative assistant- executive	Executive area workload
<b><i>TOTAL COST OF STUDENTS &amp; TEMPORARY STAFF</i></b>	<b><i>\$0.2</i></b>



***Four Additional 2012 FTE Requirements  
(see Appendix for details on benefits/risks)***

Position	Comment/Cost (in Millions)
P&C Technologist	Transformer Station maintenance
"Smart Grid Resource #2"	GEA Smart Grid Plan
Communications Specialist	Inform/educate customers. Website updates.
Administrative Assistant, HR	Executive area workload
<b><i>TOTAL COST OF ADDITIONAL 2012 FTE'S</i></b>	<b><i>\$0.4</i></b>
Students (equivalent to 4 FTE's)	Investing in future employees
<b><i>TOTAL COST OF STUDENTS &amp; TEMPORARY STAFF</i></b>	<b><i>\$0.2</i></b>

## 2011 Inter-Company Efficiencies (FTE equivalents)

Position (*New in GHESI. See Appendix)	GHESI	GHI
Corporate Secretary(GHI)	0.4	0.4
COO (GHESI)	0.85	0.15
CFO (GHI)	0.75	0.25
Vice- president, HR (GHESI)	0.70	0.30
Director Corporate Communications (GHESI)	0.5	0.5
Manager— Corporate Development (GHI)	0.25	0.75
Construction Project/Site Supervisor (GHI)	0.5	0.5
Adm. Assistant /Project Adm. (GHI)	0.25	0.75
Payroll Officer (GHESI)	0.85	0.15
HR/Payroll Advisor (GHESI)	0.85	0.15
Document Management (GHI)	0.5	0.5
Temporary part-time Adm. Assistant (GHESI) *	0.25	0.25
Total 11.5 Full Time Equivalents (FTE) Shared	6.65	4.65
<b>NET COST TO GHESI/GHI</b>	\$19,000	\$0

## 2012 Inter-Company Efficiencies (FTE equivalents)

Position (*New in GHESI. See Appendix)	GHESI	GHI
Same 11.5 FTE's shared as in 2011	6.65	4.65
Adm. Assistant, HR (GHESI)*	0.95	0.05
Communications Specialist (GHESI)*	0.5	0.5
Total 13.5 Full Time Equivalents (FTE) Shared in 2012	8.1	5.2
<i>NET COST TO GHESI/GHI</i>	\$0	\$118,000

# Financial Plan

GHESI

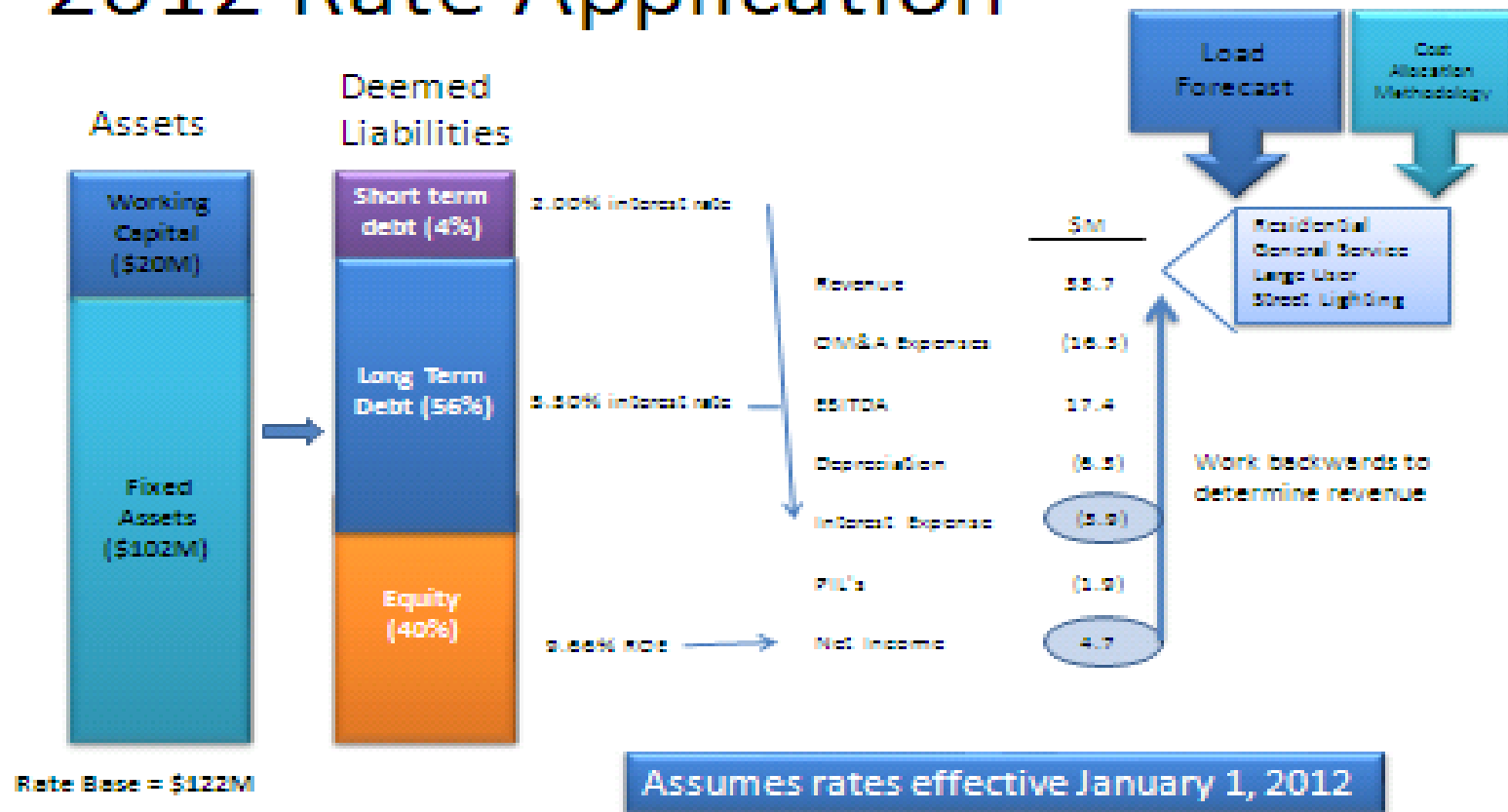
## Revenue Rate Assumption 2011 IRM Formula

- Price escalation: 1.30%
- Productivity factor: 0.72
- Stretch factor: 0.40
- Net Increase: 0.18%

### Additional rate riders applied for:

Incremental capital	\$1.9M
Smart meter	\$1.0M

# 2012 Rate Application



## Conservation and Demand Management

- 2009 impact on revenue was estimated to be \$200K (< 1%)
- 2012 “Test Year” for rate application will be based on a load forecast that incorporates conservation results

## GHESI IFRS Impacts - 2011

### Income Statement Items

- Other revenue
- Distribution revenue
- Operating and maintenance expense
- Depreciation expense

### Impact

- \$0.9M increase due to recognition of contributed capital as revenue
- \$2.1M increase due to revenue recognition of rate riders for IRM
- \$2.7M increase as a result of IFRS capitalization policies
- \$1.4M decrease due to increase in asset useful life estimates

Note that revenue and cost of sales variability due to "pass through" items are not captured in this budget.

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## Expense Variances 2011 versus 2010 (IFRS)

- Operations and maintenance (\$000)
  - New FTE's \$431
  - Relocation allowance \$50
  - Transformer station \$94
  - Maintenance work orders \$165
  - Smart meter daily operation \$225
  - Payroll increase \$244
  - \$1,209
- Billing & Collecting
  - New FTE's \$253
  - Payroll increase \$50
  - Bad debt \$25
  - \$328
- Information Systems \$110

## Expense Variances 2011 versus 2010 (IFRS)

- General & Administration (\$000)
  - New FTE \$84
  - Time of use customer education \$90
  - Web site development \$150
  - Cost of service third party services \$200
  - Annual payroll increase \$125
  - Relocation expense (Dir of Ops) \$50
  - Outside services (HR) \$80
  - Document manager (temp) \$34
  - Intercompany \$75
  - Insurance \$50
  - Property taxes \$100
  - One time 2010 items (\$881)
  - \$157

# Capital Summary

	\$ Thousands						
	2010 COGAP Budget	2010 COGAP Forecast	2011 IFRS Budget	2012 IFRS Budget	2013 IFRS Budget	2014 IFRS Budget	2015 IFRS Budget
Land	2,000	1,880	-	-	-	-	-
Substations	3,315	1,944	10,875	-	-	-	-
Feeders / Infrastructure	4,139	6,245	4,389	3,950	4,069	4,191	4,316
Rehabilitation	2,371	948	2,554	2,800	2,884	2,971	3,060
Subdivisions	2,009	2,118	1,946	2,000	2,060	2,122	2,185
Commercial/ Industrial	645	788	549	575	592	610	628
Other							
Metering	6,205	7,541	609	625	644	663	683
SCADA	395	576	254	200	206	212	219
IT Capital	520	520	420	500	500	525	525
Building / Fixtures	75	75	85	83	87	91	92
Office Equipment / Graphics	75	75	50	53	55	58	60
Rolling Stock	625	625	450	485	425	500	525
Major Tools	50	50	60	65	58	61	65
	7,945	9,462	1,928	2,010	1,975	2,110	2,168
Gross Capital	22,474	23,985	22,241	11,335	11,579	12,003	12,358
Contributed Capital	1,775	4,317	2,679	2,425	2,488	2,573	2,650
Net Capital	20,699	19,668	19,562	8,910	9,092	9,430	9,708

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## Summary P&L Slides

	\$ Thousands						Index to	
	Prior Year	2010 Budget	2010 Forecast	2010 IFRS	2011 Budget	2012 Budget	2011 to IFRS	2012 to 2011
Distribution Revenue	23,410	23,910	23,733	24,177	26,076	29,927	108	115
Total Operating Revenue	26,187	26,465	26,637	27,849	29,726	33,709	107	113
OMS&A Expenses	10,235	10,798	11,011	14,092	15,994	16,349	113	102
Income Before Tax	6,746	4,969	5,493	5,724	4,044	7,364	71	182
Net Income	3,417	3,379	3,571	3,650	2,902	5,431	73	187
Regulatory Adjustments:								
- Contributed Capital	-	-	-	(553)	(659)	(712)		
- Reg Assets/Liab	-	-	-	(320)	(1,507)	-		
Modified IFRS (OEB)	-	-	-	3,077	736	4,718		
Deemed ROE	6.5%	6.7%	7.5%	6.3%	1.5%	9.65%		

Expect to achieve maximum allowed ROE upon re-basing

# Revenue

	\$ Thousands						Index to	
	Prior Year	2010 Budget	2010 Forecast	2010 IFR 8	2011 Budget	2012 Budget	2011 to IFR 8	2012 to 2011
DISTRIBUTION REVENUE								
Residential	13,130	13,241	13,130	13,536	14,763	17,669	109	120
General Service	9,171	9,697	9,436	9,473	10,138	11,031	107	109
Large User	979	837	1,033	1,033	1,001	1,048	97	105
Street Lighting	130	135	135	135	174	178	129	102
TOTAL DISTRIBUTION REVENUE	23,410	23,910	23,733	24,177	26,076	29,927	108	115
OTHER REVENUE	2,777	2,546	2,904	3,672	3,660	3,782	99	104
NET OPERATING REVENUE	\$26,187	\$26,456	\$26,637	\$27,849	\$29,736	\$33,709	107	113

13% Rate increase  
(for 8 months)

15% Rate increase  
(for 12 months)

# Expenses

	\$ Thousands						Index to	
	Prior Year	2010 Budget	2010 Forecast	2010 IFRS	2011 Budget	2012 Budget	2011 to IFRS	2012 to 2011
O M & A EXPENSES								
Operations and Maintenance	3,167	3,143	2,948	5,653	6,867	7,321	121	107
Billing and Collecting Expenses	2,291	2,514	2,382	2,382	2,748	2,829	116	103
Information Systems	991	1,074	1,062	1,062	1,172	1,208	110	103
General Administration Expenses	3,786	4,067	4,642	5,015	5,207	4,991	104	96
<b>TOTAL O M &amp; A Expenses</b>	<b>10,235</b>	<b>10,798</b>	<b>11,011</b>	<b>14,092</b>	<b>15,994</b>	<b>16,349</b>	<b>113</b>	<b>102</b>

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## Net Income

	(\$ Thousands)						Index to	
	Prior Year	2010 Budget	2010 Forecast	2010 IFR 8	2011 Budget	2012 Budget	2011 to IFR 8	2011 to 2012
DEPRECIATION	6,482	7,409	7,409	5,309	5,973	6,281	113	106
FINANCIAL EXPENSE	2,714	3,279	2,724	2,724	3,715	3,735	136	101
INCOME BEFORE TAX	6,748	4,989	5,483	5,724	4,044	7,384	71	182
TAX	3,329	1,690	1,822	1,774	1,142	1,933	64	189
NET INCOME	3,417	3,379	3,671	3,950	2,902	5,431	73	187
Implied Tax Rates	49.36%	32.00%	33.17%	31.00%	28.25%	26.25%		

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**Appendix Guelph\_SEC\_IRR\_#5\_1 – Shareholder Declaration (old version)**

ORIGINAL ENCLURE  
DATED NOV 1/00

**CITY OF GUELPH – SHAREHOLDER DECLARATION**



## **CITY OF GUELPH**

### **SHAREHOLDER DECLARATION**

#### **Definition and Interpretation Section**

"Acquisition Threshold" shall have the meaning set out in Subsection 9.7;

"Act" means the *Energy Competition Act, 1998* (Ontario);

"Base Dividend" shall have the meaning set out in Paragraph 1(d);

"Board" means the board of directors of the Corporation;

"Chair" means the chair of the Board;

"Corporation" means Guelph Hydro Inc. incorporated pursuant to Section 142 of the Act;

"Council" means the city council of the Shareholder;

"IMO" means the Independent Electricity Market Operator;

"Initial Period" shall have the meaning set out in Subsection 4.10;

"Mayor" means the Mayor of the Corporation of the City of Guelph;

"Mayor's Designate" shall have the meaning set out in Subsection 4.2;

- 2 -

"Minor Acquisition" shall have the meaning set out in Subsection 9.7;

"Minor Transaction" shall have the meaning set out in Subsection 9.8;

"Nominating Committee" means a committee of the Board established by the Board for the purpose set out in Subsection 4.8;

"OBCA" means the *Business Corporations Act* (Ontario);

"OEB" means the Ontario Energy Board;

"OEB Act" means the *Ontario Energy Board Act, 1998* (Ontario);

"President and CEO" means the president and chief executive officers of the Corporation;

"Private Directors" shall have the meaning set out in Subsection 4.2;

"Shareholder" means the Corporation of the City of Guelph;

"Shareholder Declaration" means this shareholder declaration;

"Shareholder Representative" shall have the meaning set out in Subsection 6.1;

"Subsidiaries" means the subsidiary corporations (as defined in the OBCA) of the Corporation and each Subsidiary is affiliated (as defined in the OBCA) to the Corporation;

"Transaction Threshold" shall have the meaning set out in Subsection 9.8; and

"WiresCo" shall have the meaning set out in Subsection 5.2.

1. *Purpose*

- 1.1 This Shareholder Declaration outlines the expectations of the Shareholder relating to the principles of governance and other fundamental principles and policies of the Corporation and in some cases, the Subsidiaries. Except as provided in Sections 6 and 9, this Shareholder Declaration is not intended to constitute a unanimous shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the Board or the board of directors of any Subsidiary.

2. *Permitted Business Activities*

- 2.1 Subject to the restrictions in Section 9, the Corporation and the Subsidiaries may engage in the business activities which are permitted by any law applicable to the Corporation and the Subsidiaries from time to time, including the Act and as the Board or the boards of directors of the Subsidiaries may authorize including, without limitation, the business activities referred to in Subsection 2.2. In so doing, the Corporation and its Subsidiaries shall conform to all requirements of the OEB, the IMO and all other applicable regulatory or governmental authorities.

- 2.2 As at the date hereof, the Corporation or one or more Subsidiaries may engage in any one or more of the following business activities and such other business activities as may be permitted by law and authorized by the Board or board of directors of any Subsidiary, as applicable, from time to time:

- (a) transmitting or distributing electricity;
- (b) owning and/or operating an electricity generation facility;
- (c) retailing electricity;

- (d) distributing or retailing gas or any other energy product which is carried through pipes or wires to the user;
- (e) business activities that enhance or develop the ability of the Corporation to carry on any of the activities described in paragraphs (a), (c) or (d) above;
- (f) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary, as applicable, including providing meter installation and reading services, providing billing services and business activities in the telecommunications area;
- (g) renting, selling or maintaining equipment and appliances, including without limitation, hot water heaters;
- (h) managing or operating, on behalf of a Shareholder, the provision of a public utility as defined in Section 1 of the *Public Utilities Act* (Ontario) or sewage services; and
- (i) providing services related to improving energy efficiency.

### 3. *Standards of Governance*

- 3.1 As required by the OBCA, the Board and the board of directors of any Subsidiary shall supervise the management of the business and affairs of the Corporation and any Subsidiary respectively, and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation or the Subsidiary respectively and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Shareholder expects the Board to observe substantially the same standards of corporate governance as may be established from time to time by the Toronto Stock Exchange, an excerpt of which is attached to this Shareholder Declaration as

Schedule "A", or any other applicable regulatory or governmental authority in Canada for publicly traded corporations with such modifications as may be necessary to reflect the fact that the Corporation itself is not a publicly traded corporation.

4. ***Board of Directors***

- 4.1 Number of Directors - The Corporation shall be governed by the Board which shall consist of a minimum of five (5) and a maximum of seven (7) directors to be appointed by the Shareholder. The Shareholder shall, by special resolution, designate the number of members of the Board to hold office from time to time. The initial Board shall be comprised of seven (7) directors.
- 4.2 Composition of Board - The Board shall be comprised of the Mayor or another serving member of Council designated by the Mayor (the "Mayors Designate"), the President and CEO, and up to five (5) other directors who shall be non-members of Council ("Private Directors").
- 4.3 Qualification of Directors - In addition to sound judgment and personal integrity, the qualifications of candidates for the Board or the board of directors of any Subsidiary may include:
- (a) awareness of public policy issues related to the Corporation or a Subsidiary, as applicable;
  - (b) business expertise (including retail experience);
  - (c) experience on boards of significant commercial corporations;
  - (d) financial, legal, accounting and/or marketing experience;

- (e) regulated industry knowledge including, but not limited to, knowledge of municipal electric utilities; and
- (f) knowledge and experience with risk management strategy.

4.4 Residency - Preference may be given to qualified candidates for the Board who are residents of the Shareholder, however non-residents of the Shareholder shall not be excluded from serving as Board members.

4.5 Excluded From Chair's Position - Neither the President and CEO, the Mayor nor the Mayor's Designate may serve as the Chair.

4.6 Term - The term for each member of the Board shall be as follows:

- (a) The Mayor or the Mayor's Designate shall serve as a member of the Board as long as such person remains in office during the municipal term of each Council.
- (b) The President and CEO shall serve as a member of the Board for a three (3) year term.
- (c) The initial five (5) Private Directors shall be appointed by the Shareholder as follows - two (2) Private Directors for a one year term, two (2) Private Directors for a two year term, and one (1) Private Director for a three year term. Following the appointment of the initial Board, the Shareholder shall appoint directors to the Board to fill vacancies as required. All directors of the Corporation appointed to fill vacancies of the Board shall serve three (3) year terms.

- (d) Any member of the Board may serve for successive terms as determined by the Shareholder.
- 4.7 Board Committees - The Board may establish committees of the Board in the Board's discretion. The Shareholder anticipates that the Board will establish the following committees:
- (a) Audit and Finance Committee to review financial results;
  - (b) Governance Committee to determine senior management and directors' compensation; and
  - (c) Nominating Committee to identify, evaluate and recommend potential Board candidates to the Shareholder.
- 4.8 Role of Nominating Committee - After the initial Board is appointed, the Shareholder shall consider candidates nominated by the nominating committee of the Board (the "Nominating Committee"), but shall not be obliged to select such candidates. It is expected that the Nominating Committee will develop a process to identify and evaluate potential Board candidates in order to recommend a slate of qualified candidates to the Shareholder.
- 4.9 Directors' Compensation - The Board may establish compensation for members of the Board and the Chair in amounts sufficient to attract candidates with necessary qualifications and consistent with industry norms and standards for comparable businesses. The President and CEO, and the Mayor or the Mayor's Designate shall not receive any compensation for serving on the Board.
- 4.10 Directors of Subsidiaries - The directors of the Subsidiaries shall be chosen by the Board and shall be subject to the requirements contained in the OEB's Affiliate Relationships Code.

For the initial period from the date hereof until three (3) years following (the "Initial Period"), each Subsidiary shall have seven (7) members on its respective board of directors. Following the Initial Period, each Subsidiary shall have five (5) members on its respective board of directors.

**5. *Financial Policies, Risk Management and Strategic Plan***

5.1 The Shareholder expects that the Board will establish policies to:

- (a) Capital Structure - develop and maintain a prudent financial and capitalization structure for the Corporation and its Subsidiaries consistent with industry norms and sound financial principles and established on the basis that the Corporation and its Subsidiaries are intended to be self-financing entities;
- (b) Distribution Rates - ensure the establishment of just and reasonable rates for the regulated distribution business of the Corporation, or any of its Subsidiaries, which are:
  - (i) consistent with similar utilities in comparable growth areas and as may be permitted under the OEB Act;
  - (ii) intended to enhance the value of the Corporation and its Subsidiaries; and
  - (iii) consistent with the encouragement of economic development and activity within the Shareholder;



- (c) Returns - enhance Shareholder value by generating a reasonable return:
  - (i) comparable to the returns on the regulated distribution businesses received by other comparable municipalities as permitted by the OEB pursuant to the OEB Act;
  - (ii) through the payment of dividends, interest or otherwise; and
  - (iii) consistent with a prudent financial and capitalization structure and maintaining just and reasonable rates;
- (d) Dividends - ensure the payment of a dividend of 1.5 million dollars (the "Base Dividend") to the Shareholder annually beginning one year following the opening of the competitive electricity market in Ontario, but subject to compliance with the provisions of the OBCA and prudent financial practices employed in the discretion of the Board. The dividend policy shall include provision that the Board may, after consultation with the Shareholder and consideration of various relevant factors in the payment of a dividend (including without limitation the factors set out directly below) declare and pay to the Shareholder, in the discretion of the Board, a dividend in excess of the Base Dividend. Factors relevant in the Board's determination of whether a dividend in excess of the Base Dividend ought to be declared and paid by the Corporation to the Shareholder include, without limitation, the following:
  - (i) financial/business plans (developed in accordance with Subsection 5.6) and requirements of the Corporation and its Subsidiaries;
  - (ii) reinvestment requirements of the Corporation and its Subsidiaries; and
  - (iii) financial/business plans and requirements of the Shareholder.

- (e) Risk Management - manage all risks related to the business conducted by the Corporation and its Subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and
- (f) Strategic Plan - develop a long range strategic plan for the Corporation and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business for the Shareholder.

5.2 The Shareholder expects that the Board and the board of directors of the Subsidiary that is licensed by the OEB to distribute electricity ("WiresCo") shall use their best efforts to ensure that the distribution rates (over which WiresCo has control subject to applicable laws) charged to customers of WiresCo shall:

- (a) be fair, just and reasonable in all the circumstances;
- (b) be made in accordance with OEB price cap adjustment regulations which shall not exceed the OEB input price index less a productivity factor (in extraordinary and unpredictable circumstances (for example, a tornado), an additional cost may be allowed by the OEB to recover costs related to damages arising out of such circumstances); and
- (c) be competitive with the distribution rates charged by other corporations of similar size and in the same business as WiresCo.

6. *Decisions of the Shareholder & Shareholder Representative*

- 6.1 The Shareholder hereby designates the Mayor or the individual designated by the Mayor from time to time as the legal representative of the Shareholder (the "Shareholder

Representative") for purposes of communicating to the Board pursuant to Subsection 6.2, any consent or approval required by this Shareholder Declaration or by the OBCA.

- 6.2 Approvals or decisions of the Shareholder required pursuant to this Shareholder Declaration or the OBCA shall require a resolution or by-law of Council passed at a meeting of Council and shall be communicated in writing to the Corporation's Board and signed by the Shareholder Representative.

7. *Public Meetings and Annual Resolution*

Within 6 months after the end of each fiscal year of the Corporation,

- 7.1 Annual Report to Meeting of Council - the Board shall report to a public meeting of Council and the Chair or the President and CEO shall attend such meeting and provide such information concerning the Corporation and its Subsidiaries as is appropriate pursuant to this Shareholder Declaration.

7.2 Annual Resolutions:

- (a) the Shareholder shall, at an in camera meeting of Council, consider candidates for the Board as proposed by the Nominating Committee and the appointment of the auditors of the Corporation and receive the audited financial statements of the Corporation for the last completed fiscal year; and
- (b) the Shareholder, by resolution in writing signed by the Shareholder Representative in accordance with Section 6, shall appoint the necessary members of the Board and appoint the auditors for the Corporation and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA.

8. *Reporting on Major Developments*

The Board may from time to time report to Council on major business developments or materially significant or adverse results as the Board, in its discretion, considers appropriate and such reports may be received and considered by the Shareholder at an in camera meeting of Council.

9. *Matters Requiring Shareholder Approval*

Without Shareholder approval given in accordance with Section 6, the Corporation or any Subsidiary, respectively, shall not:

Statutory Approval Rights

- 9.1 change the name of the Corporation or a Subsidiary; add, change or remove any restriction on the business of the Corporation or a Subsidiary; create new classes of shares; or in any other manner amend its articles of incorporation or make, amend or repeal any by-law;
- 9.2 amalgamate with any other corporation(s) other than amalgamations which may, under the OBCA, be approved by a resolution of directors;
- 9.3 take or institute proceedings for any winding up, arrangement, or dissolution of the Corporation or a Subsidiary;
- 9.4 apply to continue as a corporation under the laws of another jurisdiction;

416  
346  
6798

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Additional Approval Rights

- 9.5 issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class, of the Corporation or a Subsidiary;
- 9.6 redeem or purchase any of its outstanding shares;
- 9.7 acquire any electricity distribution business outside of the municipal boundaries of the Shareholder which would have a financial impact equal to or greater than 50% of the net book value of the assets of the Subsidiary (as shown on its last annual audited financial statements) which is licensed as a distributor under the *OEB Act* (the "Acquisition Threshold"). The amount of all acquisitions which the Corporation or a Subsidiary concludes hereunder this Subsection 9.7 and which is below the Acquisition Threshold ("Minor Acquisition") shall be added together, regardless of the fiscal year in which such Minor Acquisition occurred, and when any subsequent proposed acquisition would exceed the Acquisition Threshold when added to the aggregate of the Minor Acquisitions, Shareholder approval shall be required as described herein, notwithstanding that the proposed acquisition may not, by itself, exceed the Acquisition Threshold; and
- 9.8 enter into any joint venture, partnership, strategic alliance or other venture, including, without limitation, ventures in respect of the generation or co-generation of electricity, which would require an investment, or which would have a financial impact greater than 50% of the net book value of the assets of the Subsidiary (as shown on its last annual audited financial statements) which is licensed as a distributor under the *OEB Act* (the "Transaction Threshold"). The amount of all transactions which the Corporation or a Subsidiary concludes hereunder this Subsection 9.8 and which is below the Transaction Threshold ("Minor Transaction") shall be added together, regardless of the fiscal year in which such Minor Transaction occurred, and when any subsequent proposed transaction would exceed the Transaction Threshold when added to the aggregate of the Minor Transactions,

Shareholder approval shall be required as described herein, notwithstanding that the proposed transaction may not, by itself, exceed the Transaction Threshold.

10. *Revisions to this Declaration*

The Shareholder acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and that the Shareholder will consult with the Board prior to completing any revisions and will promptly provide the Board with copies of such revisions.

DATED at Guelph, Ontario this 1<sup>st</sup> day of November, 2000.

**THE CORPORATION OF THE CITY OF GUELPH**

By: Joe Young  
Name: Joseph Young  
Title: Mayor

By: Lois Giles  
Name: Lois Giles  
Title: Clerk

**SCHEDULE A**

**EXCERPTS FROM TSE GUIDELINES**

**CORPORATE GOVERNANCE**

**Introduction**

**[¶825-772]**

**Sec. 472.** In 1993, the Toronto Stock Exchange Committee on Corporate Governance was established to conduct a comprehensive study of corporate governance in Canada and to make recommendations to improve the manner in which Canadian corporations are governed. The Committee was comprised of representatives from the Canadian corporate, investment and academic communities.

Following the completion of an extensive public consultation process, which included public meetings in five cities across the country and the review of approximately 150 written submissions from interested parties, the Committee released its final report in December 1994.

The report included proposed guidelines for effective corporate governance. It also recommended that the Exchange adopt a disclosure requirement which would be applicable to all listed companies incorporated in Canada. This recommendation was subsequently adopted by the Exchange. The disclosure requirement, which is set out below, is applicable in respect of listed company fiscal years ending on or after June 30, 1995.

**Disclosure Requirement**

**[¶825-773]**

**Sec 473.** Every listed company incorporated in Canada or a province of Canada must disclose on an annual basis its approach to corporate governance. This disclosure - a "Statement of Corporate Governance Practices" - must be made in the company's annual report or information circular. For this purpose, "approach to corporate governance" means a description of the company's

system of corporate governance with reference to the guidelines set out in Section 474 and, where the company's system is different from those guidelines, an explanation of the differences.

### **Guidelines**

[¶825-774]

**Sec. 474** The following are the proposed guidelines for effective corporate governance.

(a) The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters.

- i. adoption of a strategic planning process;
- ii. the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- iii. succession planning, including appointing, training and monitoring senior management;
- iv. a communications policy for the corporation; and
- v. the integrity of the corporation's internal control and management information systems.

(b) The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders



other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of votes for the election of the board of directors.

(c) The application of the definition of “unrelated director” to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.

(d) The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.

(e) Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

(f) Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.

(g) Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.

(h) The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.

(i) Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.

(j) Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues. This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.

(k) The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.

(l) Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.

(m) The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as

to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

(n) The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.

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**Appendix Guelph\_SEC\_IRR\_#5\_2 – Shareholder Declaration (current  
version)**

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**SHAREHOLDER DECLARATION**

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**THE CORPORATION OF THE CITY OF GUELPH**

**– and –**

**GUELPH MUNICIPAL HOLDINGS INC.**

**– and –**

**GUELPH HYDRO INC.**

**– and –**

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**– and –**

**ECOTRICITY GUELPH INC.**

**– and –**

**ANY SUBSIDIARIES OF  
GUELPH HYDRO INC. FROM TIME TO TIME**

**Dated as of , 2011**

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Schedule “C” The City	Form of Services Agreement Between Holdco and The City

**CITY OF GUELPH**  
**SHAREHOLDER DECLARATION**

**RECITALS:**

Guelph Municipal Holdings Inc. (“**Holdco**”) is wholly-owned by the Corporation of the City of Guelph (the “**City**”) and has been incorporated by the City to serve as a holding corporation to hold the shares of corporations with share capital which are established by or on behalf of the City from time to time as permitted under governing Laws;

The entry into, and the exercise of powers of the City under, this Shareholder Declaration is considered necessary to acquire, hold, dispose of and otherwise deal with the shares of Guelph Hydro Inc. (“**GHI**”) and its Subsidiaries.

GHI is wholly-owned by Holdco;

Guelph Hydro Electric Systems Inc. (“**GHESI**”) and Ecotricity Guelph Inc. (“**Ecotricity**”) are each wholly-owned by GHI;

This Shareholder Declaration sets out the requirements of the City relating to the governance and other fundamental principles and policies of Holdco in relation to GHI and its Subsidiaries;

This Shareholder Declaration sets out the requirements of Holdco relating to the governance and other fundamental principles and policies of GHI and its Subsidiaries;

A fundamental principle of this Shareholder Declaration is that any change in the scope of activities or role of Holdco shall not impact the business activities, role and governance structure of GHI; and

The City intends and acknowledges that GHI shall collaborate with the City and play a significant role in the development and implementation of the Community Energy Initiative.

**Definitions and Interpretation**

Wherever used in this Shareholder Declaration, the following terms shall have these respective meanings:

“**Board**” means the board of directors of a corporation;

“**Book Value**” means the book value of the applicable corporation and its direct subsidiaries on a consolidated basis as at the end of its last completed financial year as shown in its audited financial statements;

“**CEO**” means the chief executive officer of a corporation;

“**Chair**” means the Chair of the Board of Holdco from time to time;

“**City**” has the meaning ascribed thereto in the Recitals;

“**Community Energy Initiative**” means the City’s Community Energy Plan (now called Initiative) dated April 3, 2007 which outlines the City’s strategies and vision with respect to energy conservation, consumption, generation and efficiency and environmental sustainability as may be modified by Council from time to time;

“**Council**” means the city council of the City and, where appropriate, in its capacity as the governing body of the City as shareholder of Holdco;

“**Energy Legislation**” means legislation enacted from time to time by the Province of Ontario regulating the energy sector and including without limitation the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Green Energy and Green Economy Act, 2009* and all regulations thereunder, and all amendments, re-enactments and replacements to such legislation and all other statutes, decisions, orders and policies of the Province of Ontario with respect to the energy sector which may be enacted from time to time;

“**GAAP**”, when used in respect of accounting terms or accounting determinations relating to a Person, means generally accepted accounting principles in effect from time to time in Canada, being those accounting principles set forth in the Handbook or other official record of accounting principles in Canada from time to time published by the Institute of Chartered Accountants in Canada, as such principles may be amended, varied or replaced by International Financial Reporting Standards (IFRS) then in effect and generally accepted in Canada and adopted or required to have been adopted by the Person;

“**GHI**” means Guelph Hydro Inc.;

“**GHI Business Plan**” has the meaning ascribed thereto in Section 11.2;

“**GHI Declaration**” means the Shareholder Declaration in respect of GHI dated November 1, 2000;

“**GHI Subsidiaries**” means GHESI and Ecotricity and any other subsidiary of GHI from time to time;

“**Governmental Authority**” means any federal, provincial, or municipal government, parliament or legislature, or any regulatory authority, agency, tribunal, commission, board or department of any such government, parliament or legislature, or any court or other law, regulation or rule making entity, having jurisdiction in the relevant circumstances, including the Ontario Municipal Board, the Ontario Power Authority, the Independent Electricity System Operator, the Ontario Energy Board, the Electrical Safety Authority, and any Person acting under the authority of any Governmental Authority;

“**Holdco**” has the meaning ascribed thereto in the Recitals;

“**Holdco Board**” means the board of directors of Holdco;

“**Holdco Business Plan**” has the meaning ascribed thereto in Section 10.2;

**“Laws”** means:

applicable Canadian federal, provincial or municipal laws, orders-in-council, by-laws, codes, rules, policies, regulations and statutes;

applicable orders, decisions, codes, judgments, injunctions, decrees, awards and writs of any court, tribunal, arbitrator, Governmental Authority or other Person having jurisdiction;

applicable rulings and conditions of any licence, permit, certificate, registration, authorization, consent and approval issued by a Governmental Authority; and

any requirements under or prescribed by applicable common law;

**“Mayor”** means the Mayor of the City;

**“MFIPPA”** means the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario);

**“Municipal Act”** means the *Municipal Act* 2001 (Ontario);

**“Municipal Member”** means a sitting member of Council;

**“Net Income”** means the net income after taxes or payments in lieu of taxes as determined in accordance with GAAP, subject to, in the case of GHESI, regulatory adjustments to reflect Ontario Energy Board sanctioned accounting practices for electricity distributors; for greater clarity, the consolidated Net Income of Holdco and of GHI shall incorporate the GHESI regulatory adjustments in accordance with the foregoing;

**“Nominating Committee”** means a committee established by the GHI Board for the purpose set out in Section 6.7;

**“OBCA”** means the *Business Corporations Act* (Ontario);

**“Person”** means a natural person, firm, trust, partnership, limited partnership, company or corporation (with or without share capital), joint venture, sole proprietorship, governmental or regulatory authority or other entity of any kind;

**“Private Director”** means an individual who is not a Municipal Member or an employee of, or consultant to, the City or any agency, board or commission of, or corporation established by, the City;

**“Shareholder Declaration”** means this shareholder declaration;

**“Shareholder Representative”** has the meaning ascribed thereto in Section 9.1;

**“Subsidiary”** means any subsidiary body corporate (as defined in the OBCA) of a Person which, for greater certainty, in respect of Holdco, includes GHI and its Subsidiaries; and



**“Subsidiary Board”** means the board of directors of any Subsidiary of Holdco.

Schedules – The following schedules form a part of this Shareholder Declaration and are incorporated by reference:

Schedule “A”	Excerpts from Canadian Securities Administrators (CSA) Corporate Governance Guidelines
Schedule “B-1”	Guelph Municipal Holdings Inc. Dividend Policy
Schedule “B-2”	Guelph Hydro Inc. Dividend Policy
Schedule “C”	Form of Services Agreement Between Holdco and The City

Headings and Table of Contents – The inclusion of headings and a table of contents in this Shareholder Declaration are for convenience of reference only and shall not affect the construction or interpretation of this Shareholder Declaration.

Number – In this Shareholder Declaration, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

Laws – All references to statutes or Law contained in this Shareholder Declaration means those statutes or Law in effect from time to time, and all amendments thereto or any re-enactment thereof or replacement statutes.

## **Purpose and Governing Principles**

### Purposes

This Shareholder Declaration sets out the requirements of the City relating to governance and other fundamental and necessary matters relating to the ownership of Holdco and the powers necessary to acquire, hold, dispose of and otherwise deal with the shares thereof. Except as provided in Section 13, this Shareholder Declaration is not intended to constitute a unanimous shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the Holdco Board.

This Shareholder Declaration also sets out the requirements of Holdco relating to governance and other fundamental matters relating to the ownership of GHI and GHI’s Subsidiaries. Except as provided in Section 13, this Shareholder Declaration is not intended to constitute a unanimous shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the GHI Board or the Board of any Subsidiary of GHI.

Overarching Principles – The following principles shall apply to this Shareholder Declaration:

A Shareholder Declaration for municipal entities should foster and reinforce a collaborative relationship and shared values among all parties and recognize that the interface between the worlds governed by the Municipal Act (public sector) and the OBCA (private sector) requires mutual respect, understanding and flexibility and regular communication between GHI and Holdco concerning the activities of GHI and its Subsidiaries. Such communication should take place whether or not such activities would require the approval of Holdco or the City pursuant to Section 13.3 and the activities of the City and Holdco which may be applicable to the Community Energy Initiative and otherwise to GHI and its Subsidiaries shall be a fundamental aspect of such relationship.

Decision-making authority should be clearly assigned to the appropriate Board of Holdco, GHI or GHI's Subsidiaries.

The authority of a Board as described pursuant to this Shareholder Declaration will be accompanied by clearly articulated reporting and approval requirements as set out in this Shareholder Declaration to ensure transparency, accountability and recognition of the role of Council as the ultimate authority over each corporation governed by this Shareholder Declaration.

The provisions of this Shareholder Declaration should be interpreted so as to maximize transparency and facilitate communication between the City and Holdco on the one hand and GHI and its Subsidiaries on the other.

The principles of director independence and skills-based boards will be paramount in the interpretation of this Shareholder Declaration but consistent with the policies of the City publicly adopted from time to time with respect to Holdco and its Subsidiaries.

The unique overlapping community interests and professional capabilities of the “family of companies” – including the City – are important components of an integrated and coordinated approach to excellence in asset management.

Shareholder return and benefits will be measured by several metrics, including but not limited to, dividends. In general, a long term, strategic view will be applied to the measure of shareholder return and communicated in writing to the Boards of Holdco and its Subsidiaries by City Council.

It is recognized that GHI and its Subsidiaries are operated on a “for-profit” basis, may operate in a competitive environment, and are subject to the obligation to make payments in lieu of taxes under Energy Legislation.

The opportunity for community assets to contribute to the building of community capacity, community pride and overall community well-being should be key drivers to this Shareholder Declaration.

In making decisions concerning GHI and its Subsidiaries, Holdco shall act in a commercially reasonable manner consistent with the City's requirements as owner from time to time.

### **Permitted Business Activities**

As Permitted by Law – Subject to the restrictions in Section 13, (i) Holdco shall serve as a holding corporation to hold the shares of corporations which are established by or on behalf of the City from time to time under applicable Laws, and (ii) GHI and the GHI Subsidiaries may engage in the business activities which are permitted by applicable Laws, and as the Board of GHI may determine for GHI and its Subsidiaries consistent with Subsection 3.2 including, without limitation, with respect to GHI and its Subsidiaries, the business activities referred to in Subsection 3.2. In so doing, Holdco, GHI and its Subsidiaries shall each conform to all applicable Laws.

Specific Activities – As at the date hereof, GHI or one or more of its Subsidiaries (i) may engage in any business activities as may be permitted by applicable Laws including, without limitation, Energy Legislation, as amended or replaced from time to time and as authorized by the Board of GHI or of any GHI Subsidiary, as applicable, from time to time; and (ii) shall have a significant role in the development and implementation of the City's Community Energy Initiative.

### **Corporate Governance**

Holdco Directors Duties – As required by the OBCA, the Holdco Board shall supervise the management of the business and affairs of Holdco, and, in so doing, shall act honestly and in good faith with a view to the best interests of Holdco and shall exercise the same degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances.

GHI Directors Duties – As required by the OBCA, the GHI Board and any Subsidiary Board shall supervise the management of the business and affairs of GHI and any Subsidiary respectively, and, in so doing, shall act honestly and in good faith with a view to the best interests of GHI or the Subsidiary respectively and shall exercise the same degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances.

Standards of Governance – In addition, the City expects the Board of GHI and any GHI Subsidiary to observe substantially the same standards of corporate governance as may be established from time to time by the Canadian Securities Administrators or any other applicable regulatory or governmental authority in Canada for publicly traded corporations with such modifications as may be necessary to reflect the fact that GHI and any GHI Subsidiary are not publicly traded corporations. An excerpt of Canadian Securities Administrators National Policy 58-201 *Corporate Governance Guidelines* as currently in effect is attached to this Shareholder Declaration as Schedule "A".

## **Board of Directors and Officers of Holdco**

Qualifications – In addition to sound judgement and personal integrity, the qualifications of candidates for the Board of Holdco may include:

- awareness of public policy issues related to Holdco;
- relevant business expertise and industry knowledge;
- experience on boards of significant commercial corporations;
- financial, legal, accounting and/or marketing experience; and
- knowledge and experience with risk management strategy.

Residency – Preference may be given to qualified candidates for a Board who are residents of the City, however non-residents of the City shall not be excluded from serving as Board members.

Number of Directors – The Board of Holdco shall consist of a minimum of seven (7) directors to be appointed by and approved by the City.

Composition of the Holdco Board – Unless otherwise determined by the City in its discretion, the Holdco Board shall consist of the Mayor, three Municipal Members, the chair of the Board of GHI, the chair(s) of the Board of any other direct Subsidiary of Holdco, and an independent member who shall not be a Municipal Member. The chief executive officer, chief operating officer, president or general manager, as the case may be, of a Subsidiary or of Holdco shall not be eligible to serve as a director on, nor chair of, the Holdco Board nor chair of the Board of GHI.

Chair of Holdco – The Chair of the Holdco Board shall be the Mayor.

Officers of Holdco – The CEO of Holdco shall be the Chief Administrative Officer of the City or such other Person as the City may determine from time to time. The Treasurer of Holdco shall be the Treasurer of the City or such other Person as the City may determine from time to time. The General Counsel and Secretary of Holdco shall be the City Solicitor of the City or such other Person as the City may determine from time to time. The CEO of GHI and the CEO of Holdco shall meet at least quarterly to discuss matters as contemplated by Section 2.2(a).

Term of Municipal Members – The term for each member of the Holdco Board shall be concurrent with the municipal term of each Council, and each member of the Holdco Board shall be appointed for such term, provided that:

- following the expiry of such term of Council, each director shall continue to serve until replaced by the City as at the effective date of the appointment of a replacement director;

notwithstanding this Section 5.7, the City may, in its discretion, terminate the term of a member of the Holdco Board prior to the end of the municipal term of Council and appoint a replacement director; and

where a member of the Holdco Board resigns or his or her term is terminated for any reason prior to the end of the municipal term of Council then in effect, the term of the replacement director shall be concurrent with the balance of the municipal term of Council then in effect.

Successive Terms – Any member of the Holdco Board may serve for successive terms as determined by the City in its discretion.

Holdco Board Committees – The Holdco Board may establish committees of the Board in the Holdco Board's discretion. These committees may include the following:

Audit and Finance Committee to review financial results; and

Governance Committee to address governance matters.

#### Compensation

Directors – No member of the Holdco Board shall receive any remuneration or other compensation of any kind, other than as expressly approved by the City, for serving as a director on the Holdco Board or on any committee thereof, or carrying out any activities or providing services in relation thereto provided that each member of the Holdco Board shall be entitled to incur reasonable expenses for travel and/or training in respect of the director's role on the Holdco Board, in accordance with policies established by the Holdco Board from time to time and approved by the City.

Officers – Any officer of Holdco who is also a Municipal Member or an employee of, or consultant to, the City or any agency, board, commission or corporation of the City, shall not receive any compensation for serving in such capacity in addition to such officer's compensation, if any, as an employee of or consultant to the City.

#### **Directors of GHI and its Subsidiaries**

Qualifications – In addition to sound judgement and personal integrity, the qualifications of candidates for the Board of GHI and of any Subsidiary may include:

awareness of public policy issues related to GHI or the Subsidiary, as applicable;

relevant business expertise and industry knowledge including, but not limited to, knowledge of electric utilities, energy conservation and demand management and electricity generation;

experience on boards of significant commercial corporations;

financial, legal, accounting and/or marketing experience; and  
knowledge and experience with risk management strategy.

Residency – Preference may be given to qualified candidates for the Board of GHI or any GHI Subsidiary who are residents of the City, however non-residents of the City shall not be excluded from serving as GHI or a GHI Subsidiary Board members.

Composition of Board – The Board of GHI shall be comprised of seven (7) Private Directors who have been recommended by GHI to Holdco and by Holdco to the City, and appointed by Holdco, subject to the approval of Council. Where Holdco does not accept a candidate recommended by GHI, Holdco shall provide the reasons for such decision to GHI.

Chair of GHI and any GHI Subsidiary – The Chair of GHI or of any GHI Subsidiary shall be a Private Director appointed by the respective Board.

Term – Subject to Holdco’s right to remove a director from office, the term for each member of the GHI Board shall be as follows:

All Private Directors may serve for three year terms; and

Any member of the GHI Board may serve for successive terms as determined by Holdco.

Board Committees – The GHI Board may establish committees of the Board at the Board’s discretion. These committees may include the following:

Audit and Finance Committee to review financial results;

Governance Committee to address governance matters; and

Nominating Committee to identify, evaluate and recommend candidates for the GHI Board to Holdco.

Role of Nominating Committee – Holdco shall consider candidates nominated by the Nominating Committee of the GHI Board, but shall not be obliged to select such candidates. Where Holdco has not accepted a candidate recommended by GHI, it shall provide an explanation of its decision to GHI. It is expected that the GHI Nominating Committee will develop a process to identify and evaluate potential Board candidates in order for GHI to recommend a slate of qualified candidates to Holdco for the purpose of Holdco’s appointment of the directors of GHI, subject to approval of Council.

#### Directors Compensation

The GHI Board may establish compensation for members of the GHI Board and the Chair of GHI and members of the Board(s) of its Subsidiaries in amounts sufficient to attract candidates with necessary qualifications and consistent with industry norms and standards for comparable businesses.

The GHI Board shall establish a compensation plan for members of the Board and the Chair of GHI and its Subsidiaries. The GHI Board may, in determining such compensation plan, have reference to compensation of the members of the board of directors of companies that are engaged in comparable businesses, including municipally-owned Ontario electricity distributors and their affiliates of similar size. GHI shall from time to time and not less than annually provide information to Holdco and to Council in respect of the compensation plan for directors together with any studies, surveys or other information on which such compensation plan was based.

Compensation for each member of the Board of GHI and its Subsidiaries in whatever form, whether monetary, non-monetary, in-kind, stipends or expenses (including without limitation expenses for travel, accommodation, conferences, seminars or other education, whether reimbursements, advances, and whether required or appropriate for a director or not) shall be itemized and described in reasonable detail and provided in writing to Holdco on at least an annual basis in respect of a financial year not later than 60 days following the end of such financial year and, from time to time at the request of Holdco in respect of a period designated by Holdco within 30 days following such request.

Directors of Subsidiaries – The directors of the GHI Subsidiaries shall be chosen by the GHI Board and shall serve for such term as the GHI Board shall determine. The directors of GHESI shall be subject to the requirements contained in the OEB's Affiliate Relationships Code from time to time.

### **Dividend Policies, Risk Management and Strategic Objectives for Holdco**

The Holdco Board shall establish policies addressing the following matters:

Dividends – to ensure the payment of an annual dividend from Holdco consistent with the Holdco Dividend Policy attached as Schedule “B-1”;

Risk Management – to ensure that each Subsidiary has adopted appropriate risk management strategies and internal controls consistent with industry norms in order to manage all risks related to the businesses conducted by Holdco Subsidiaries; and

Strategic Objectives – to provide input to GHI as to the City's long term strategic objectives for GHI and its Subsidiaries which are consistent with the maintenance of a viable, competitive business and preservation of the value of the businesses of GHI and its Subsidiaries for the City.

## **Best Practice Principles for GHI and GHI Subsidiaries and GHI Role in the Community Energy Initiative**

### **Best Practice Principles**

In the conduct of its operations, the GHI Board shall abide by the following principles and target compliance with the corporate governance rules of the Canadian securities regulators:

Capital Structure – to develop and maintain a prudent financial and capitalization structure consistent with industry norms and sound financial principles and established on the basis that all Subsidiaries are intended to be self financing entities;

Distribution Rates – to ensure the establishment by GHESI of just and reasonable rates for the regulated distribution business of GHESI, which are:

consistent with similar utilities in comparable growth areas and as may be permitted under the OEB Act;

intended to enhance the value of GHESI; and

consistent with the encouragement of economic development and activity within the City of Guelph;

Returns – to enhance value to the City by generating a reasonable return:

through the payment of dividends, interest or otherwise;

in respect of GHESI, comparable to the returns on the regulated distribution businesses received by other comparable municipalities as permitted by the OEB pursuant to the OEB Act;

consistent with a prudent financial and capitalization structure and, in respect of GHESI, maintaining just and reasonable rates;

Dividends – subject to compliance with the Conditions Precedent stated therein to ensure the payment of an annual dividend from GHI to Holdco consistent with the GHI Dividend Policy attached as Schedule “B-2”;

Risk Management – to manage all risks related to the business conducted by GHI and its Subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and

Strategic Planning – to develop a long range strategic plan for GHI and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business for the City.



Community Energy Initiative – The City acknowledges its intention that GHI will play a significant role in the development and implementation of the Community Energy Initiative. The City and GHI shall communicate regularly through the Mayor’s Task Force on the Community Energy Initiative, or such other task force or committee of Council which may be established from time to time in respect of the implementation of the Community Energy Initiative. It is the City’s intention that the City and GHI will work collaboratively to jointly develop a memorandum of understanding outlining the roles, management and administrative structures among the City, GHI and GHI’s Subsidiaries in respect of the Community Energy Initiative.

### **Decisions of the City & Shareholder Representative**

Shareholder Representative – The City hereby designates the Chief Administrative Officer of the City or the individual designated by the Chief Administrative Officer of the City from time to time as its legal representative (the “**Shareholder Representative**”) for purposes of communicating to the Holdco Board pursuant to Subsection 9.2, any consent or approval required by this Shareholder Declaration or by the OBCA.

City Approval – Approvals or decisions of the City required pursuant to this Shareholder Declaration or the OBCA shall require a resolution or bylaw of Council passed at a meeting of Council and shall be communicated in writing to Holdco’s Board and signed by the Shareholder Representative and/or the Mayor.

Holdco Approvals – Approvals or decisions of Holdco required pursuant to this Shareholder Declaration shall require a resolution of the Holdco Board and, where expressly required pursuant to this Shareholder Declaration, the approval of the City and communicated in writing to the GHI Board.

### **Holdco Reports to City and Business Plan**

Regular Reporting – Holdco shall, from time to time, but at least annually, report to Council on major business developments or materially significant results in respect of Holdco or any Subsidiary, and the chair of GHI shall attend such meetings of Council where reports are made in respect of GHI or any GHI Subsidiaries, and such reports may be received and considered by the City at an in camera meeting of Council subject to the requirements of the *Municipal Act* and other applicable Laws.

Business Plan – Holdco shall promptly provide the City with the business plan (the “**Holdco Business Plan**”) for Holdco and GHI on an annual basis prior to the end of each financial year of Holdco, GHI and GHI’s Subsidiaries. The Holdco Business Plan shall include all of the following:

the strategic objectives that Holdco, GHI and GHI’s Subsidiaries will undertake;

an operating budget for Holdco for the next financial year and an operating and capital expenditure budget on a consolidated basis for GHI’s next financial year and an operating and capital expenditure projection on a consolidated basis for GHI for

each of the two subsequent financial years, including the resources necessary to implement the Holdco Business Plan;

the projected annual revenues and Net Income for Holdco, GHI and GHI's Subsidiaries for the following two financial years; and

any material variances from the Holdco Business Plan then in effect.

Annual Report to Council – Within six months after the end of each financial year of Holdco, Holdco shall report to a public meeting of Council and the Chair shall attend such meeting and provide the following information with respect to Holdco and GHI and the chair of GHI shall also be present at such public meeting:

audited consolidated financial statements for GHI; and

such additional information as the City may specify from time to time.

Confirmation of Compliance – The Holdco Board shall, in a confidential report to Council, annually confirm by the end of each financial year that it has complied with the requirements of this Shareholder Declaration and is in compliance with applicable Laws and that it has received a similar confirmation of compliance from the Board of GHI.

#### Confidentiality

Except as required by applicable law or any Governmental Authority and except for the annual report to Council pursuant to Section 10.3, the City shall treat as confidential each Holdco Business Plan and all other information provided to it in confidence pursuant to this Section 10, subject to the Municipal Act and applicable Laws. The parties acknowledge that information that is in the custody or under the control of the City or Holdco is subject to the access provisions of MFIPPA.

The City acknowledges that GHI shall, from time to time, supply it in confidence with confidential information, the disclosure of which could reasonably be expected to significantly prejudice the competitive position of or interfere with contractual or other negotiations of GHI, or result in undue loss to GHI, and the City shall protect such information in accordance with the exemption for third party information in Section 10 of MFIPPA.

The City shall inform GHI of any request made for access to information supplied to the City by GHI, permit GHI an opportunity to make representations on the disclosure of such information, and consider any such representations prior to disclosing or permitting access to the information and shall provide GHI with notice of its decision concerning any such request for access to information of GHI or any of its Subsidiaries.

## **GHI Reports to Holdco and Business Plan**

### Regular Reporting

GHI shall, from time to time but at least semi-annually, report to Holdco on major business developments or materially significant results in respect of GHI or any GHI Subsidiary and, on an immediate basis, any material event or results in respect of GHI or any GHI Subsidiary.

Upon written notice by Holdco following a resolution to that effect passed by the Holdco Board that such access is required or appropriate due to extraordinary circumstances as determined in the reasonable belief of the Holdco Board:

the CEO of Holdco, or his/her designate, shall have unrestricted access to the books and records of any Subsidiary of Holdco during normal business hours. Such Persons shall treat all confidential information of each Subsidiary of Holdco with the same level of care and confidentiality as any confidential information of Holdco and shall ensure that such access shall not disrupt the normal conduct of business; and

each Subsidiary shall provide such information relating to the operations, business and affairs of such corporation as is requested. The Subsidiary shall provide the requested information within 30 days after the request is received, provided however that if the information is required by the Holdco Board by resolution on an urgent basis, the Subsidiary shall use its best efforts to provide such information within five (5) business days of receipt of the request, or within such other time frame as may be specified.

Business Plan – GHI shall promptly provide Holdco with the business plan for each financial year as approved by the GHI Board (the “**GHI Business Plan**”) for GHI and for each of the GHI Subsidiaries prior to the end of each financial year of GHI or each GHI Subsidiary. The GHI Business Plan shall include all of the following:

the strategic direction and any new business initiatives that GHI will undertake;

an operating and capital expenditure budget for the next financial year and an operating and capital expenditure projection for each of the two subsequent financial years, including the resources necessary to implement the GHI Business Plan and whether and how retained earnings for each year are to be allocated;

the projected annual revenues and Net Income for the following two financial years; and

any material variances from the GHI Business Plan then in effect.

Annual Report to Holdco – Within six months after the end of each financial year, GHI shall provide the following information to Holdco:

consolidated financial statements for GHI and unconsolidated financial statements for GHI and each GHI Subsidiary as at the end of such financial year;

a business performance report, including an analysis of variances to plan for the last completed financial year;

such additional information as Holdco may specify from time to time for the last completed financial year.

Confirmation of Compliance – At the end of each financial year the GHI Board shall confirm to Holdco in writing that GHI and its Subsidiaries have complied with the requirements of this Shareholder Declaration, that GHI is in compliance with all applicable Laws, and that GHI has received a similar confirmation of compliance from the Board of each GHI Subsidiary.

#### Confidentiality

Except as required by applicable Law or any Governmental Authority, the City and Holdco shall treat as confidential each GHI Business Plan and all other information provided to it in confidence pursuant to this Section 11, subject to the Municipal Act and applicable Laws. The parties acknowledge that information that is in the custody or under the control of the City or Holdco is subject to the access provisions of MFIPPA.

Holdco acknowledges that GHI shall, from time to time, supply it in confidence with confidential information, the disclosure of which could reasonably be expected to significantly prejudice the competitive position of or interfere with contractual or other negotiations of GHI, or result in undue loss to GHI, and Holdco shall protect such information in accordance with the exemption for third party information in Section 10 of MFIPPA.

Holdco shall inform GHI of any request made for access to information supplied to Holdco by GHI, permit GHI an opportunity to make representations on the disclosure of such information, and consider any such representations prior to disclosing or permitting access to the information and shall provide GHI with notice of its decision concerning any such access request concerning GHI or any GHI Subsidiary.

#### **Annual Resolutions**

The City shall, at an in camera meeting of Council, consider candidates for the Holdco Board as proposed by the Holdco Nominating Committee and the appointment of the auditors of Holdco and receive the audited financial statements of Holdco for the last completed financial year;

The City, by resolution in writing signed in accordance with Section 9.2, shall appoint the necessary members of the Holdco Board and appoint the auditors for Holdco and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA; and

Holdco by resolution in writing shall appoint the necessary members of the GHI Board and appoint the auditors for GHI and its Subsidiaries and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA, subject to approval of Council.

### **Matters Requiring City or Holdco Approval**

Approvals in Respect of Holdco – The City hereby directs Holdco at all times to seek the approval of the City in respect of each of the following matters prior to Holdco undertaking or causing to be undertaken any of the following matters with respect to Holdco:

Entry into one or more transactions to acquire or be acquired, whether by way of purchase or otherwise, of, or merger or amalgamation with, any one or more Persons;

Execution of any memorandum of understanding or other material and binding document with any Person in relation to any transaction described in paragraph (a) of this Subsection 13.1 with respect to Holdco, or any public announcement or disclosure in relation to such discussions or document;

changing or removing any restriction on the business of Holdco;

creating new classes of shares of Holdco or any Subsidiary or in any other manner to amend the articles to reduce or increase the number of directors of Holdco or any Subsidiary;

enter into one or more mergers or amalgamations of Holdco or any Subsidiary with any other corporation(s), other than another Subsidiary;

the institution of proceedings for any winding-up, arrangement or dissolution of Holdco or any Subsidiary;

appointment of auditors of Holdco;

an application to continue Holdco or any Subsidiary as a corporation under the laws of another jurisdiction;

issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class of Holdco or any Subsidiary;

redeem or purchase any outstanding shares of Holdco or any Subsidiary;

in any financial year, enter into one or more transactions which individually or in the aggregate, except as provided in the Business Plan, result in the disposition, lease or sale of any part of the business of Holdco or any Subsidiary equal to or greater than 25% of the Book Value of Holdco on a consolidated basis;

any change in the dividend policy of Holdco or any Subsidiary;

any sale, transfer or other disposition by Holdco of any of the shares of any Subsidiary;

engaging in any business activity other than as expressly permitted under Section 3;

salary, benefits and other compensation of members of the Holdco Board or any officers of Holdco;

election, replacement, composition and number of members of the Holdco Board;

appointment and replacement of officers of Holdco;

directors and officers insurance arrangements for Holdco; and

entry by Holdco into any joint venture, partnership, strategic alliance or other venture, which would require an investment, or which would have a financial impact greater than 25% of the Book Value of Holdco.

City Approval Required – The City hereby directs Holdco at all times to seek the approval of the City in respect of each of the matters requiring Holdco approval pursuant to Section 13.3.

Approvals in Respect of GHI and its Subsidiaries – Holdco hereby directs GHI at all times to seek the approval of Holdco in respect of each of the following matters prior to undertaking or causing to be undertaken any of the following matters with respect to GHI or any Subsidiary:

Entry into one or more transactions to acquire or be acquired, whether by way of purchase or otherwise, of, or merger or amalgamation with, any one or more Persons, which transactions have a value of greater than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis; provided that (i) GHI shall have the authority without seeking the approval of Holdco to approve any of the foregoing which involves a transaction with a financial impact less than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis; and (ii) any of the foregoing transactions involving GHESI shall require the prior written approval of Holdco and the City regardless of the size of the transaction;

Execution of any binding memorandum of understanding or other binding and material document with any Person in relation to any transaction described in paragraph (a) of this Subsection 13.3 with respect to GHESI or another licensed electricity distributor, or any public announcement or disclosure in relation to such discussions or document;

changing or removing any restriction on the business of GHI or a GHI Subsidiary;

creating new classes of shares of GHI or any GHI Subsidiary or in any other manner to amend the articles of GHI to reduce or increase the number of directors of GHI or a GHI Subsidiary;

enter into one or more amalgamations of GHI or any GHI Subsidiary with any other corporation(s) other than another Subsidiary of GHI;

the institution of proceedings for any winding-up, arrangement or dissolution of GHI or any GHI Subsidiary;

appointment of auditors of GHI and any GHI Subsidiary;

an application to continue GHI or any GHI Subsidiary as a corporation under the laws of another jurisdiction;

issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class of GHI or any GHI Subsidiary;

redeem or purchase any outstanding shares of GHI or any GHI Subsidiary;

in any financial year, enter into one or more transactions which individually or in the aggregate, except as provided in the Business Plan, result in the disposition, lease or sale of any part of the business of GHI or any GHI Subsidiary equal to or greater than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis provided that GHI shall have the authority without seeking the approval of Holdco to approve any of the foregoing which involves a transaction with a financial impact of less than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis;

any change in the dividend policy of GHI;

any sale, transfer or other disposition by GHI of any of the shares of any GHI Subsidiary;

engaging in any business activity other than as expressly permitted under Section 3;

election, replacement, composition and number of members of the GHI Board;

creation or acquisition of shares in the capital of any GHI Subsidiary; and

entry into any joint venture, partnership, strategic alliance or other venture, including, without limitation, ventures in respect of the generation or co generation of electricity, which would require an investment, or which would have a financial impact greater than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis provided that GHI shall have the authority without seeking the approval of Holdco to approve any of the foregoing which involves a transaction

with a financial impact of less than 25% of the Book Value of GHI and its Subsidiaries on a consolidated basis.

Declaration to GHESI and Ecotricity – GHI hereby directs each of GHESI and Ecotricity at all times to seek the approval of GHI in respect of each of the matters enumerated in Subsection 13.3 prior to such corporation undertaking or causing to be undertaken any of such matters.

### **Revisions to this Shareholder Declaration**

The City acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and:

that the City will consult with the Holdco Board; and

the City and Holdco will consult with the GHI Board.

prior to completing any revisions and will promptly provide the affected Holdco Board or GHI Board, as the case may be, with copies of such revisions.

### **Holdco Activities**

Holdco shall have no employees. All activities and business of Holdco shall be carried out pursuant to a services agreement between Holdco and the City substantially in the form of Schedule C or as otherwise agreed by Holdco and the City. Holdco shall promptly prepare, finalize and execute a services agreement following the effective date of this Shareholder Declaration.

### **Notices**

Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to or from the City, Holdco or a Subsidiary shall be in writing and shall be sufficiently given or sent or delivered if it is:

delivered personally,

sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, or

sent by facsimile.



Notices shall be sent to the following addresses or facsimile numbers:

in the case of the City,

The Corporation of the City of Guelph  
City Hall, 1 Carden Street  
Guelph, Ontario

Attention: Chief Administrative Officer

Facsimile: (519) 822-8277

in the case of Holdco,

Guelph Municipal Holdings Inc.  
City Hall, 1 Carden Street  
Guelph, Ontario  
N1H 3A1

Attention: Chief Executive Officer

Facsimile: (519) 822-8277

in the case of GHI,

Guelph Hydro Inc.  
395 Southgate Drive  
Guelph, Ontario  
N1G 4Y1

Attention: Chief Executive Officer

Facsimile: (519) 836-1055

in the case of GHESI,

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, Ontario  
N1G 4Y1

Attention: Chief Operating Officer

Facsimile: (519) 836-1055

in the case of Ecotricity,

395 Southgate Drive  
Guelph, Ontario  
N1G 4Y1

Attention: Chief Executive Officer of GHI

Facsimile: (519) 836-1055

or to such other address or telecopier number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this Section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall:

if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;

if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fourth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service; and

if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date the sender receives the telecopy answer back confirming receipt by the recipient.

### **Replacement of Previous Declarations**

The GHI Declaration is hereby terminated and of no further force or effect as of the effective date of this Shareholder Declaration.

### **New Subsidiaries**

GHI shall ensure that any new or additional wholly-owned Subsidiary acquired or incorporated by it from time to time shall become a party to this Shareholder Declaration and that the provisions hereof shall apply to it *mutatis mutandis*.

DATED at Guelph, Ontario, as of the date first written above.

**THE CORPORATION OF THE CITY OF  
GUELPH**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**GUELPH MUNICIPAL HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**GUELPH HYDRO INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**GUELPH HYDRO ELECTRIC SYSTEMS  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**ECOTRICITY GUELPH INC.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

## **SCHEDULE “A”**

### **EXCERPTS FROM CANADIAN SECURITIES ADMINISTRATORS (CSA) CORPORATE GOVERNANCE GUIDELINES<sup>1</sup>**

#### **PURPOSE AND APPLICATION**

##### **Purpose of this Policy**

This Policy provides guidance on corporate governance practices which have been formulated to:

achieve a balance between providing protection to investors and fostering fair and efficient capital markets and confidence in capital markets;

be sensitive to the realities of the greater numbers of small companies and controlled companies in the Canadian corporate landscape;

take into account the impact of corporate governance developments in the U.S. and around the world; and

recognize that corporate governance is evolving.

The guidelines in this Policy are not intended to be prescriptive. We encourage issuers to consider the guidelines in developing their own corporate governance practices.

##### **Application**

This Policy applies to all reporting issuers, other than investment funds. Consequently, it applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board of directors (the board), includes any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, we recommend that a majority of the directors of the general partner should be independent of the limited partnership (including the general partner).

#### **MEANING OF INDEPENDENCE**

##### **Meaning of Independence**

For the purposes of this Policy, a director is independent if he or she would be independent for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

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<sup>1</sup> These excerpts are from the CSA Corporate Governance Guidelines National Policy 58-201 in effect as at the date of the signing of the Shareholder Declaration.

## **CORPORATE GOVERNANCE GUIDELINES**

### **Composition of the Board**

The board should have a majority of independent directors.

The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as “lead director”. However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.

### **Meetings of Independent Directors**

The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

### **Board Mandate**

The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:

to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;

adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;

the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;

succession planning (including appointing, training and monitoring senior management);

adopting a communication policy for the issuer;

the issuer's internal control and management information systems; and

developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.<sup>2</sup>

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<sup>2</sup> Issuers may consider appointing a corporate governance committee to consider these issues. A corporate governance committee should have a majority of independent directors, with the remaining members being “non-management” directors.

The written mandate of the board should also set out:

measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and

expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.

In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 5 1-201 *Disclosure Standards*.

For purposes of this Policy, “executive officer” has the same meaning as in National Instrument 5 1-102 *Continuous Disclosure Obligations*.

### **Position Descriptions**

The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management’s responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.

### **Orientation and Continuing Education**

The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer’s business.

The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.

### **Code of Business Conduct and Ethics**

The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:

conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;

protection and proper use of corporate assets and opportunities;

confidentiality of corporate information;

fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;

compliance with laws, rules and regulations; and

reporting of any illegal or unethical behaviour.

The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.

Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations*. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things:

the date of the departure(s),

the party(ies) involved in the departure(s),

the reason why the board has or has not sanctioned the departure(s), and

any measures the board has taken to address or remedy the departure(s).

## **Nomination of Directors**

The board should appoint a nominating committee composed entirely of independent directors.

The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.



Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:

Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.

Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.

The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.

In carrying out each of these functions, the board should consider the advice and input of the nominating committee.

The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.

In making its recommendations, the nominating committee should consider:

- (a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;

the competencies and skills that the board considers each existing director to possess; and

the competencies and skills each new nominee will bring to the boardroom.

The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

## **Compensation**

The board should appoint a compensation committee composed entirely of independent directors.

The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The compensation committee should be responsible for:

reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;

making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and

reviewing executive compensation disclosure before the issuer publicly discloses this information.

### **Regular Board Assessments**

The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:

in the case of the board or a board committee, its mandate or charter, and

in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.

## **SCHEDULE “B-1”**

### **GUELPH MUNICIPAL HOLDINGS INC.** **DIVIDEND POLICY**

The dividend policy of Holdco is predicated on the mandate of the Holdco Board which includes maximizing City value. Such value is generally realized by the City through dividends or the appreciation of City investment. The Holdco Board shall declare and pay dividends from available Net Income and cash flow, as follows:

1. Regular Dividends at a dividend payment rate (DPR) of 100% of all annual Net Income, subject to the Conditions Precedent to the Payment of Dividends set out below.

#### **Conditions Precedent to the Payment of Dividends**

Dividends will be paid to the extent that such payment would not otherwise cause non-compliance with applicable Laws and that Holdco has cash on hand.

#### **Payment of Dividends**

##### *Regular Dividends*

Each year, at its meeting to approve the annual budget for the next financial year, the Board of Holdco will forecast the annual dividend by applying the DPR to budgeted earnings for the next financial year. Quarterly dividends will, subject to meeting the above Conditions Precedent to the Payment of Dividends, be targeted at up to 100% of Net Income of Holdco and paid April 15<sup>th</sup> (or shortly following the approval of the annual audited financial statements of the preceding year), June 1st, September 1st and December 1st. The first dividend of the financial year, targeted for payment on April 15<sup>th</sup>, will also include any adjustment to bring the total annual dividend for the preceding year to the full DPR level.

#### **Reporting to City**

Upon the payment of any dividend, Holdco shall provide an analysis to the City on whether and how the Conditions Precedent to the Payment of Dividends has reduced the amount of annual Net Income that would otherwise have been declared and paid in dividends, specifying the extent to which each element of such Conditions Precedent has reduced such amount.

In the event that the Holdco Board does not approve a payment of a Regular Dividend, the Holdco Board will promptly report the circumstances underlying the non-payment to the City and, thereafter, provide progress reports to the City on a quarterly basis until such time as the payment of Regular Dividends resumes.

## **SCHEDULE “B-2”**

### **GUELPH HYDRO INC.** **DIVIDEND POLICY**

The dividend policy of GHI is predicated on the mandate of the GHI Board which includes maximizing City value. Such value is generally realized by the City through dividends to Holdco or the appreciation of Holdco investments. The GHI Board shall declare and pay dividends from available Net Income and cash flow, as follows:

1. Regular Dividends at a dividend payment rate (DPR) of the greater of:

50% of all annual Net Income of GHI; and

\$1,500,000.00 (one million five hundred thousand dollars);

subject to the Conditions Precedent to the Payment of Dividends set out below.

#### Conditions Precedent to the Payment of Dividends

Dividends will be paid to the extent of cash on hand and that such payment would not otherwise cause:

non-compliance with applicable Laws;

a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;

a material impairment in the operations and maintenance of the assets of the corporation;

a material impairment in financial prudence including capital investment in energy infrastructure by GHESI to sustain reliability and an appropriate level of reserves;

a material impairment in the ability to service the debt of GHI and its Subsidiaries;

a deterioration in the credit rating of GHI; and

a material impairment in the maintenance and growth of businesses, consistent with the Business Plan.

#### Payment of Dividends

##### *Regular Dividends*

Each year, at its meeting to approve the annual budget for the next financial year, the Board of Directors of GHI will forecast the annual dividend by applying the DPR to budgeted earnings for the next financial year. Quarterly dividends will, subject to meeting the above Conditions Precedent to the Payment of Dividends, consist of 25% of the budgeted DPR for that financial year and paid April 15th (or shortly following the

approval of the annual audited financial statements of the preceding year), June 1st, September 1st and December 1st. The first dividend of the financial year shall be declared and paid on April 15th and will also include any adjustment to bring the total annual dividend for the preceding year to the full DPR level.

#### Reporting to Holdco

Annually, GHI shall provide a detailed analysis on whether and how the Conditions Precedent to the Payment of Dividends have reduced the amount of annual Net Income that would otherwise have been declared and paid in dividends, specifying the extent to which each element of such Conditions Precedent (as enumerated in clauses (a) to (g) above under “Conditions Precedent to the Payment of Dividends”) has reduced such amount.

In the event that the GHI Board does not approve payment of a Regular Dividend, the Board will promptly report the circumstances underlying the non-payment to Holdco and, thereafter, provide progress reports on a quarterly basis until such time as the payment of Regular Dividends resumes.

**SCHEDULE "C"**

**FORM OF SERVICES AGREEMENT BETWEEN HOLDCO AND THE CITY**

**SUPPORT SERVICES AGREEMENT**

This agreement made this      day of                      , 2009

Between:

GUELPH MUNICIPAL HOLDINGS INC.  
(herein called "Holdco")

OF THE FIRST PART

-and-

THE CORPORATION OF THE CITY OF GUELPH  
(Herein called the "City")

OF THE SECOND PART

WHEREAS Holdco requires certain support services in order to carry out its activities;

AND WHEREAS the City has staff and/or contractors capable of providing such support services;

NOW THEREFORE this agreement witnesses that, in consideration of the mutual covenants contained herein, the parties hereto hereby agree as follows:

**Support services**

1. The City shall provide support services, as set out herein, to Holdco, and Holdco shall pay the City for those support services, as set out herein.
2. The City shall provide support services to Holdco in the following areas:
3. The exact nature of the support services shall be as agreed by the relevant designated representatives of the parties.

#### Designated representatives

4. For purposes of administering the specified areas of support services, the following shall be the initial designated representatives of the parties:

<i>Support service area</i>	<i>Title of initial City designated representative</i>	<i>Title of initial Holdco designated representative</i>
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5. Each party may change its respective designated representatives from time to time, by notifying the other party.

#### Personnel

6. The support services shall be provided by staff and/or contractors retained by the City to provide services in areas relevant to the support services areas.
7. The City shall be solely responsible for determining which individuals perform the support services and for supervising those individuals. However the relevant designated representatives of Holdco may discuss with the relevant designated representatives of the City any issues related to specific individuals performing the work.

#### Fees and charges

8. After the end of each month, the City shall calculate the fees and charges for the support services provided by the City to Holdco for the month ended, and notify Holdco of those fees and charges.
9. The fees and charges shall be calculated based on the principle that Holdco shall reimburse the City fully for the costs incurred by the City in providing the support services.
10. The fees and charges may be based on hours worked, salaries, wages and benefits paid, liabilities assumed, supplies and utilities consumed, equipment used, travel and other expenses incurred, and any other costs whatsoever involved in providing the support services.
11. The fees and charges may be calculated in different ways for different areas of the support services and may, at the discretion of the City, be based on averages or estimates.
12. The City shall fully disclose to Holdco how all fees and charges are calculated.

13. The City may recalculate fees and charges from time to time, even retroactively or retrospectively, and Holdco shall be responsible for paying any amount owing after such recalculation.
14. Holdco shall pay any taxes imposed in respect of the support services provided or the fees and charges charged.

Dispute resolution

15. The parties and their designated representatives shall use their best efforts to resolve amicably and by discussion and negotiation, any disputes that may arise out of this agreement.
16. If a dispute between the parties, relevant to a specific support service area should arise, the designated representatives, relevant to that particular support service area shall attempt to resolve the dispute.
17. If a dispute cannot be resolved at the level of the relevant specific support service area, the designated representatives shall refer it to the City's Council and Holdco's Board.

Start and finish

18. This agreement shall commence on \_\_\_\_\_, 2009.
19. Either party hereto may terminate this agreement upon at least sixty (60) days' written notice to the other party.

IN WITNESS WHEREOF the parties hereto have, by their proper officers duly authorized in that regard, hereto set their hands and seals.

SIGNED SEALED AND ) GUELPH MUNICIPAL HOLDINGS INC.  
DELIVERED )

Date: \_\_\_\_\_ ) Per: \_\_\_\_\_  
) I have authority to bind the Corporation  
)

) THE CORPORATION OF THE CITY OF  
) GUELPH

Date: \_\_\_\_\_ ) Per: \_\_\_\_\_  
) I have authority to bind the Corporation



## **Appendix Guelph\_SEC\_IRR\_#14\_1 – Budget Forecast for OM&A**

To: Finance and Audit Committee

From: Ian Miles, CFO

Date: August 23, 2011

Subject: 2011 Forecast (Updated per August 23 Board Meeting Discussion on TS)

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The forecast results for GHI, GHESI, and Ecotricity presented herein have been prepared following an analysis of actual results for the first half of the year as well as identification of any known issues that would impact the balance of the year. This exercise was conducted with senior management from all departments.

### **GHESI 2011 Forecast**

The following summary from the approved 2011 budget has been updated with actual 2011 Q2 results as well as two additional columns showing the forecast for the year and the variance from original budget.

Forecasted net income for 2011 is expected to be very close to the original budget as variances in revenue and operating expense largely offset each other.

GHESI Summary Results	\$ Thousands							
	Prior	2010	2010	2010	2011	2011 Q2	2011	2011
	Year	Budget	Forecast	IFRS	Budget	Results	Forecast	Variance
Distribution Revenue	23,410	23,910	23,733	24,177	26,076	12,364	25,010	(1,066)
Total Operating Revenue	26,187	26,455	26,637	27,849	29,726	14,431	29,085	(641)
OM&A Expenses	10,235	10,798	11,011	14,092	15,994	7,235	15,368	(626)
Income Before Tax	6,746	4,969	5,493	5,724	4,044	2,382	4,029	(15)
PIL's	(3,329)	(1,590)	(1,822)	(1,774)	(1,142)	(680)	(1,158)	(15)
Net Income	3,417	3,379	3,671	3,950	2,902	1,702	2,871	(30)
Regulatory Adjustments								
- Contributed Capital	-	-	-	(553)	(659)	54		
- Reg Assets/Liab	-	-	-	(320)	(1,507)	(29)		
Modified IFRS (OEB)	-	-	-	3,077	736	1,727		

## Revenue

The revenue forecast has been updated for the approved May 1, 2011 rates. The variance of just over \$1 million is mainly the result of the OEB applying the half year rule to our request for a rate rider for incremental capital associated with the transformer station as well as a reduction in the approved smart meter rate adder. Offsetting this variance is higher than expected other revenue from GIS mapping services, water billing, and inter-company services. The net result is a total revenue variance to budget of \$641,000 (2.1% of budget).

## OM&A Expenses

Salaries are forecast to be under budget by \$468K due to

- Delaying the hiring of into several new positions in 2011, such as SCADA and Communications Technologist (which has been planned to be filled in 2010, and was carried over into 2011) and Senior Clerk - Metering and CDM, Energy Services Representative #1,
- Postponing 2011 hiring to 2012, such as Smart Grid Resource #1 and , Energy Services Representative #2,
- Planned delays in filling behind employees who left, such Engineer in training and Technician - Engineering, and

- Difficulties in attracting a qualified System Control Operator, resulting in now looking for an apprentice.

Benefit costs associated with the above are forecast to be approximately \$158K less than budget as well.

The variance from budget would have been greater except for being over budget by \$158K due to both planned and emergency overtime. For emergency overtime, we are over budget by \$75K primarily related to a number of severe storms in May. Planned overtime was also over budget by \$82K (\$53K for IBEW and \$29K in Management) mostly related to 1) unplanned building construction at Southgate on weekends, 2) overtime in Metering related to Smart Meters and 3) IS's involvement with the smart metering project and their need to meet very tight deadlines.

### Capital Expenditures

At the end of Q1 2011, GHESI's forecast schedule of capital expenditures was updated to reflect a timing related shift in spending on the transformer station as between 2010 and 2011 (approximately \$2.0 million). The forecast for the balance of 2011 has been further updated as of August 23, 2011 to reflect an expected \$2.0 million over-budget variance in the transformer station project which is offset by an anticipated under-budget of \$1.5 million in feeders and \$0.5 million in rehabilitation (all are highlighted in yellow on the chart below).

		\$ Thousands					
		2011	2011	2012	2013	2014	2015
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
		Budget	Forecast	Budget	Budget	Budget	Budget
Land		-	-	-	-	-	-
Substations		10,875	14,600	-	-	-	-
Feeders / Infrastructure		4,389	2,889	3,950	4,069	4,191	4,316
Rehabilitation		2,554	2,054	2,800	2,884	2,971	3,060
Subdivisions		1,946	1,946	2,000	2,060	2,122	2,185
Commercial / Industrial		549	549	575	592	610	628
Other							
	Metering	609	609	625	644	663	683
	SCADA	254	254	200	206	212	219
	IT Capital	420	420	500	500	525	525
	Building / Fixtures	85	85	83	87	91	92
	Office Equipment / Graphics	50	50	53	55	58	60
	Rolling Stock	450	450	485	425	500	525
	Major Tools	60	60	65	58	61	65
		1,928	1,928	2,010	1,975	2,110	2,168
Gross Capital		22,241	23,966	11,335	11,579	12,003	12,358
Contributed Capital		2,679	2,679	2,425	2,498	2,573	2,650
Net Capital		19,562	21,287	8,910	9,082	9,430	9,708

## Appendix Guelph\_SEC\_IRR\_#14\_2 – Balance Sheet, June 30 2011

### GUELPH HYDRO ELECTRIC SYSTEMS INC.

#### Balance Sheet

As at June 30, 2011

( In thousands of dollars )

	IFRS 2011 ACTUAL	IFRS 2010 ACTUAL
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 19,043	\$ 7,349
Accounts receivable non regulatory	16,256	14,041
Accounts receivable regulatory	931	1,035
Income taxes receivable	2,801	-
Unbilled revenue	10,187	10,203
Inventory	1,651	1,623
Future Income Taxes	1,628	2,092
Other	503	399
	<u>53,000</u>	<u>36,742</u>
<b>FIXED ASSETS</b>	<u>131,283</u>	<u>120,910</u>
<b>OTHER</b>		
Deferred Charges	0	41
Future Income Taxes	5,270	5,630
	<u>5,270</u>	<u>5,671</u>
<b>TOTAL ASSETS</b>	<u>\$ 189,553</u>	<u>\$ 163,323</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accruals	\$ 16,549	\$ 14,380
Income Taxes Payable	956	3,340
Deferred credits - accounts receivable	6,488	3,960
Customer deposits - current portion	1,894	1,940
Due to related parties	1,397	13,680
	<u>27,284</u>	<u>37,300</u>
<b>LONG TERM DEBT</b>		
Long term portion debentures	64,500	-
Note payable	-	30,000
	<u>64,500</u>	<u>30,000</u>
<b>OTHER LONG TERM LIABILITIES</b>		
Employee future benefits	6,950	6,717
Customer deposits - long term portion	1,932	1,980
Contributed Capital - Fixed Assets	27,990	26,072
	<u>36,873</u>	<u>34,769</u>
<b>SHAREHOLDER'S EQUITY</b>		
Common shares	43,374	43,374
Opening Retained Earnings	18,321	13,111
Net Income	1,702	6,269
Dividends Paid	(2,500)	(1,500)
Closing Retained Earnings	17,523	17,880
	<u>60,897</u>	<u>61,254</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>189,553</u>	<u>163,323</u>

Date Prepared: July 25, 2011

Prepared By: Accounting

**Guelph Hydro Electric Systems Inc.**  
**Statement of Revenue and Expense**  
**For the six months ending June 30, 2011**  
(in thousands of dollars)

	IFRS 2011 ACTUAL	IFRS 2010 ACTUAL
<b>REVENUE</b>		
Residential	\$ 7,091	\$ 6,819
General	4,696	4,694
Large User	484	494
Street Lighting	93	74
<b>TOTAL DISTRIBUTION REVENUE</b>	<b>12,364</b>	<b>12,081</b>
Non-distribution Revenue	58,885	61,889
	71,249	73,970
Non-distribution Cost of Sales	58,854	55,808
	12,394	18,161
<b>OTHER OPERATING REVENUE</b>	<b>2,036</b>	<b>2,172</b>
<b>NET OPERATING REVENUE</b>	<b>14,431</b>	<b>20,333</b>
<b>DISTRIBUTION SYSTEM EXPENSE</b>		
Operations	4,726	4,317
Maintenance	1,142	979
<b>TOTAL DISTRIBUTION SYSTEM</b>	<b>5,868</b>	<b>5,296</b>
<b>ADMINISTRATION</b>		
General administrative	2,504	2,911
Information systems	588	497
Billing and collecting	1,335	1,224
Total Administration	4,427	4,632
<b>INCOME BEFORE FINANCIAL EXPENSE AND INCOME TAXES</b>	<b>4,136</b>	<b>10,405</b>
<b>FINANCIAL EXPENSE</b>		
Interest Expense	1,754	1,320
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,382</b>	<b>9,085</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>680</b>	<b>2,816</b>
<b>NET INCOME</b>	<b>\$ 1,702</b>	<b>\$ 6,269</b>

Date Prepared: July 25, 2011  
Prepared By: Accounting

## GUELPH HYDRO ELECTRIC SYSTEMS INC.

### Statement of Cash Flow

For the Six Months Ended June 30, 2011

(in thousands of dollars)

	IFRS 2011 ACTUAL	IFRS 2010 ACTUAL
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net income	\$ 1,702	\$ 6,269
Items not affecting cash		
Allocated Depreciation	3,268	2,760
Contributed Capital Amortization - Other Revenue	(457)	(707)
Difference between future employee benefits (exp vs funded)	163	238
(Gain) loss on disposal of fixed assets before disposal costs	-	(36)
Future income taxes - long term	633	202
	5,309	8,726
Net change in non-cash working capital balances related to operations	(1,373)	107
Net change in deferred assets	16	25
Net additions in contributed capital - fixed assets	658	1,015
Net change in other long-term liabilities	(133)	128
CASH FROM OPERATIONS	4,477	10,001
INVESTING ACTIVITIES		
Additions to fixed assets	(6,551)	(6,052)
Net proceeds on disposal of fixed assets	-	36
	(6,551)	(6,016)
FINANCING ACTIVITIES		
Dividends paid	(2,500)	(1,500)
	(2,500)	(1,500)
INCREASE IN CASH	(4,574)	2,485
CASH, BEGINNING OF THE YEAR	23,617	4,864
CASH, END OF THE PERIOD	\$ 19,043	\$ 7,349
Supplemental disclosure of cash flows		
Interest paid	\$ 1,722	\$ 1,320
Payments in lieu of corporate taxes	\$ 2,408	\$ 2,183

Date Prepared: July 25, 2011

Prepared By: Accounting

**Appendix Guelph\_SEC\_IRR\_#22\_OffertoLease**



**OFFER TO LEASE**

**BETWEEN**

**2130269 Ontario Inc.**

**(Landlord)**

**-and-**

**Guelph Hydro Inc.**

**(Tenant)**

**806 Gordon Street  
Part of Second Floor  
Guelph, ON N1G 1Y7**



## OFFER TO LEASE

**TENANT:** Guelph Hydro Inc.  
**DATE:** May 13, 2009  
**LANDLORD:** 2130269 Ontario Inc.  
**LANDLORD'S AGENT:** Matteis Realty Ltd.

I/We, ("Tenant") hereby offer to Lease from you, ("Landlord") premises ("Premises") being **part of the second floor at 806 Gordon Street, Guelph, ON.** Premises further depicted outlined in black and cross-hatched on the sketch attached to this Offer and marked as Schedule "A" on a completely net and carefree basis to the Landlord upon the following terms and conditions.

### 1.0 LEASED PREMISES

The proposed Leased Premises shall be approximately **3,450 square feet** of total Rentable Area comprised as follows: **3,000 square feet** of useable space within the Tenant's demised premises, plus an estimated amount of **450 square feet** which represents the Tenant's proportionate share of the Common Area and facilities. The actual measurement and boundaries of the Leased Premises shall be governed by the provisions set out in the Lease ("Lease").

**"Rentable Area"**, in the case of the Premises or any other premises included in the Rentable Area of the Building, means the area expressed in square feet, as certified by the Landlord's Architect or the Surveyor, of all floors of such premises, determined as follows:

- (i) in the case of premises on a floor occupied entirely by one tenant, the Rentable Area shall be all the floor area within the exterior walls calculated by measuring from the inside face of the glass of the exterior walls, without deduction for columns and projections, **and including** elevator lobbies, service corridors, washrooms, electrical, telephone, meter, valve, mechanical, storage and janitor rooms and any internal or special stairways and elevators for the specific use of the particular tenant but excluding other stairways, elevator shafts, flues, pipe shafts and vertical ducts; and
- (ii) in the case of premises on a floor occupied by more than one tenant, the Rentable Area shall be the aggregate of (a) all floor area within the exterior walls of such premises calculated by measuring from the outside face of the glass of the exterior walls to the finished surface of the corridor side of the corridor partitions and to the centre line of demising partitions, without deduction for columns and projections, **but excluding** elevator lobbies, service corridors, electrical, telephone, meter, valve, mechanical, storage and janitor rooms, stairways and elevator shafts supplied by the Landlord for use in common with other tenants



within the relevant floors; and (b) a share of the area of Common Areas and Facilities located on such floor, such share to be in the same proportion to such area that the area of the space referred to in clause (a) above is to the total Rentable Area of such floor determined without reference to this clause (b); and (c) any service areas which are for the exclusive use of the particular tenant, such as internal or special stairways and elevators; and

it being acknowledged that the Rentable Area of the Premises or the Building or any other space will be adjusted from time to time to reflect any alteration, expansion, reduction, construction, or relocation.

**"Rentable Area of the Building"** means the aggregate of the Rentable Area of all premises in the Building that are rented, or designated or intended by the Landlord to be rented, for offices or business purposes (whether actually rented or not) and, for greater certainty, **excludes** Storage Areas.

## 2.0 TERM

The term of the Lease (the "Term") shall be for a period of ten (10) years, plus the part of a month, if any, from the date of commencement of the Term to and including the last day of the month in which the Term commences. The Term shall **commence** on **September 1, 2009** and **expire** on **August 31, 2019**.

## STORAGE SPACE

The Landlord shall make available to the Tenant at all times during the Term and all extensions of the Lease a maximum of fifty (50) square feet of storage space (the "Storage Space") in the basement area of the Building, at a location to be determined by the Landlord acting reasonably. The Tenant shall pay an all inclusive gross rent at the rate \$0.00 per rentable square foot per annum of Storage Space so required by the Tenant. The Tenant shall not be required to pay any share of Operating Expenses, Real Property Taxes, utilities or other costs with respect to the Storage Space. The Tenant to be fully responsible for the insurance cost to insure any goods stored. Any goods stored therein are at Tenant's own risk. Any finishings, demising walls, doors, floor finishing, electrical, locks or shelving within the Storage Space shall be at the Tenant's own expense.

## 3.0 MINIMUM RENT

- a) The Minimum Rent shall be ~~Sixty-Five Thousand Five Hundred Fifty~~ <sup>TWO ONE</sup> ~~Five~~ <sup>EIGHTEEN</sup> Canadian DOLLARS ~~(\$65,550.00)~~ <sup>62,100.00</sup> per annum (based on ~~Nineteen~~ <sup>18.00</sup> Canadian DOLLARS ~~(\$19.00)~~ <sup>18.00</sup> per square foot ) payable in equal monthly instalments, in advance, on the first day of each month, for **Year One** (1); and
- b) The Minimum Rent shall be ~~Sixty-Nine Thousand~~ <sup>FIVE</sup> ~~Five Hundred Fifty~~ <sup>FIVE HUNDRED FIFTY</sup> Canadian DOLLARS ~~(\$69,000.00)~~ <sup>65,550.00</sup> per annum (based on ~~Twenty~~ <sup>NINETEEN</sup> <sup>19.00</sup> Canadian DOLLARS ~~(\$20.00)~~ <sup>19.00</sup> per square foot ) payable in equal monthly instalments, in advance, on the first day of each month, for **Years Two to Five** (2 to 5); and

c) The Minimum Rent shall be ~~Seventy-Four Thousand One Hundred Seventy-Five~~ <sup>SIXTY-NINE</sup> Canadian DOLLARS (\$~~74,175.00~~ <sup>69,000.00</sup>) per annum (based on ~~Twenty-One~~ <sup>20</sup> Canadian DOLLARS and ~~Fifty~~ <sup>30</sup> CENTS (\$~~21.50~~ <sup>20.00</sup>) per square foot) payable in equal monthly instalments, in advance, on the first day of each month, for **Years Six to Ten** (6 to 10);

of the initial lease term commencing on:

a) the **1st day of September, 2009**

Such rental shall be payable without any right of deduction, defalcation or abatement whatsoever.

#### 4.0 FREE RENT PERIOD

The Tenant shall be allowed a Free Minimum Rent Period for the first ~~two (2) months~~ <sup>Three (3) months</sup> of the initial Lease Term. During the Free Rent period, the Tenant agrees to pay only the utilities consumed in the demised premises and applicable occupancy costs and taxes.

#### OPTION OF TENANT TO TERMINATE

Upon the full execution of the Lease hereof, the Tenant shall have the option to terminate the Lease anytime after the end of the fifth year of the Lease Term by providing the Landlord with six (6) months prior written notice. In order for the Tenant to effectively exercise this option, it shall pay at the time that written notice to terminate is delivered, a termination fee equal to six (6) months Base and Additional Rent ~~plus the unamortized portion of the Leasehold Allowance and the Leasing Commission paid by the Landlord in connection with this Lease.~~ <sup>plus the unamortized portion of the Leasehold Allowance and the Leasing Commission paid by the Landlord in connection with this Lease.</sup>

Landlord estimates that the Additional Rent for the first year of the Term shall be Ten (\$10.00) Canadian Dollars per square foot of the Rentable Area, which may be subject to change. **THE LANDLORD SHALL PROVIDE A FULL ACCOUNTING OF ADDITIONAL RENT, TO THE TENANT, ON EACH YEAR**  
**8.0 PAYMENT OF RENT OF THE TENANCY.**

Tenant shall provide the Landlord with post-dated monthly cheques or wire transfer which will include the Minimum Rent and the estimated occupancy costs and taxes (Additional Rent), including any applicable taxes (GST).

#### 9.0 TENANT REPAIRS

The Tenant will be responsible at all times and at its sole cost and expense to keep and maintain the whole of the Demised Premises (including all glass interior or exterior, partitions, doors, locks, fixtures, floors, ceilings, plumbing installations and fixtures, lighting and electrical installations, signage and sign lighting (if any), heating and air conditioning vents, equipment and appurtenances thereof and improvement thereto) in good order, first class condition and repair, and to make all needed repairs and replacements with due diligence save and except such repairs as are specifically designated as being the responsibility of the Landlord, namely the roof, the foundation and outside walls as set out in the Lease.

#### 10.0 LEASE

The Tenant agrees to execute, and deliver to the Landlord within ten (10) days after receipt thereof Landlord's standard form of Lease, incorporating the business terms of this Offer subject to reasonable non-financial amendments and modifications as agreed to by the parties acting reasonably. Tenant further acknowledges and agrees that it is intended that the Lease shall be a completely net and carefree Lease for the Landlord and the Landlord shall not be responsible for any costs, charges, expense and outlays of any nature whatsoever arising from or relating to the Premises, or the contents thereof.

#### 11.0 FINANCIAL INFORMATION

The Tenant agrees that it will, upon request, provide the Landlord with such information as to the Tenant's financial standing and corporate organization as the Landlord, its mortgagees or the trustee for the bondholders or any company providing Lease guarantee insurance may require. Failure of the Tenant to comply with the Landlord's request herein shall constitute a default under the terms of this Agreement and Landlord shall be entitled to terminate this Agreement and all of the rights of the Tenant hereunder, by written notice. **AND THE DEPOSIT SHALL BE RETURNED TO THE TENANT**

**WITHOUT DEDUCTIONS.**  
**12.0 PLANNING ACT**

**ANY**

**being held by the Landlord**

Where applicable by reason of the length of its term, this Offer and the Lease shall be subject to the condition that it is effective only if Section 50 of the Planning Act is complied with. Pending such compliance this Offer and Lease shall be deemed to be for a Lease having a Term of twenty-one (21) years less one day from the date hereof.



### 13.0 DEPOSIT AND ADVANCE RENTAL

(\\$18,264.00)

The Tenant to provide to the Agent, Matteis Realty Ltd., a negotiable cheque in the amount of ~~Seventeen~~ <sup>Sixty-four</sup> Thousand Two Hundred ~~Seven~~ Canadian Dollars (~~\\$17,207.00~~) which amount includes minimum rent and an estimated amount for additional rent and GST, upon acceptance of this Offer to Lease to be held in Trust as follows:

The deposit mentioned above is liable for forfeiture, <sup>at the Landlord's option</sup> ~~at the Landlord's option~~, if the Tenant breaches any of its obligations hereunder, such forfeiture being in addition to all other rights of the Landlord hereunder and at law. Provided the Tenant is not in default hereunder, on the commencement date, the Landlord shall apply 50% of the deposit to first month's rent as it applies. The remaining 50% of the deposit shall be ~~held as a security deposit on the terms and conditions set forth in the Lease.~~ <sup>applied to the second month's rent as it applies.</sup>

~~In the event of any default by either party, the deposit shall be returned in full to the Tenant without deduction.~~

### 14.0 INSURANCE

Tenant shall, before entering the Premises for any purpose provide the Landlord with certificates of insurance evidencing that the Tenant has taken out in the names of the Tenant and the Landlord such insurance covering the Premises and their contents and leasehold improvements, for an amount of not less than its replacement rent value to be determined by the Landlord comprehensive general liability insurance and any other form of insurance as the Landlord requires but in any event, in an amount of not less than **FIVE MILLION CANADIAN DOLLARS (\\$5,000,000.00)** per occurrence, all as more fully set out in the Lease.

### 15.0 NO REPRESENTATION

It is understood and agreed that there are no covenants, representations, agreements, warranties or conditions in any way relating to the subject matter of this Offer, whether express or implied, collateral or otherwise, except those set forth in this Offer and in the Lease.

### 16.0 NO TRANSFER

- This Offer shall not be assignable or otherwise transferable by Tenant without the prior written consent of the Landlord, <sup>when consent shall not be unreasonably withheld.</sup>
- Tenant shall not be entitled to assign the Lease or sublet the Premises without the Landlord's prior written consent which consent shall not be unreasonably withheld.

### 17.0 TENANT DEFAULT

If the Tenant is in default in the performance of any term, covenant or condition of this Offer or shall become bankrupt or insolvent, then the Rent for the then current month together with the Rent for the three (3) months next ensuing shall immediately become due and payable and the Landlord shall, without prejudice to any other right which the Landlord may have, have the right to terminate this Offer after giving seven (7) days written notice to the Tenant and in such event, the Landlord shall be entitled, without limiting its other remedies or claim for damages, to retain the Security Deposit and Advance Rent as minimum liquidated damages on account of the damages it has

\* ~~IN THE EVENT THAT A LEASE IS NOT EXECUTED BY THE LANDLORD AND TENANT, THEN THE DEPOSIT SHALL BE RETURNED IN FULL WITHOUT INTEREST OR DEDUCTION TO THE TENANT.~~

suffered as a result of the Tenant's default.

#### 18.0 FORCE MAJEURE

Notwithstanding anything to the contrary contained in this Offer to Lease, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes; labour troubles; inability to procure materials or services; power failure; restrictive governmental laws or regulations; riots; insurrection; sabotage; acts of terrorism; rebellion; war, act of God; or other reason whether of a like nature or not which is not the fault of the party delayed in performing work or doing acts required under the terms of this Offer to Lease, then performance of such term, covenant or act is excused for the period of delay and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. However, the provisions of this Section do not operate to excuse the Tenant from the prompt payment of Minimum Rent, Additional Rent or any other payments required by this Offer to Lease and Lease.

#### 19.0 LANDLORD'S WORK

The Landlord agrees, at his own expense, to complete the work as outlined in Schedule "C" (the "Landlord's Work").

#### 20.0 SUCCESSORS AND ASSIGNS

All obligations imposed upon the parties hereto by this Offer extend to and be binding upon all heirs, executors, administrators, successors, assigns, sub-tenants and encumbrances of the Tenant.

#### 21.0 ENVIRONMENT

The Tenant shall, throughout the term and extension thereof, not carry on any business or operations or permit anything to be done in or around the demised premises which contravenes any Environmental Laws or applicable regulations and shall not Release any Hazardous Substances into the environment.

#### 22.0 EXISTING WASHROOMS

Included in the rent, the Tenant, its customers and visitors, shall have the right to use the public washrooms on the main floor in common with the other tenants in the building.

#### 23.0 PARKING

to a minimum of ten (10) parking spaces

During the Term and any extension period(s) thereof, the Tenant, its employees and visitors shall be entitled to park their vehicles in the on-site parking lot in common with the other Tenants in the building. ~~THE TENANT SHALL HAVE USE OF 10 PARKING SPACES WITHIN THE ENTIRE PARKING LOT OF THE PROPERTY.~~

#### 24.0 SIGNAGE

Prior to the Commencement Date, the Landlord shall, at its own expense, install building standard

signage identifying the Tenant's corporate name adjacent to the entrance door(s) to the Premises and provide a general directory board on which the Tenant shall have its name shown. The Tenant shall, at its own expense, install its sign fascia on the pylon sign as available, subject to the Landlord's prior approval and in accordance to applicable municipal sign by-laws and regulations.

#### 25.0 REAL ESTATE COMMISSION

Any real estate commissions relating to this offer are to be paid by the Landlord. ~~THE~~ THE LANDLORD AGREES THAT C.B. RICHARD ELLIS SHALL BE PAID COMMISSIONS BY THE LANDLORD TOTALING

26.0 SCHEDULES \$0.70/SQFT/YEAR ~~FOR THE~~ INITIAL 10 YEAR LEASE TERM. *WILL*

The following schedules are attached hereto and form part of this Offer to Lease:

Schedule "A"	-	Premises/Plans
Schedule "B"	-	Construction of Leased Premises General Provision
Schedule "C"	-	Landlord's Work
Schedule "D"	-	Tenant's Work
Schedule "E"	-	Leasehold Allowance

#### 27.0 TIME OF ESSENCE

Time shall be the essence of this Offer.

#### 28.0 "AS IS"

Except as otherwise expressly set out herein the Tenant accepts the demised premises in "As Is" condition at the time of occupancy by the Tenant.

#### 29.0 NO RESTORATION

It is understood that the Tenant, at the expiry of the Lease, or extension period(s) thereof, as the case may be, will surrender the Premises in substantially the condition in which the Tenant is required to maintain the Premises, reasonable wear and tear excepted, and in accordance with the Lease, without compensation and free from any obligation to remove or demolish or restoring then existing leasehold improvements to a base building condition. The Tenant shall have the right to remove its trade fixtures, trade equipment, furniture, workstations, telephone switches and security systems such right not to be construed as an obligation. The Tenant shall be responsible to repair any damage, which may be caused on the Premises or the Building by the removal thereof.

#### 30.0 ACCESSIBILITY

The Landlord warrants and represents that all roadways, routes from the parking facility to the Building lobby as described in the Landlord's Work, parking facilities, parking spaces, vehicular drop-off areas (for both private and public transport), sidewalks, walkways, entrances, exits (including emergency and fire exits), hallways, common areas, building directory, common washrooms on each and every floor, if installed by the Landlord, floors, stairways and elevator and similar lifting devices in the Building and on the Lands and all entrances and exits (including emergency and fire exits) to the Premises, are fully accessible to persons with disabilities (including,



without limitation, such persons that are physically handicapped or visually or hearing impaired) and (including but not limited to ramps, power door operators, directional signage) to the extent required by all applicable laws, regulations and other governmental requirements, including without limitation the current Canadian Standard Association (CSA) accessibility standard CAN/CSA B561, as described in Landlord's Work and the current OBC requirements for barrier-free accessibility. The Landlord covenants to maintain all such accessibility standards throughout the Term.

### **31.0 UTILITIES**

Tenant to apply for and install all required utility meters. Tenant shall pay for all the utilities costs. The Tenant shall operate, maintain and regulate the air conditioning equipment and pay its proportionate share of operating, maintaining and regulating heating and air conditioning equipment as set out in the Lease.

### **32.0 TENANT'S ACCESS TO BUILDING AND PREMISES**

During the Term and any extension period(s) thereof, the Tenant will be permitted access to the Premises twenty-four (24) hours per day seven (7) days per week in accordance with the City of Guelph municipal by-laws and regulations.

### **33.0 APPLICABLE TAXES**

All amounts referred to in this Offer to Lease are subject to all applicable Taxes.

### **34.0 WAIVER TO AGENT**

The parties to this agreement acknowledge that Matteis Realty Ltd. and CB Richard Ellis Limited have recommended that they obtain advice from their legal counsel prior to signing this document. The parties further acknowledge that the information provided by Matteis Realty Ltd. and CB Richard Ellis Limited is not legal, accounting, environmental and technical or tax advice and the parties are cautioned not to rely on any such information without seeking specific legal, accounting, environmental, technical or tax advice with respect to their unique circumstances. The Tenant acknowledges that Matteis Realty Ltd. and CB Richard Ellis Limited have made no representation as to the physical or environmental condition of the site, or its suitability for the Tenant's intended uses.

### **35.0 ACCEPTANCE**

Acceptance of this Lease Offer to Lease by either party and communication of same by facsimile transmission shall be binding upon each party as if the documents transmitted were original executed documents.

### **36.0 GENERAL PROVISIONS**

- a) This Offer may not be modified, altered or amended except by writing signed by the parties to it.
- b) There are no other representations either written or oral other than those contained in this



Offer.

- c) Time shall be of the essence of this Offer.
- d) This Offer shall be construed in accordance with the laws of the Province of Ontario.
- e) The Tenant shall not register this Offer and shall not register a Notice of Lease without the prior written consent of the Landlord. Upon the request of either party a memorandum or notice of the Lease for the purpose of registration shall be executed, describing the parties, the Leased Premises and the terms of the Lease and shall be prepared and registered at the expense of the party requesting it.

### 37.0 TENANT'S CONDITION

This Offer, when accepted, shall be conditional upon the approval of the terms hereof by the Tenant's Board of Directors. Unless the Tenant gives notice in writing delivered to the Landlord or to the Landlord's address as hereinafter indicated not later than 5:00 p.m. ten (10) business days following acceptance, that this condition is fulfilled, this Offer shall be null and void and the deposit shall be returned to the Tenant in full without deduction.

### 38.0 NOTICE

Any and all notices or demands by and from any of the parties hereto to the other shall be in writing and may be served either personally or by registered mail. Any such notice:

- a) in the case of the Tenant or Indemnifier shall be served on the Tenant or the Indemnifier at the Premises or at Landlord's option, at the address of the Tenant shown on the first page of this Offer;
- b) in the case of the Landlord shall be served on the Landlord at:

**2130269 Ontario Inc.  
c/o 56 Kirkby Court  
Guelph, ON N1G 5E1  
Tel. (519) 780-0835  
Attention: Mario Cotroneo**

Any party may change the address set out above by appropriate written notice to the other parties. In any case, any such written notice shall be deemed to have been received on the date of its delivery or, if mailed, three (3) business days (which shall exclude Saturdays, Sundays and statutory holidays) after the mailing thereof. Notwithstanding the foregoing, in the event that it may be reasonably anticipated that due to any strike, lock-out or similar event involving a postal service, any notice will not be received by the addressee by no later than three (3) business days following the mailing thereof, then the mailing of any such notice as aforesaid shall not be an effective means of sending the same but rather any notice must be sent by the most reasonably expeditious means of transportation available.





29th  
This Offer to Lease shall be irrevocable by Landlord and shall be open for acceptance by Tenant until 5:00 p.m. on the 20<sup>th</sup> day of May, 2009, after which time, if not accepted, this Offer shall be null and void and any moneys paid hereunder shall be returned to the Tenant.

Upon acceptance this Offer shall constitute an agreement binding upon the Parties hereto.

IN WITNESS WHEREOF Tenant has executed this Offer.

DATED at the City of Guelph, this 14 day of May, 2009

SIGNED, SEALED & DELIVERED

LANDLORD: 2130269 Ontario Inc.

Per:

I have the authority to bind the corporation.

(c/s) Date 14-05-09

I/We hereby accept the above Offer to Lease, dated at Guelph, this \_\_\_\_ day of May, 2009

TENANT: Guelph Hydro Inc.

Per:

I have the authority to bind the corporation.

(c/s) Date 09/05/20

Per:

(c/s) Date \_\_\_\_\_  
I have the authority to bind the corporation.

CONFIRMATION OF EXECUTION/ACCEPTANCE

THIS AGREEMENT HAS BEEN ACCEPTED AND EXECUTED BY BOTH PARTIES THIS 29<sup>th</sup> DAY OF MAY 2009

SIGNATURE OF TENANT

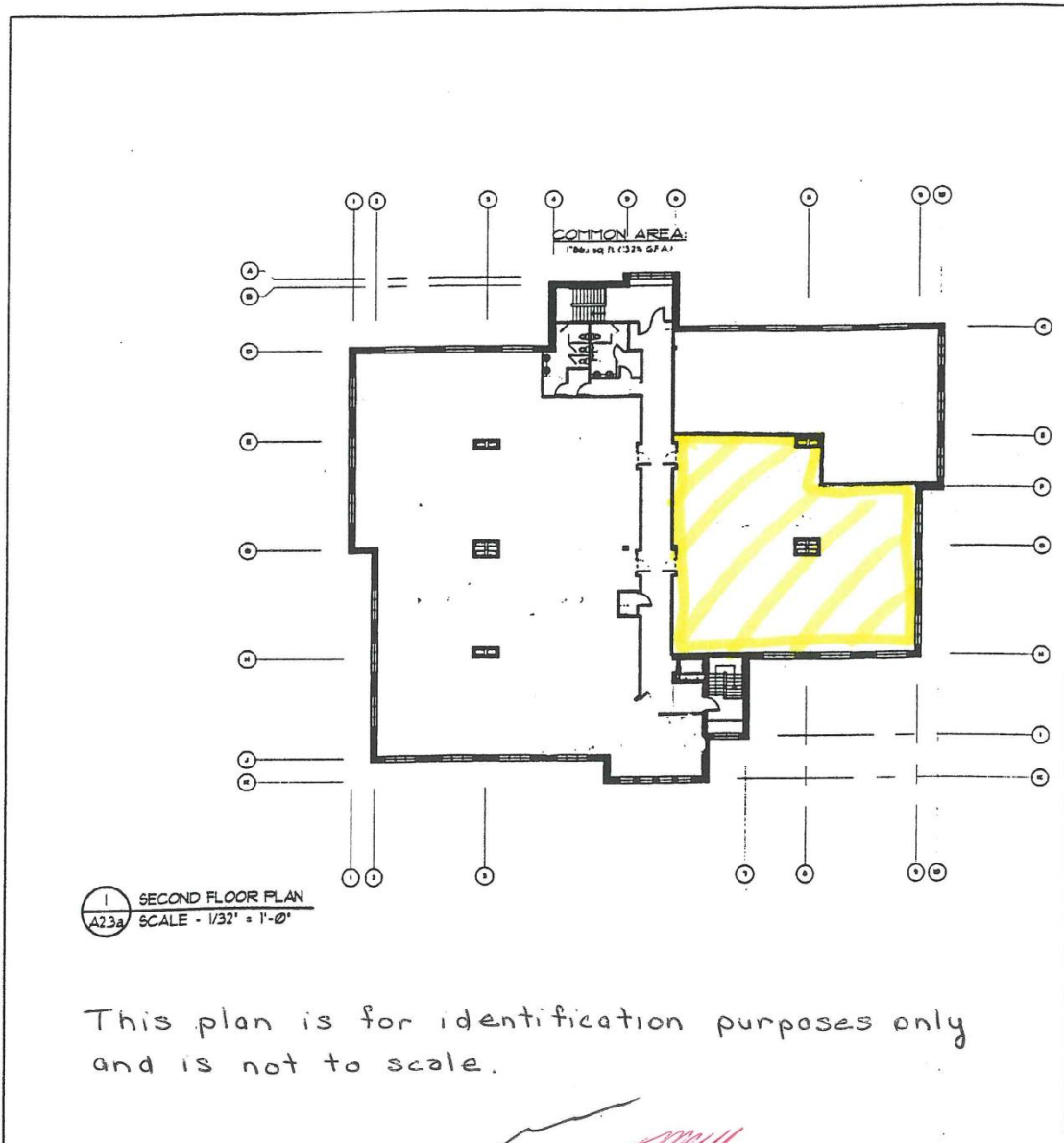
09-05-29

DATE

THE FINAL DATE FOR WAIVER OF TENANT'S BOARD APPROVAL SHALL BE FRIDAY JUNE 12<sup>th</sup> 2009 AT 5pm.

## SCHEDULE "A"

### Premises/Plans



## **SCHEDULE "B"**

### **Construction of Leased Premises General Provision**

#### **1.0 Outline Drawings by Landlord**

Within a reasonable time after execution of the Agreement to Lease, the Landlord shall supply to the Tenant Outline Drawings for the Leased Premises showing dimensions, cross sections, location of rear door and entry points, water, sewers and electricity.

#### **2.0 Completed Drawings by Tenant**

The Tenant shall submit to the Landlord complete drawings and specifications for the finishing of the Leased Premises, to be prepared in a form acceptable to the Landlord and conforming to first class practices and procedures.

Such complete drawings and specifications shall show at least the following:

- a) Underfloor electrical or plumbing (if any).
- b) Floor Plan.
- c) Reflected Ceiling plan.
- d) Electrical wiring.
- e) Duct work for HVAC system.
- f) Sign fascia.

All required drawings and specifications shall be submitted at the expense of the Tenant for approval by the Landlord in sufficient copies and in form as required by the Landlord, within a reasonable time and in any event within twenty-one (21) days of written request by the Landlord therefore. No Tenant's work may commence or proceed prior to the Landlord's written approval, which will not be unreasonably withheld nor unduly delayed. Tenant to pay all costs attributable to such approvals.

**ALL TENANT DRAWINGS MUST BE IN A FORM TO FACILITATE REPRODUCTION BY THE LANDLORD.**



### **3.0 Building Permit**

All plans prepared by the Tenant shall have sufficient information for the Landlord to obtain, at the Landlord's expense, all necessary building permits including Department of Labour and other approvals where necessary to complete the Landlord's Work. All mechanical and electrical permits to be obtained by the Tenant's contractors at the Tenant's expense, a copy of such permits to be provided to the Landlord prior to the commencement of the Tenant's work.

### **4.0 Commencement Date for Tenant's Work**

The Landlord shall notify the Tenant in writing seven (7) days prior to the Leased Premises being ready for the commencement of the Tenant's work. Upon receipt of such notification the Tenant shall inspect the Leased Premises and shall be deemed to have accepted the Leased Premises in the then existing condition, unless the Tenant within three (3) days after receipt of the Landlord's notice advises the Landlord in writing and in reasonable detail of any defects or defaults on or in the Leased Premises as a result of the Landlord's failure to perform the Landlord's Work. In the event of any dispute between the parties as to whether or not there exists any defects or defaults, the decision of the Landlord's Architect shall be final and binding upon both parties. It is understood and agreed that certain work, which is to be performed by the Landlord, will be completed in conjunction with the Tenant's Work.

### **5.0 Tenant's Additional Power Requirements**

If the Tenant's requirements for electrical service capacity and/or air-conditioning capacity exceed that provided by the Landlord then the Landlord shall supply such additional capacity at the expense of the Tenant and to be paid by the Tenant to the Landlord on demand, following completion of such work. The Landlord undertakes to provide the Tenant with a written quotation for such work prior to its commencement.

### **6.0 Performance of Tenant's Work**

- a) All items of work undertaken by the Tenant shall be performed by competent workmen and compatible with those of others employed by the Landlord and its contractors and subcontractors.
- b) All work by the Tenant within the Leased Premises shall be completed with new materials. Materials and workmanship shall be of a uniformly high quality and used and/or performed in accordance with the very best standards of practice and shall not be in contravention of any governing codes or regulations and shall be subject to the approval of the Landlord and its Architect. Any work not approved by Landlord or its Architect may on written notice to Tenant be removed by Landlord at the expense of the Tenant and may be replaced by Landlord with approved work at the expense of the Tenant. Any damage to the Leased Premises or the building, or any part thereof caused by the Tenant or any of its employees, contractors or workmen shall be repaired forthwith by and at the expense of the Tenant. In the event that these repairs are not carried out within fifteen (15) days, the Landlord shall have the right to make such repairs and charge the Tenant accordingly.





- c) Under no circumstances will the Tenant, its employees, its contractors or its contractors' employees enter onto the roof of the building or make any opening in the roof without the prior written approval of the Landlord. No roof-mounted antenna is permitted.
- d) Tenant shall maintain the Leased Premises in a reasonably clean and orderly manner while in possession and shall be responsible for removing from the building all excess material, trash and cartons resulting from Tenant's Work and stocking of the Leased Premises, failing which the Landlord may do so and the Tenant shall pay to the Landlord upon receipt of an invoice on account thereof the cost of removal and cleaning plus fifteen (15%) percent.

#### 7.0 Utility Meters by <sup>Tenant</sup> ~~Tenant~~ Landlord

~~Landlord~~  
 Tenant ~~Tenant~~ shall apply for and procure at its expense any utility meters required for the Leased Premises if so ~~requested by the Landlord~~ <sup>requested</sup> ~~BY THE LANDLORD~~. <sup>REQUIRED</sup>

#### 8.0 Exhaust, Odour and Garbage

- a) Objectionable odours shall be exhausted in such a manner as approved by the Landlord, in writing.
- b) Garbage disposal bins and their location on site shall be in accordance with the Landlord's garbage criteria.

#### 9.0 Insurance

The Tenant shall provide the Landlord with written proof of liability and fire insurance before Tenant does any work or any of the Tenant's construction trades are permitted in or onto the building. Such insurance shall include the Landlord as a named insured and shall protect the Landlord in respect to claims by the Tenant as if the Landlord were separately insured.

#### 10.0 Construction

Tenant's activities shall be conducted in such a manner as not to conflict or interfere with Landlord's construction activities, and from and after the delivery of notice by the Landlord pursuant to Paragraph 11 of this Schedule "C". Tenant shall have joint possession of Leased Premises with Landlord, its contractors, servants and agents.

#### 11.0 Scheduling

While Tenant is in joint possession of Leased Premises as aforesaid for the sole purpose of performing and completing Tenant's Work, ~~Landlord shall have the absolute right to schedule Tenant's Work or any part thereof as Landlord in its sole discretion shall from time to time decide.~~

<sup>TENANT SHALL MAKE ALL REASONABLE EFFORTS TO ACCOMMODATE THE LANDLORD'S SCHEDULE FOR PERFORMING SUCH WORK.</sup>

### **12.0 Other Charges**

Tenant shall pay all charges incurred by or on behalf of Tenant for any work, materials or services which may be done, supplied or performed at any time in respect of the Leased Premises and shall forthwith, after notice thereof is given to the Tenant, discharge any liens arising therefrom at any time filed against the Leased Premises or the building or any part thereof. In the event that the Tenant shall fail to cause any such lien forthwith to be discharged after being notified of the filing thereof, then in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same by paying the amount claimed to be due into Court or directly to such lien claimant and the amount, so paid, by Landlord and all costs and expenses including solicitor's fees (on a solicitor and client basis) incurred by Landlord in procuring the discharge of such lien shall be due and payable by Tenant to Landlord on demand with all rights and remedies of the Landlord as against the Tenant with respect to the collection of rent in arrears as set out in the Lease.

### **13.0 Rights and Remedies**

In addition to any other rights and remedies Landlord may have, Landlord shall have right to terminate the Agreement to Lease and the Lease, or any right of Tenant to its tenancy hereunder if Tenant fails to submit all drawings and specifications as required and to complete Tenant's Work in accordance with the Agreement to Lease.



## **SCHEDULE "C"**

### **Landlord's Work**

The Landlord agrees to provide the following work, ("Landlord's Work") at its sole expense, in the building and in the Tenant's demised premises, in a good workmanlike manner with quality products in a standard consistent with a first-class office building all substantially completed by **September 1, 2009** as follows.

Tenant and Landlord will co-operate in the preparation of all required plans for the Landlord's Work and not unduly delay same.

#### **1.0 Plans and Specifications**

As required to complete the Landlord's Work only.

#### **2.0 Building Permits**

By Landlord as required for Landlord's Work only.

#### **3.0 Walls**

Perimeter walls – ICF System with fire rated drywall taped and sanded.

Demising walls - steel or wood studs with insulation and drywall. Drywall taped and sanded.

#### **4.0 Ceiling**

Drywall as it exists.

#### **5.0 Heating & Air Conditioning**

Landlord to provide a complete heating/cooling unit, natural gas fired and electric of sufficient capacity to heat and cool the premises. Any increase by the Landlord upon request by Tenant shall be at the Tenant's sole cost and expense, to be paid by the Tenant to the Landlord upon demand.

#### **6.0 Electrical**

The Landlord will provide a three-phase 208-60 amp electrical service with electrical panel at a location in the Leased Premises All distribution at Tenant's own expense.

#### **7.0 Floor**

Concrete sub-floor as it exists – smooth, trowelled finish as it exists.

#### **8.0 Doors**

Two (2) 3' x 7' entrance doors as they exist complete with frame, trim, hardware and locking devices, from Landlord's samples.

#### **9.0 Painting and Staining**

By Tenant.



## **SCHEDULE "C"**

### **Landlord's Work continued...**

#### **10.0 Sound Attenuation**

To provide adequate sound attenuation in the wall separating the Leased Premises from the adjoining Tenant.

#### **11.0 Signage**

Prior to the Commencement Date, the Landlord shall, at its expense, install building standard signage identifying the Tenant's corporate name adjacent to the entrance door(s) to the Tenant's Premises and provide a general directory board in the main lobby area on which the Tenant shall have its name shown. The Tenant shall, at its own expense, install its sign fascia on the pylon sign, as installed by the Landlord, as available. Any sign, lettering or design shall be subject to the prior approval of the Landlord.

#### **12.0**

Landlord shall allow the Tenant plumbing connections into the main domestic cold and hot water supply, sanitary drain and vent risers at the main core to allow for private washrooms or kitchens in the Tenant's leased Premises, if required by the Tenant.

#### **13.0**

The Landlord shall notify the Tenant in writing seven (7) days prior to the Landlord's Work being completed and ready for the commencement of the Tenant's Work. Upon receipt of such notification the Tenant shall inspect the Leased Premises and shall be deemed to have accepted the Leased Premises in the then existing condition, unless the Tenant within ten (10) business days after receipt of the Landlord's notice advises the Landlord in writing and in reasonable detail of any defects or defaults on or in the Leased Premises as a result of the Landlord's failure to perform the Landlord's Work. In the event of any dispute between the parties as whether or not there exists any defects or defaults, the decision of the Landlord's Architect shall be final and binding upon both parties.

#### **14.0**

The Tenant shall carefully review this Schedule "C" to assure that all items specified are clear and understood. Any discrepancies shall be reported to the Landlord immediately.

#### **15.0**

It is understood by the parties hereto that any work that is not specified and/or identified in Schedule "C" attached hereto, shall be the responsibility of the Tenant.





## **Schedule "D"**

### **Tenant's Work**

#### **1.0 Plans and Specifications**

As required to complete the Tenant's Work only.

#### **2.0 Building Permits**

All building permits as required to complete Tenant's Work.

#### **3.0 Finishing**

All interior finishing within the premises as required, including walls, floors, ceiling and any other finishing not included in the Landlord's Work attached hereto as Schedule "C".

#### **4.0 Walls**

All interior partition walls as required.

#### **5.0 Heating & Air Conditioning**

Additional cooling if required – all duct work, diffusers and controls from Landlord's unit.

#### **6.0 Electrical**

Connections for additional electrical services and all distribution by Tenant as required.

#### **7.0 Plumbing**

Supply and installation of all plumbing fixtures, and any other plumbing as may be required by the Tenant.

#### **8.0 Signs**

Sign fascia to be supplied and installed by Tenant in accordance with Landlord's sign criteria.

#### **9.0 Fire Alarm & Emergency Lighting**

If required by governing authorities, the Tenant shall install a fire alarm and emergency lighting system to the approval of the authorities.

#### **10.0 Cabinetry**

Any cabinetry required in the demised premises.

#### **11.0 Moving expenses.**

## Schedule "D"

### Tenant's Work continued...

**12.0** All telephone and computer cabling/wiring, as required.

#### **13.0 Painting and Decorating**

As required.

#### **14. Ceilings**

All finished ceilings as required.

#### **15. Floors**

Any finish flooring, as required.

#### **Landlord's Option to Submit Bid**

The Tenant to give the Landlord the option of submitting his bid for the completion of the proposed Tenant's Work. If the Landlord's bid, as submitted, is competitive to those of the other contractors that the Tenant has requested a bid from, the Landlord shall have the option to complete the Tenant's Work.

~~Should the Tenant choose to use a contractor other than the Landlord, the Landlord may request to see a true copy of the chosen contractor's bid as it was submitted to the Tenant, such request not to be unreasonably withheld.~~

## Schedule "E"

### Leasehold Allowance

As an inducement for the Tenant to enter into a Lease with the Landlord, the Landlord agrees to provide to the Tenant a Leasehold Allowance as follows:

The Landlord agrees to provide a maximum Leasehold Allowance equal to ~~Sixty~~ <sup>Eighty</sup> Thousand ~~(\$60,000.00)~~ <sup>ONE HUNDRED</sup> Canadian Dollars including any applicable taxes in order to complete the Tenant's Work and the required Plans and Specifications, as set out herein. The aforementioned Leasehold Allowance and any applicable tax, is included in the Minimum Rent set out in Section 3 of this Offer to Lease. ~~Provided further that any increase over the Leasehold Allowance requested by the Tenant to the Landlord for the proposed Tenant's Work shall be paid by the Tenant to the Landlord forthwith upon the Landlord completing the work and providing a detailed invoice of such costs to the Tenant. After the completion of the Landlord's work, any remaining balance in the Leasehold Allowance shall be applied by the Landlord towards the reduction of the first month's rent due as it applies. Tenant and Landlord will co-operate in the preparation of all required Plans and finishing, and not unduly delay same. Landlord agrees to make its best commercial effort to have all work competitively bid by at least two (2) licensed sub-contractors of the Landlord, where reasonably possible, and that all work shall be completed in accordance with all requirements of governing authorities.~~

~~IF SELECTED THROUGH THE BID PROCESS,~~  
~~OF THE TENANT,~~

upon the Tenant completing the proposed work and all construction lien periods having expired, and upon providing the Landlord with a certificate of clearance.

# Confirmation of Co-operation and Representation

for use in the Province of Ontario

**BUYER:** Guelph Hydro Inc. (Tenant)

**SELLER:** 2130269 Ontario Inc. (Landlord)

For the transaction on the property known as: 806 Gordon Street, Part of Second Floor, Guelph, ON

For the purposes of this Confirmation of Co-operation and Representation, a "Seller" includes a vendor, a landlord, or a prospective, seller, vendor or landlord and a "Buyer" includes a purchaser, a tenant, or a prospective, buyer, purchaser or tenant and a "sale" includes a lease.

**The following information is confirmed by the undersigned salesperson/broker representatives of the Brokerage(s). If a Co-operating Brokerage is involved in the transaction, the brokerages agree to co-operate, in consideration of, and on the terms and conditions as set out below.**

**DECLARATION OF INSURANCE: The undersigned salesperson/broker representative(s) of the Brokerage(s) hereby declare that he/she is insured as required by the Real Estate and Business Brokers Act (REBBA) and Regulations.**

## 1. LISTING BROKERAGE

The Listing Brokerage represents the interests of the Seller in this transaction.

## 2. CO-OPERATING BROKERAGE

The Co-operating Brokerage represents the interests of the Buyer in this transaction. It is further understood and agreed that the Listing Brokerage will pay the Co-operating Brokerage:

☐ the commission as indicated in the MLS® information for the property *0.70 per sq. ft. per year*  
or, if not an MLS® listing: ☒ a commission of *3.5% & 2%* *With Any Over-Ride Paid Directly By The Landlord*  
plus applicable Goods and Services Tax, from the amount paid by the Seller to the Listing Brokerage, on any trade wherein the Co-operating Brokerage has obtained an accepted Agreement of Purchase and Sale, option to Purchase or Agreement to Exchange and/or Lease for initial 10 year lease term. Said payment of commission will not make the Co-operating Brokerage either the agent or sub-agent of the Seller or the Listing Brokerage.

Additional comments and/or disclosures by Listing Brokerage:

Additional comments and/or disclosures by Co-operating Brokerage:

**COMMISSION TRUST AGREEMENT:** If the above Co-operating Brokerage is receiving payment of commission from the Listing Brokerage, then the agreement between Listing Brokerage and Co-operating Brokerage further includes a Commission Trust Agreement, the consideration for which is the Co-operating Brokerage procuring an offer for a trade of the property, acceptable to the Seller. This Commission Trust Agreement shall be subject to and governed by the MLS® rules and regulations pertaining to commission trusts of the Listing Brokerage's local real estate board, if the local board's MLS® rules and regulations so provide. Otherwise, the provisions of the OREA recommended MLS® rules and regulations shall apply to this Commission Trust Agreement. For the purpose of this Commission Trust Agreement, the Commission Trust Amount shall be the amount noted above. The Listing Brokerage hereby declares that all monies received in connection with the trade shall constitute a Commission Trust and shall be held, in trust, for the Co-operating Brokerage under the terms of the applicable MLS® rules and regulations.

## SIGNED BY BROKER/SALESPERSON REPRESENTATIVE(S) OF THE BROKERAGE(S) (WHERE APPLICABLE)

Matteis Realty Ltd.

(Name of Listing Brokerage)

103-848 Gordon Street, Guelph, ON N1G 1Y7

(519) 836-8060

(Phone)

(519) 766-0207

(Fax)

(Authorized to bind the Listing Brokerage)

*[Signature]* Date: *Aug 13/09*  
Tony Matteis, Broker of Record

(Print Name of Broker/Salesperson Representative of the Brokerage)

CB Richard Ellis Limited

(Name of Co-operating/Buyer Brokerage)

810 - 101 Frederick Street, Kitchener, ON N2H 6R2

(519) 340-2317

(Phone)

(519) 571-9315

(Fax)

(Authorized to bind the Co-operating/Buyer Brokerage)

*[Signature]* Date: *May 19<sup>th</sup> 2009*  
Hudson Merritt

(Print Name of Broker/Salesperson Representative of the Brokerage)

## CONSENT FOR MULTIPLE REPRESENTATION (To be completed only if the Brokerage represents more than one client for the transaction.)

The Seller / Buyer consent with their initials to their Brokerage representing more than one client for this transaction.

*[Signature]*  
SELLER'S INITIALS

*[Signature]*  
BUYER'S INITIALS

I have received, read, and understand the above information.

## ACKNOWLEDGEMENT

*[Signature]*  
(Signature of Seller)

Date: *14-05-09*

*[Signature]*  
(Signature of Buyer)

Date: *09/05/20*

(Signature of Seller)

Date:

(Signature of Buyer)

Date:



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Matteis Realty Ltd.

easyOFFER 2009 by **R** Reagency Systems Corp.  
www.Reagency.ca

Form 320

2008

394620

**Appendix Guelph\_SEC\_IRR\_#26a\_ServicesAgreement – Services Agreement  
between GHESI and GHI**

## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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#### **1.0 Affiliate Relationship**

Guelph Hydro Electric System Inc. ("GHESI") is a wholly owned subsidiary of Guelph Hydro Inc. ("GHI"). The company was incorporated October 31, 2000, under the Business Corporations Act (Ontario). The principal activity of the GHESI is to provide electrical power distribution throughout the City of Guelph and Village of Rockwood.

Guelph Hydro Inc. ("GHI") is the parent company and holding company of GHESI. The company was incorporated October 31, 2000 under the Business Corporations Act (Ontario). The shares of GHI are owned 100% by the City of Guelph.

GHESI and GHI are affiliated companies by virtue of GHI's ownership of GHESI.

As an electricity distributor, GHESI is required to follow the pronouncements outlined in the Affiliate Relationships Code ("ARC") of the Ontario Energy Board ("OEB"). The purpose of the ARC is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their affiliated companies.

Section 2.2.1 of the ARC requires GHESI to enter into a Services Agreement when the utility shares services or resources with an affiliate. In accordance with the ARC, this document sets out the principles and methods used by GHESI for charging and/or sharing costs of services with GHI.

#### **2.0 Services from GHESI to GHI**

##### *2.1 Information Technology and Services*

Description - GHI utilizes the computer hardware, software and network of GHESI for the processing of its accounting functions. As a result, it relies on the Information Services Department of GHESI for the acquisition, licensing, installation, configuration, maintenance and security of computer software and hardware.

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of network users of GHI relative to the rest of the Guelph Hydro affiliates. This is an appropriate allocation base since most of the activity in this area is driven by the quantity of network users and individual service requests.

Standard of Service – Since GHI is sharing the computer resources of GHESI it is provided the same level of service in terms of quality and availability as that which is offered to GHESI:

- Computer hardware and software support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Network file and print services – Available 24 hours a day, 7 days a week.
- E-mail and Internet access – Available 24 hours a day, 7 days a week.

## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**

**For the period from January 1, 2009 to December 31, 2009**

---

#### *2.2 Accounting Services*

Description – GHI utilizes the services of GHESI's Accounting department for the following functions:

- Transaction processing (accounts payable, accounts receivable, banking, journal entry preparation and input)
- Account reconciliations
- Financial statement preparation
- Budget preparation
- Performance measurement

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for GHI relative to the rest of the Guelph Hydro affiliates. This is a reasonable allocation base since the payment of invoices and the preparation of journal entries represents most of the activity in this area.

Standard of Service – GHI is provided with the same level of accounting service in terms of quality and availability as that which is offered to GHESI:

- Accounting support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Accounts payable cheque preparation – GHI cheque runs are completed on the same day as GHESI cheque runs showing no preferential treatment for the processing of the latter's cheques.
- The same individuals performing the accounting functions in GHESI do the transaction processing, account reconciliations, financial statement preparation etc. of GHI. This maintains a standard quality of service between the affiliate companies.

#### *2.3 General Administration*

Description – GHI shares resources and services with GHESI in the performance of its day-to-day activities. Some of the resultant costs include but are not limited to the following:

- Human Resources, Payroll
- Telephone and answering service costs
- Equipment maintenance costs
- Freight costs
- Insurance – Directors & Officers Liability, etc.
- Outside services
- Postage
- Supplies
- Facilities
- Communications



## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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Pricing mechanism – Pricing for these services/resources is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for GHI relative to the rest of the Guelph Hydro affiliates. This is the same methodology as that which is used to allocate accounting services. This is appropriate since it is the accounting function that is utilizing the above-mentioned services/resources in order to perform its duties.

Standard of Service – GHI is allowed the same access to these services/resources as GHESI. The third party vendors determine the quality and availability of the services/resources provided.

#### *2.4 Management Services*

Description – GHESI management provides communications services on GHI programs and initiatives. The Executive Assistant to the President of GHESI is the Board contact to coordinate meeting schedules, takes minutes and provides assistance as required.

Pricing mechanism – Pricing for these services is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques processed for GHI relative to the rest of the Guelph Hydro affiliates. Since a major portion of Management time is spent keeping the Board of Directors fully informed of the progress of each company towards the achievements of their goals, and much of the performance is assessed by budget to actual comparisons of expenditures, the relative number of cheques processed in each company is a good indication of the level of activity i.e. scrutiny, review, and approval required by Management.

Standard of Service – GHI has the same number of Board meetings as its affiliates. Since Management must report GHI's performance to the Board on a timely basis, there is no concern that it will receive a lower level of service or support from GHESI Management.

#### *2.5 Other Services:*

(eg. Engineering, Billing Settlement Services) to be charged to GHI at cost plus 10%

### **3.0 Financial Transactions between GHI and GHESI**

GHESI agrees that any loan, investment, or other financial support provided to or from GHI is provided on terms no more favourable than what GHI would be able to obtain on its own from capital markets and at no more favourable terms than GHESI could obtain for itself in capital markets. Loan interest rates are based on OEB deemed rates as outlined in the latest rate application.



## **Services Agreement**

**Between Guelph Hydro Electric Systems Inc. and Guelph Hydro Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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### **4.0 Confidentiality of Information**

GHI agrees that the information communicated to, or obtained through the course of activities with GHESI will be treated as confidential information for its sole use, and vice versa. Both GHI and GHESI agree not to release or provide any information to any outside party without the express written consent of the other party except where confidential information is required to be disclosed:

- (a) for billing or market operation purposes;
- (b) for law enforcement purposes;
- (c) for the purpose of complying with a legal requirement; or
- (d) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

### **5.0 Dispute Resolution Process**

Any dispute or conflict between GHI and GHESI, which cannot be resolved by staff, will be brought to the attention of the President of GHESI and CFO of Guelph Hydro Inc. The President of GHESI and CFO of GHI, with reference to the Affiliate Relationship Code and other appropriate sources will propose a resolution. Should the resolution not be acceptable to the parties the matter will be referred to the Board of Directors of Guelph Hydro Inc.

The parties have executed this agreement as effective January 1, 2009.



\_\_\_\_\_  
President

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1



\_\_\_\_\_  
Chief Financial Officer

Guelph Hydro Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1

## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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#### **1.0 Affiliate Relationship**

Guelph Hydro Electric Systems Inc. ("GHESI") is a wholly owned subsidiary of Guelph Hydro Inc. ("GHI"). The company was incorporated October 31, 2000 under the Business Corporations Act (Ontario). The principal activity of GHESI is to provide electrical power distribution throughout the City of Guelph and the Village of Rockwood.

Ecotricity Guelph Inc. ("EGI") is a wholly owned subsidiary of Guelph Hydro Inc. ("GHI"). The company was incorporated April 19, 2004 under the Business Corporations Act (Ontario). The principal activity of the Company is to generate electricity fuelled by landfill gas at the City of Guelph's landfill site.

GHESI and EGI are affiliated companies by virtue of having the same parent company, GHI.

As an electricity distributor, GHESI is required to follow the pronouncements outlined in the Affiliate Relationships Code ("ARC") of the Ontario Energy Board ("OEB"). The purpose of the ARC is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their affiliated companies.

Section 2.2.1 of the ARC requires GHESI to enter into a Services Agreement when the utility shares services or resources with an affiliate. In accordance with the ARC, this document sets out the principles and methods used by GHESI for charging and/or sharing costs of services with EGI.

#### **2.0 Services from GHESI to EGI**

##### *2.1 Information Technology and Services*

Description - EGI utilizes the computer hardware, software and network of GHESI for the processing of its accounting functions. As a result, it relies on the Information Services Department of GHESI for the acquisition, licensing, installation, configuration, maintenance and security of computer software and hardware.

Pricing mechanism - Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of network users of EGI relative to the rest of the Guelph Hydro affiliates. This is an appropriate allocation base since most of the activity in this area is driven by the quantity of network users and individual service requests.

Standard of Service - Since EGI is sharing the computer resources of GHESI it is provided the same level of service in terms of quality and availability as that which is offered to GHESI:

- Computer hardware and software support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Network file and print services – Available 24 hours a day, 7 days a week.
- E-mail and Internet access – Available 24 hours a day, 7 days a week.

## **Services Agreement**

**Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**

**For the period from January 1, 2009 to December 31, 2009**

---

### *2.2 Accounting Services*

Description – EGI utilizes the services of GHESI's Accounting department for the following functions:

- Transaction processing (accounts payable, accounts receivable, banking, journal entry preparation and input)
- Account reconciliations
- Financial statement preparation
- Budget preparation
- Performance measurement

Pricing mechanism – Pricing for this service is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for EGI relative to the rest of the Guelph Hydro affiliates. This is a reasonable allocation base since the payment of invoices and the preparation of journal entries represents most of the activity in this area.

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- Accounting support – Available Monday to Friday from the hours of 8:00 am to 4:30 pm.
- Accounts payable cheque preparation – EGI cheque runs are completed on the same day as GHESI cheque runs showing no preferential treatment for the processing of the latter's cheques.
- The same individuals performing the accounting functions in GHESI do the transaction processing, account reconciliations, financial statement preparation etc. of EGI. This maintains a standard quality of service between the affiliate companies.

### *2.3 General Administration*

Description – EGI shares resources and services with GHESI in the performance of its day-to-day activities. Some of the resultant costs include but are not limited to the following:

- Human Resources, Payroll
- Telephone and answering service costs
- Equipment maintenance costs
- Freight costs
- Insurance – Directors & Officers Liability, etc.
- Outside services, e.g. Brinks
- Postage
- Supplies

## **Services Agreement**

### **Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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Pricing mechanism – Pricing for these services/resources is determined using a cost-based methodology. The calculation is based on the proportionate share of budgeted departmental operating costs plus 10.0%. Allocation of these costs is based on the number of cheques and journal entries processed for EGI relative to the rest of the Guelph Hydro affiliates. This is the same methodology as that which is used to allocate accounting services. This is appropriate since it is the accounting function that is utilizing the above-mentioned services/resources in order to perform its duties.

Standard of Service – EGI is allowed the same access to these services/resources as GHESI. The third party vendors determine the quality and availability of the services/resources provided.

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Description – The Executive Assistant to the President of GHESI is the Board contact to coordinate meeting schedules, take minutes and provides assistance as required.

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Standard of Service – EGI has the same number of Board meetings as its affiliates. Since Management must report EGI's performance to the Board on a timely basis, there is no concern that it will receive a lower level of service or support from GHESI Management.

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(eg. Engineering, Billing Settlement Services) to be charged to EGI at cost plus 10%

### **3.0 Financial Transactions between EGI and GHESI**

GHESI agrees that any loan, investment, or other financial support provided to EGI is provided on terms no more favourable than what EGI would be able to obtain on its own from capital markets and at no more favourable terms than GHESI could obtain for itself in capital markets.

## **Services Agreement**

**Between Guelph Hydro Electric Systems Inc. and Ecotricity Guelph Inc.**

**For the period from January 1, 2009 to December 31, 2009**

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### **4.0 Confidentiality of Information**

EGI agrees that the information communicated to, or obtained through the course of activities with GHESI will be treated as confidential information for its sole use, and vice versa. Both EGI and GHESI agree not to release or provide any information to any outside party without the express written consent of the other party except where confidential information is required to be disclosed:

- (a) for billing or market operation purposes;
- (b) for law enforcement purposes;
- (c) for the purpose of complying with a legal requirement; or
- (d) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.

### **5.0 Dispute Resolution Process**

Any dispute or conflict between EGI and GHESI, which cannot be resolved by staff, will be brought to the attention of the President of GHESI and/or CFO of GHI (the parent company for EGI and GHESI). The President of GHESI and CFO of GHI, with reference to the Affiliate Relationship Code and other appropriate sources, will propose a resolution. Should the resolution not be acceptable to the parties the matter will be referred to the Board of Directors of Guelph Hydro Inc.

The parties have executed this agreement as effective January 1, 2009.



\_\_\_\_\_  
President

Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1



\_\_\_\_\_  
Chief Financial Officer

Ecotricity Guelph Inc.  
395 Southgate Drive  
Guelph, ON  
N1G 4Y1

## **Appendix Guelph\_SEC\_IRR\_#39 – Actuarial Valuation Report**

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

**REPORT ON THE ACTUARIAL VALUATION  
OF POST-RETIREMENT NON-PENSION  
BENEFITS**

**As At January 1, 2008**

**FINAL—January 9, 2009**

January 9, 2009

**BY REGULAR MAIL**

Mr. Michael Koktan  
Manager of Accounting  
Guelph Hydro Electric Systems Inc.  
395 Southgate Drive  
Guelph, ON N1G 4Y1

Dear Mr. Koktan:

**Re: Guelph Hydro Electric Systems Inc. Actuarial Valuation Report  
as at January 1, 2008: Post-Retirement Non-Pension Benefit Plan**

As requested, attached is our actuarial valuation report as at January 1, 2008 for the above-captioned plan.

The valuation report provides details of the calculation of the FY 2008 benefit expense of approximately \$531,000 for post-retirement non-pension benefits.

In addition, we hereby attach accounting worksheets with an extrapolation of results to compute the financial statement entries for the fiscal years ending December 31, 2009 and December 31, 2010. The extrapolations are for informational purposes only and are based on the membership data, accounting methodology, assumptions and benefit plan provisions as set out in our January 1, 2008 valuation report. In accordance with CICA Section 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively, which cannot be known until early 2009 and 2010.

Please note, if there are significant changes to information subsequent to this letter, a full actuarial review may be required. Significant changes to the information would include re-negotiated benefits, increased benefit costs, significant swings in demographics, for instance.





Mr. Michael Koktan  
January 9, 2009  
Page 2

If you have any questions regarding the valuation report or the attached accounting schedules, please do not hesitate to call.

Yours truly,

A handwritten signature in cursive script that reads 'Stanley Caravaggio'.

Stanley Caravaggio FSA, FCIA  
Actuary  
[E-mail: stanleyc@dion-durrell.com]  
[Telephone: 416.408.5306]

A handwritten signature in cursive script that reads 'Patrick G. Kavanagh'.

Patrick G. Kavanagh  
Actuarial Analyst  
[E-mail: patrickk@dion-durrell.com]  
[Telephone: 416.408.5327]

SC/PK:jb

Encls.

KoktanM\_12011\_2008 val report\_final.doc

1/9/2009

**Guelph Hydro Electric Systems Inc.**  
**ESTIMATED BENEFIT EXPENSE (CICA 3461)**

	Final		
		Projected	Projected
	Calendar Year 2008	Calendar Year 2009	Calendar Year 2010
Discount Rate	5.00%	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	expected*	expected*
<b><u>A. Determination of Benefit Expense</u></b>			
Current Service Cost	181,387	190,457	199,980
Interest on Benefits	366,326	382,530	400,626
Expected Interest on Assets	-	-	-
Transitional Obligation/(Asset)	-	-	-
Actuarial (Gain)/Loss	(16,545)	(12,849)	(7,712)
<b>Benefit Expense</b>	<b>531,168</b>	<b>560,138</b>	<b>592,894</b>
<b><u>B. Reconciliation of Prepaid Benefit Asset (Liability)</u></b>			
Accrued Benefit Obligation (ABO) as at December 31	7,566,840	7,926,427	8,299,263
Assets as at December 31	-	-	-
Unfunded ABO	(7,566,840)	(7,926,427)	(8,299,263)
Unrecognized Loss/(Gain)	(859,476)	(846,627)	(838,915)
Unrecognized Transition	-	-	-
<b>Prepaid Benefit Asset (Liability)</b>	<b>(8,426,315)</b>	<b>(8,773,053)</b>	<b>(9,138,178)</b>
Prepaid Benefit/(Liability) as at January 1	(8,147,147)	(8,426,315)	(8,773,053)
Benefit Income/(Expense)	(531,168)	(560,138)	(592,894)
Contributions/Benefit Payments by the Employer	252,000	213,400	227,769
<b>Prepaid Benefit Asset (Liability)</b>	<b>(8,426,315)</b>	<b>(8,773,053)</b>	<b>(9,138,178)</b>

\* based on estimated employer benefit payments for those expected to be eligible for benefits.

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.

1/9/2009

**Guelph Hydro Electric Systems Inc.**  
**ESTIMATED BENEFIT EXPENSE (CICA 3461)**

	Final	Projected	Projected
	Calendar Year 2008	Calendar Year 2009	Calendar Year 2010
<b><u>C. Calculation of Component Items</u></b>			
<b>Calculation of the Service Cost</b>			
- Current service cost	181,387	190,457	199,980
<b>Interest on Benefits</b>			
- ABO at January 1	7,271,127	7,566,840	7,926,427
- Current service cost	181,387	190,457	199,980
- Benefit payments	(126,000)	(106,700)	(113,885)
- Accrued benefits	7,326,514	7,650,597	8,012,522
- Interest	366,326	382,530	400,626
<b>Expected Interest on Assets</b>			
- Assets at January 1	-	-	-
- Funding	126,000	106,700	113,885
- Benefit payments	(126,000)	(106,700)	(113,885)
- Expected assets	-	-	-
- Interest	-	-	-
<b>Expected ABO as at December 31</b>			
- ABO at January 1	7,271,127	7,566,840	7,926,427
- Current service cost	181,387	190,457	199,980
- Interest on benefits	366,326	382,530	400,626
- Benefit payments	(252,000)	(213,400)	(227,769)
- Expected ABO at December 31	7,566,840	7,926,427	8,299,263
<b>Expected Assets as at December 31</b>			
- Assets at January 1	-	-	-
- Funding	252,000	213,400	227,769
- Interest on assets	-	-	-
- Benefit payments	(252,000)	(213,400)	(227,769)
- Expected Assets at December 31	-	-	-

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.

1/9/2009

**Guelph Hydro Electric Systems Inc.**  
**ESTIMATED BENEFIT EXPENSE (CICA 3461)**

	<b>Final</b>	<b>Projected</b>	<b>Projected</b>
	<b>Calendar Year 2008</b>	<b>Calendar Year 2009</b>	<b>Calendar Year 2010</b>
<b><u>D. Actuarial (Gain)/Loss</u></b>			
(Gain)/Loss on ABO as at January 1			
- Prepaid Benefit/(Liability)	8,147,147	8,426,315	8,773,053
- Unamortized (Gain)/Loss From Prior Year	554,332	(859,476)	(846,627)
- Expected ABO	8,701,479	7,566,840	7,926,427
- Actual ABO	7,271,127	7,566,840	7,926,427
- (Gain)/Loss on ABO	(1,430,353)	-	-
(Gain)/Loss on assets as at January 1			
- Expected assets	-	-	-
- Actual assets	-	-	-
- (Gain)/Loss on assets	-	-	-
Total (Gain)/Loss as at January 1	(876,021)	(859,476)	(846,627)
10% of ABO as at January 1	727,113	756,684	792,643
Total (Gain)/Loss in excess of 10%	(148,908)	(102,792)	(53,984)
Expected average remaining service life (years)	9	8	7
Minimum Amortization for current year	(16,545)	(12,849)	(7,712)
Actual Amortization for current year	(16,545)	(12,849)	(7,712)
Unamortized (Gain)/Loss	(859,476)	(846,627)	(838,915)

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.

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## EXECUTIVE SUMMARY

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### PURPOSE

MEARIE Actuarial Services and Dion, Durrell + Associates Inc. were engaged by Guelph Hydro Electric Systems Inc. (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2008. The nature of these benefits is defined benefit.

This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the "CICA") guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook-Accounting ("CICA Section 3461"). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2000.

The most recent full valuation was prepared as at January 1, 2005 based on the then appropriate assumptions.

The purpose of this valuation is threefold:

- i) to determine the Corporation's liabilities in respect of post-retirement non-pension benefits at January 1, 2008;
- ii) to determine the benefit expense for fiscal year 2008; and
- iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.



#### SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2008 with comparative results from the previous valuation as at January 1, 2005 are shown below:

	January 1, 2005 (\$000s)	January 1, 2008 (\$000s)
Accrued Benefit Obligation (ABO)		
a) People in receipt of benefits	3,118	3,275
b) Fully eligible actives	590	870
c) Not fully eligible actives	<u>3,735</u>	<u>3,126</u>
<b>Total ABO</b>	<b>7,443</b>	<b>7,271</b>
Current Service Cost: <i>for following 12 months</i>	228	182
Benefit Expense: <i>for following 12 months</i>	607	531
Prepaid Benefit Liability: <i>at January 1</i>	-	8,147

The January 1, 2008 Prepaid Benefit Liability is based on projections of the January 1, 2005 valuation results using the Corporation's actual benefit payments in years 2006 and 2007.

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## ACTUARIAL CERTIFICATION

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An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by the Corporation as at January 1, 2008, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and are in accordance with accepted actuarial practice;
3. The actuarial methods employed, as outlined in Section C, are appropriate for the purpose and consistent with sound actuarial principles;
4. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
5. The valuation conforms to the standards set out in the Canadian Institute of Chartered Accountants Accounting Handbook Section 3461.

We are not aware of any subsequent events from January 1, 2008 up to the date of this report that would have a significant effect on our valuation.

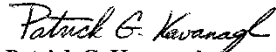
The latest date on which the next actuarial valuation should be performed is January 1, 2011. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

**DION, DURRELL + ASSOCIATES INC.**



**Stanley Caravaggio FSA, FCIA**



**Patrick G. Kavanagh**  
Actuarial Analyst

Toronto, Ontario  
January 9, 2009



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## SECTION A

### VALUATION RESULTS

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Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 60 to 58, an increase in the rate of withdrawal from 2% to 3%, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2005.

**VALUATION RESULTS**

**Table A.1—Valuation Results**  
(in thousands of dollars)

	January 1, 2005	January 1, 2008
1. Accrued Benefit Obligation		
a) People in receipt of benefits	3,118	3,275
b) Fully eligible actives	590	870
c) Not fully eligible actives	<u>3,735</u>	<u>3,126</u>
<b>Total ABO</b>	<b>7,443</b>	<b>7,271</b>
2. Benefit Expense		
a) Current Service Cost	228	182
b) Interest Cost	379	366
c) Expected Return on Assets	-	-
d) Amortization of Transition Amount	-	-
e) Amount of Prior Service Cost	-	-
f) Amortization of (Gain)/Losses	<u>-</u>	<u>(17)</u>
<b>Total Benefit Expense</b> <i>for following 12 months</i>	<b>607</b>	<b>531</b>
3. Expected Benefit Payments <i>for following 12 months</i>	177	252

**SENSITIVITY ANALYSIS**

**Table A.2—Sensitivity Analysis**  
(in thousands of dollars)

		January 1, 2008				
		Valuation Results	Retirement Age 58	3% Withdrawal Rate	1% Higher Trend	1% Lower Trend
1.	Accrued Benefit Obligation					
	a) People in receipt of benefits	3,275	3,275	3,275	3,489	3,089
	b) Fully eligible actives	870	904	870	1,002	761
	c) Not fully eligible actives	<u>3,126</u>	<u>3,310</u>	<u>2,890</u>	<u>3,966</u>	<u>2,489</u>
<b>Total ABO</b>		<b>7,271</b>	<b>7,489</b>	<b>7,035</b>	<b>8,457</b>	<b>6,339</b>
2.	Current Service Cost <i>for following 12 months</i>	182	192	166	231	144
3.	Interest Cost <i>for following 12 months</i>	366	378	354	428	318
4.	Average Working lifetime of the Current Active Employees (years)	9	9	9	9	9

**DEVELOPMENT OF NET GAINS OR LOSSES**

**Table A.3—Development of Net Gains or Losses**  
(in thousands of dollars)

	2005	2006	2007
ABO at January 1	7,443	7,873	8,272
Current Service Cost	228	239	251
Interest Cost	379	400	420
Actual Benefit Payments	<u>(177)</u>	<u>(240)</u>	<u>(242)</u>
Expected ABO at December 31	7,873	8,272	8,701
Actual ABO at December 31			<u>7,271</u>
Actuarial Loss/(Gain) on ABO			(1,430)
<b>Amortization of Unamortized Actuarial Loss</b>			
Unamortized Net Actuarial Loss (Gain) at December 31, 2007			554
Actuarial Loss (Gain) for Current Year at January 1, 2008			<u>(1,430)</u>
Total Loss (Gain) at January 1, 2008			(876)
Less: Actual Amortization for 2008			<u>(17)</u>
Expected Unamortized Actuarial Loss (Gain) at December 31, 2008			(859)



Please note that the actual ABO at January 1, 2008 is approximately \$1,430,000 lower than the expected ABO at December 31, 2007. This is due to a combination of the following factors:

- A lower than expected increase in health/dental claims experience (a decrease of approximately \$2,043,000)
- A change in the health/dental claims cost trend rate assumptions (an increase of approximately \$211,000)
- A change in the salary scale assumption (an increase of approximately \$16,000)
- Deviations from the expected demographic changes of the valued group and other miscellaneous factors (an increase of approximately \$386,000 in the total ABO)

CICA Section 3461 requires entities to adopt a systematic method for recognizing actuarial gains and losses in income. Furthermore, once adopted, CICA Section 3461 requires that the method of recognizing actuarial gain/(loss) be applied consistently from year to year. The required minimum amortization is equal to the amount of any gain or loss in excess of 10% of the ABO divided by the E.A.R.S.L. For clarity, there is no requirement to recognize any actuarial gain/(loss) amount below 10% of the ABO. The E.A.R.S.L. of the Corporation's current active group is 9 years as at January 1, 2008. In prior valuations, the Corporation has previously recognized the minimum actuarial gain or loss. Under these guidelines, the required amortization is approximately \$17,000 of actuarial gains for the year 2008.

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**SECTION B**  
**PLAN PARTICIPANTS**

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Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2005.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.

**PARTICIPANT DATA****Table B.1—Participant Data**

Membership data as at January 1, 2008 was received from the Corporation via e-mail and included information such as name, sex, date of birth, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than \$20,000 per year, or greater than \$250,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

### Active Employees

<i>As of January 1</i>	<b>2005</b>			<b>2008</b>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Employees	62	28	90	59	27	86
Average Length of Service	15.4	11.7	14.3	15.6	14.6	15.3
<i>As of January 1, 2008</i>	<b>Current Age</b>			<b>Active Lives—Fully eligible</b>		
	<u>Active Lives—Not fully eligible</u>			<u>Count</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
<b><u>Age Band</u></b>						
Less than 30	6	-	6	-	-	-
30-35	1	3	4	-	-	-
36-40	8	3	11	-	-	-
41-45	14	8	22	-	-	-
46-50	13	5	18	-	-	-
51-55	8	5	13	2	-	2
56-60	-	-	-	7	3	10
61-65	-	-	-	-	-	-
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
<b>Total</b>	<b>50</b>	<b>24</b>	<b>74</b>	<b>9</b>	<b>3</b>	<b>12</b>



<i>As of January 1, 2008</i>						
<b>Age Band</b>	<b>Average Service</b>			<b>Active Lives—Fully eligible</b>		
	<b>Active Lives—Not fully eligible</b>			<b>Service</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Less than 30	2.25	-	2.25	-	-	-
30-35	1.58	3.86	3.29	-	-	-
36-40	9.57	10.94	9.95	-	-	-
41-45	16.52	15.27	16.06	-	-	-
46-50	18.22	19.05	18.45	-	-	-
51-55	21.93	13.48	18.68	20.33	-	20.33
56-60	-	-	-	20.76	21.47	20.98
61-65	-	-	-	-	-	-
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
<b>Total</b>	<b>14.71</b>	<b>13.72</b>	<b>14.39</b>	<b>20.67</b>	<b>21.47</b>	<b>20.87</b>

**People in Receipt of Benefits (Including People on LTD)**

<i>As of January 1</i>						
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Number of Members	32	10	42	39	10	49
<i>As of January 1, 2008</i>						
<b>Age Band</b>	<b>Expected Annual Benefit Payments</b>					
	<b>Male</b>	<b>Female</b>	<b>Total</b>			
Less than 30	\$ -	\$ -	\$ -			
30-35	-	-	-			
36-40	-	-	-			
41-45	-	-	-			
46-50	-	-	-			
51-55	-	-	-			
56-60	14,763	-	14,763			
61-65	13,480	4,563	18,043			
66-70	34,508	4,395	38,903			
71-75	39,660	5,494	45,154			
Greater than 75	69,053	18,727	87,780			
<b>Total</b>	<b>171,463</b>	<b>33,179</b>	<b>204,643</b>			

## RECONCILIATION OF DATA

**Table B.2—Reconciliation of Data**

	<b>Actives</b>	<b>LTD</b>	<b>Retirees</b>
As at January 1, 2005	<b>90</b>	<b>1</b>	<b>41</b>
New Entrants	12	-	-
Active	-	-	-
LTD	-	-	-
Terminated – without benefits	(10)	-	-
Deceased	-	-	(4)
Retired	(6)	-	6
Correction*	-	-	5
<b>As at January 1, 2008</b>	<b>86</b>	<b>1</b>	<b>48</b>

**Corrections in detail** (corrections are due to discrepancies between the 2005 valuation data and the 2008 valuation data):

### Retired

- 5 retirees with dates of hire before January 1, 2005 were missing from the 2005 valuation.

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## SECTION C

### SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

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#### ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health and dental benefits, we have used the average trended premium rates charged to retirees as an estimate of the claims to be incurred. The monthly premium rates, inclusive of premium taxes, used are as follows:

Retirees	Health Care		Dental Care	
	Single Coverage	Family Coverage	Single Coverage	Family Coverage
Under the age of 65	\$ 61.42	\$146.64	\$51.96	\$143.20
Age 65 and over	\$171.43	\$348.05	N/A	N/A

These premium rates were provided by the Corporation and represent the rates effective August 1, 2008. For the purpose of our valuation, these rates were used as the 2008 year benefit amounts.

The ABO at January 1, 2008 is based on membership data at January 1, 2008 and management's best-estimate assumptions at January 1, 2008.

## ACCOUNTING POLICIES

Pursuant to CICA Section 3461, the Corporation amortizes the amount of any actuarial gain or loss in excess of 10% of the ABO over the expected average remaining service lifetime of the active members of the group.

## MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at January 1, 2008.

### ECONOMIC ASSUMPTIONS

#### Consumer Price Index

The consumer price index is assumed to be 2.30% per annum.

The assumption used in the previous valuation was 2.00% per annum.

#### Discount Rate

The rate used to discount future benefits is assumed to be 5.00% per annum. This rate reflects the assumed long term yield on high quality bonds.

This assumption remains unchanged from the prior valuation.

#### Salary Increase Rate

The rate used to increase salaries is assumed to be 3.80% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

The assumption used in the previous valuation was 3.1% per annum.

#### Claims Cost Trend Rate

The rates used to project benefit costs into the future are as follows:

End of Year	Current Valuation		Previous Valuation	
	Health	Dental	Health	Dental
2008*	10.00%	5.00%	9.00%	5.00%
2009	9.00%	5.00%	8.00%	5.00%
2010	8.00%	5.00%	7.00%	5.00%
2011	7.00%	5.00%	6.00%	5.00%
2012	6.00%	5.00%	5.00%	5.00%
2013 and Thereafter	5.00%	5.00%	5.00%	5.00%

\* Actual premium rate information for the period from January 1, 2008 to July 31, 2009 was reflected in our valuation.

## **DEMOGRAPHIC ASSUMPTIONS**

### **Mortality table**

Mortality is assumed to be in accordance with the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2015 based upon Projection Scale AA. The use of these rates seems reasonable given this is the mortality table to be used in accordance with the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, effective February 1, 2005.

Mortality rates are applied on a sex-distinct basis.

This is the same assumption that was used in the previous valuation.

### **Rates of withdrawal**

Termination of employment prior to age 55 was assumed to be equal to 2.0% per annum. This is the same assumption used in the prior valuation.

### **Retirement Age**

All active employees are assumed to retire at age 60, or immediately if currently over age 60. The assumed retirement age of 60 will be increased, if necessary, to the minimum of the age at which 20 years of service is reached and age 65.

This assumption remains unchanged from the previous valuation.

### **Disability**

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement age. This assumption remains unchanged from the previous valuation.

### **Family/Single Coverage**

It is assumed that the current coverage type will remain into retirement. This assumption remains unchanged from the previous valuation.

### **Expenses and Taxes**

We have assumed 10% of benefits is required for the cost of sponsoring the program for life insurance. We have assumed taxes and expenses are included in the premium rates for health and dental benefits. This is the same assumption that was used in the prior year's valuation.

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## **SECTION D**

### **SUMMARY OF POST-RETIREMENT BENEFITS**

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The following is a summary of the plan provisions that are pertinent to this valuation.

#### **GOVERNING DOCUMENTS**

The program is governed by the following documents:

- Collective Agreement between Guelph Hydro Electric Systems Inc. and Local Union 636 of the International Brotherhood of Electrical Workers (A.F. of L. C.I.O. – C.L.C.) in full force and effect until March 31, 2010.
- Sun Life Financial Group Policy Nos. 83009-3, 83009-2, 83009-8, and 83009-9.

What follows is only a summary of the post retirement non-pension benefit program. For a complete description, please refer to the above-noted documents.

#### **ELIGIBILITY**

##### **Employees hired on or prior to October 22, 2001**

All employees are eligible for post-retirement life insurance for the remainder of their lifetime. Employees who retire on pension with a minimum of 20 years of active service are eligible for lifetime extended health benefits. Employees age 55 or older who retire with an OMERS pension and at least 20 years of active service are eligible for dental benefits until age 65.

##### **Employees hired after October 22, 2001**

Employees age 55 or older who retire on pension with a minimum of 20 years of active service are eligible for extended health and dental benefits to age 65.

#### **PARTICIPANT CONTRIBUTIONS**

The Corporation shall pay 100% of the cost of the post-retirement life, health and dental benefits for the eligible retirees.

#### **PAST SERVICE**

Past service is defined as continuous service prior to joining the plan if the participant was employed with another electrical distribution company/hydro prior to joining the Corporation.



## LENGTH OF SERVICE

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

## SUMMARY OF BENEFITS

### Life Insurance

Eligible employees, hired on or prior to October 22, 2001, are entitled to the following post-retirement life insurance, as per the MEARIE plan, administered by Great West Life, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat \$2,000.	If employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings reducing by 2.5% of final annual earnings each year thereafter for 10 years, to a final benefit equal to 25.0% of final annual earnings.  Reduction occurs on anniversary date of retirement.	If employee was ever insured under Employee Plan options 2, 3 or 4, or if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings	If employee was insured under superseded plan and was hired on or after May 1, 1967 and elected coverage under Option 1 only.
4	70% of the final amount insured for under the life plan immediately prior to retirement.	If employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under Option 1 only.

### Health and Dental Benefits

As described in the above noted governing documents.

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**SECTION E**  
**EMPLOYER CERTIFICATION**

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**Post-Retirement Non-Pension Benefit Plan  
of Guelph Hydro Electric Systems Inc.  
Actuarial Valuation as at January 1, 2008**

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Guelph Hydro Electric Systems Inc. that, to the best of my knowledge and belief, for the purposes of the valuation:

- i) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation;
- ii) the membership data summarized in Section B is accurate and complete; and
- iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2008.

**GUELPH HYDRO ELECTRIC SYSTEMS INC.**

Jan 6 / 09  
Date

  
Signature

Ian Miles  
Name

CFO  
Title



## Appendix Guelph\_SEC\_IRR\_#44\_IncentivePlan – Performance Valuation and Compensation



### OUR VISION

**Lead Ontario in powering community wellbeing and environmental stewardship with sustainable energy solutions**

### OUR MISSION

**To invest in energy-related initiatives to the benefit of the communities in which we operate, that fit the energy-related objectives of the Province and our Shareholder, and allow Guelph Hydro Inc. and its family of companies to grow into industry leaders**

# Our Core Values



## Safety, Efficiency and Reliability

"We believe we earn employee and customer respect by operating safely, reliably and efficiently."

## Caring

"We care about our people. We foster and respect their talents and value the contribution they make to the Company's ongoing success."

## Relationships

"We are proud of the solid, long-term relationships we have forged with our customers, the communities in which we operate and the energy industry, built on a platform of integrity, partnership and respect."

# Our Core Values



## Innovation and Leadership

"We believe innovative thinking , leadership skills and adaptability drive our business success."

## Environmental Stewardship

"We are committed to environmental stewardship, contributing to building sustainable communities and helping to create a culture of energy conservation in Ontario."

## Strategic Imperative (SI) #4



### **SI #4 Be a great place to work and communicate it to attract and retain employees**

- Rewarding work and access to career opportunities
- Competitive and internally equitable total compensation
- Compensation linked to goals and values

# Philosophy/Guidelines



- Attracts and retains the right competencies to be leaders in the industry
- Competitive in markets where we attract talent
- Competitive with comparable size organizations for similar roles
  - Primary market for LDC specific roles is the LDC market
  - Primary market for non-industry roles is the broader market place
- Common performance evaluation process
- Performance- based base salary increases and bonus awards
- Officer/Executives awards are subject to audited financials

# Performance Evaluation



- Performance Ratings are always relative to expectations and others
- Same performance rating drives base salary change and the Individual Performance Factor for the annual bonus
- For Band G and the senior team performance ratings are based on:
  - Achievement of individual scorecard objectives;
  - Demonstration of core behaviours; and,
  - Recognition of significant contributions that may not have been anticipated at the start of the year.
- For Bands A – F performance ratings are based on:
  - Manager's assessment of individual performance relative to job expectations and/or agreed objectives;
  - Demonstration of core behaviours and,
  - Recognition of significant contribution that may not have been anticipated at the start of the year.

# Performance Evaluation Model



Rating	Criteria	% Distribution of Employees (expected but not forced)
Outstanding	Exceeds all scorecard targets (band G and above) or significantly exceeds job expectations (bands A-F) and, is a role model for core behaviours	Up to 10%
Exceeds	Exceeds some and meets all scorecard targets (band G and above) or generally exceeds job expectations (bands A-F) and, demonstrates core behaviours at or above solid level.	10% to 15%
Solid	Generally achieves scorecard targets (band G and above) or fully meets job expectations (bands A-F) and, demonstrates expected behaviours.	50% to 60%
Developing	Falls short on some scorecard targets (band G and above) or is not yet fully meeting job expectations (bands A-F) and/or, demonstration of core behaviours, but is making steady progress towards achievements. May be new in role.	Up to 15%
Not Acceptable	Not acceptable results and/or behaviours	Not Acceptable: Development Plan with short term objectives

7



# Compensation Structure



- Officers and Directors:
  - Price total compensation to market based on individual job comparisons (no general bands)
  
- Below Director level:
  - Realign to have consistent differentials (10%) between bands
  - Salary grade structure with 85% to 110% salary ranges for each grade to recognize individual performance
  - Price bands as part of total compensation to market



# Base Salary movement 2011



Base Salary change is based on Performance, Level of current compensation, and budget.

Pay grid for below Director level may vary by year to reflect approved budget, projected structure change and projected compa-ratio distribution.

Rating	Employee position in base salary range for the next fiscal year (Compa-ratio)			
	0.85 to 0.89	0.90 to 0.94	0.95 to 1.00	1.01 to 1.10
Outstanding	7% to 9%	6% to 8%	5% to 7%	3% to 5%
Exceeds	5% to 8%	4% to 6%	3% to 5%	2% to 3%
Solid	4% to 6%	3% to 5%	2% to 3%	0%
Developing	3% to 5%	2% to 3%	0%	0%
Not Acceptable	0%	0%	0%	0%

# Base Salary movement 2011



## Officers and Directors:

- Employee base salary changes are based on overall performance assessment (see slide 7) and salary budget\*
- Base salary will be periodically validated against market.

## Other non-bargaining employees:

- Band Structure may move from year to year based on expected market changes. Structure will be periodically validated against market.
- Actual base salary changes are based on overall performance assessment (see slide 7) and salary budget\*

Note\*Salary budget will reflect expected yearly market changes, considering philosophy/guidelines (see slide 5)

## Short Term Incentive Plan (STIP)

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### Plan Payout Formula

Employee Actual Base Salary X Target Bonus % = Target Bonus

**STI Award =**

Target Bonus X

{[Corporate Performance Factor X weight] +

[Individual Performance Factor X weight]}

Note:

- ❑ If the corporate performance factor is less than 50% no bonus will be paid regardless of individual performance. The Board retains the right to create a discretionary pool under these circumstances.

## Short Term Incentive Plan (STIP)

□ Two factors determine annual bonus award

1. Corporate performance
2. Individual Performance Factor

Each factor is weighted to reflect line of sight:

	Corporate	Individual
COO	70%	30%
Officers/Directors	60%	40%
Managers	30%	70%
Supervisors / Individual contributors	20%	80%

# Short Term Incentive Plan (STIP)

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- Corporate Performance Factor:
  - Measured against approved scorecard
  - Each measure assigned a weighting
  - Each measure has a target and outstanding performance level. (In 2012, a minimum threshold is expected to be defined)
  - For performance at or above target, performance is prorated between 100% and 150% to determine a Performance Factor for each measure in the scorecard. If performance is below target on any factor, a Performance Factor between 0% and 99% will be assigned (Board to Approve). (In 2012, a minimum threshold is expected to be defined.)
  - A total corporate performance factor is based on the aggregate weighting of the performance factors for each measure.
  - Note: Board may approve adjustments to targets to reflect extraordinary items or factors beyond management's control.

# Short Term Incentive Plan (STIP)

- Individual Performance Factor:
  - Assessment of Individual performance (see page 7) determines the range of possible STI Individual performance
  - Discretion is used to determine appropriate performance factor for each individual within the performance range giving consideration to relative performance

Performance Rating	Performance Factor
Outstanding	130% - 150%
Exceeds	110% - 125%
Solid	95% - 105%
Developing	50% - 90%
Not Acceptable	0%

# Short Term Incentive Plan (STIP)



GHI/GHESI Positions	Award Opportunities (% of base) *				Weighting % (Corporate/ Individual)
	Below Minimum	Minimum 50%	Target 100%	Maximum 150%	
COO	0%	12.5%	25%	37.5%	70/30
Officer(s)	0%	12.5%	25%	37.5%	60/40
Director level	0%	7.5%	15%	22.5%	60/40
Manager level	0%	5%	10%	15%	30/70
Supervisors/ Individual Contributors	0%	1.5%	3%	4.5%	20/80

\* Must have an Individual performance rating of Developing or better to get a bonus

# Short Term Incentive (STI)

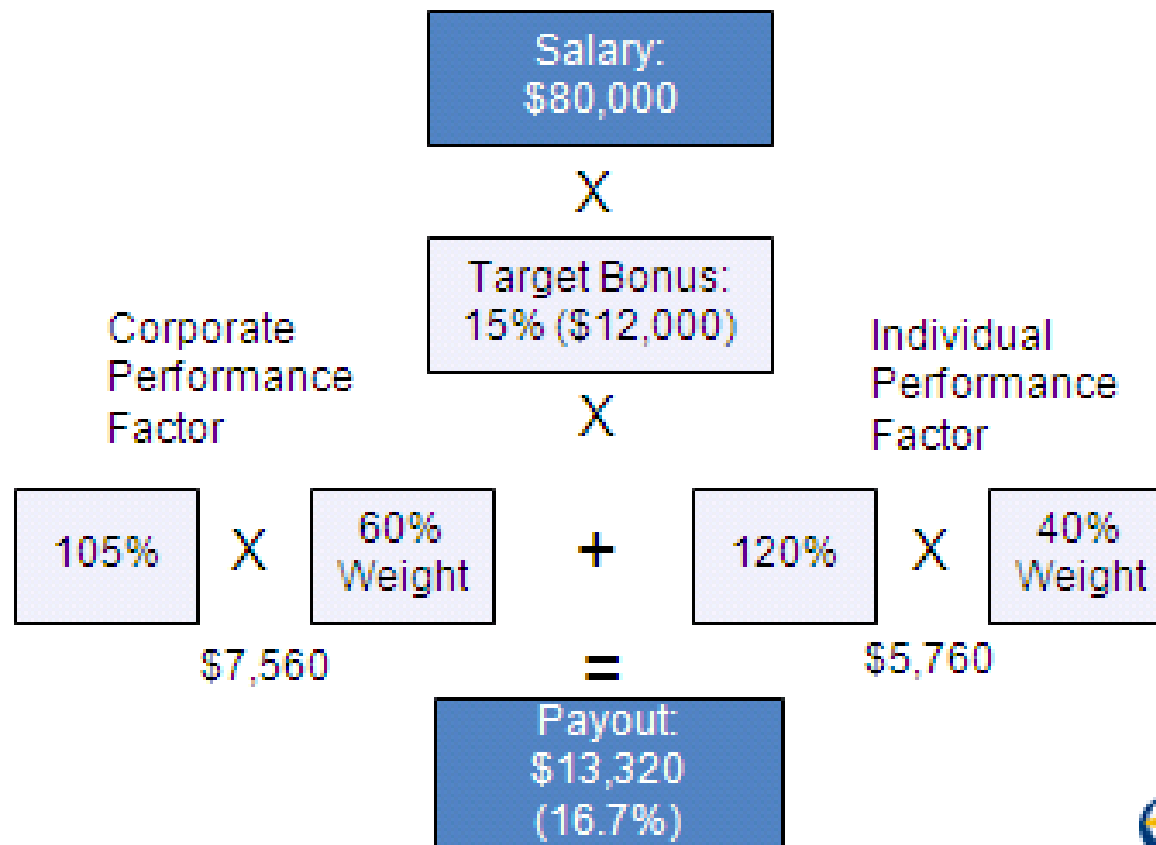
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- Assessing Individual Performance
  - Evaluation based on 3 criteria:
    1. Performance relative to scorecard objectives (band G and above) or job expectations (for employees with no scorecard, bands A-F)
    2. Demonstration of core behaviours
    3. Specific examples of performance above and beyond expectation
  - Step 1 – Determine Performance Rating (based on above criteria)
  - Step 2 – Using relative performance as a guide, determine specific performance factor within prescribed range
  - Step 3 – Determine payout (see next slide)



# Short Term Incentive (STI)

## □ Payout Illustration – Example



# Officers and Directors - 2011



2011 Position	2010 Market Price	Target %
CEO	\$100,000-\$110,000	10%
VP, COO, Officer	\$100,000-\$110,000	10%
Director - Communications	\$100,000-\$110,000	10%
Director - Engineering	\$100,000-\$110,000	10%
Director - Communications & Marketing	\$100,000-\$110,000	10%
Director - Operations	\$100,000-\$110,000	10%
Director at Large	\$100,000-\$110,000	10%

## GHI/GHESI Band Structure – Managers and below

2010	2011 BASE SALARY STRUCTURE				
2010 Structure	2011 New Grade Structure	2011 base structure at 100%	2011 base structure at 85%	2011 base structure at 110%	% change over 2010 structure
\$99,540	G	\$99,000	\$84,150	\$108,900	0.46%
\$91,440	G	\$99,000	\$84,150	\$108,900	8.37%
\$85,200	F	\$90,000	\$76,500	\$99,000	5.51%
\$79,920	E	\$81,600	\$69,360	\$89,580	2.34%
\$75,051	D	\$74,400	\$63,240	\$81,640	-0.67%
\$69,228	C	\$67,600	\$57,460	\$74,380	-2.50%
\$64,618	B	\$61,900	\$52,615	\$67,630	-4.61%
\$61,600	A	\$55,900	\$47,515	\$61,490	6.33%
Weighted average change in structure					1.98%

## Appendix Guelph\_SEC\_IRR\_#44\_PaylineAnalysis

MERCER

 MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

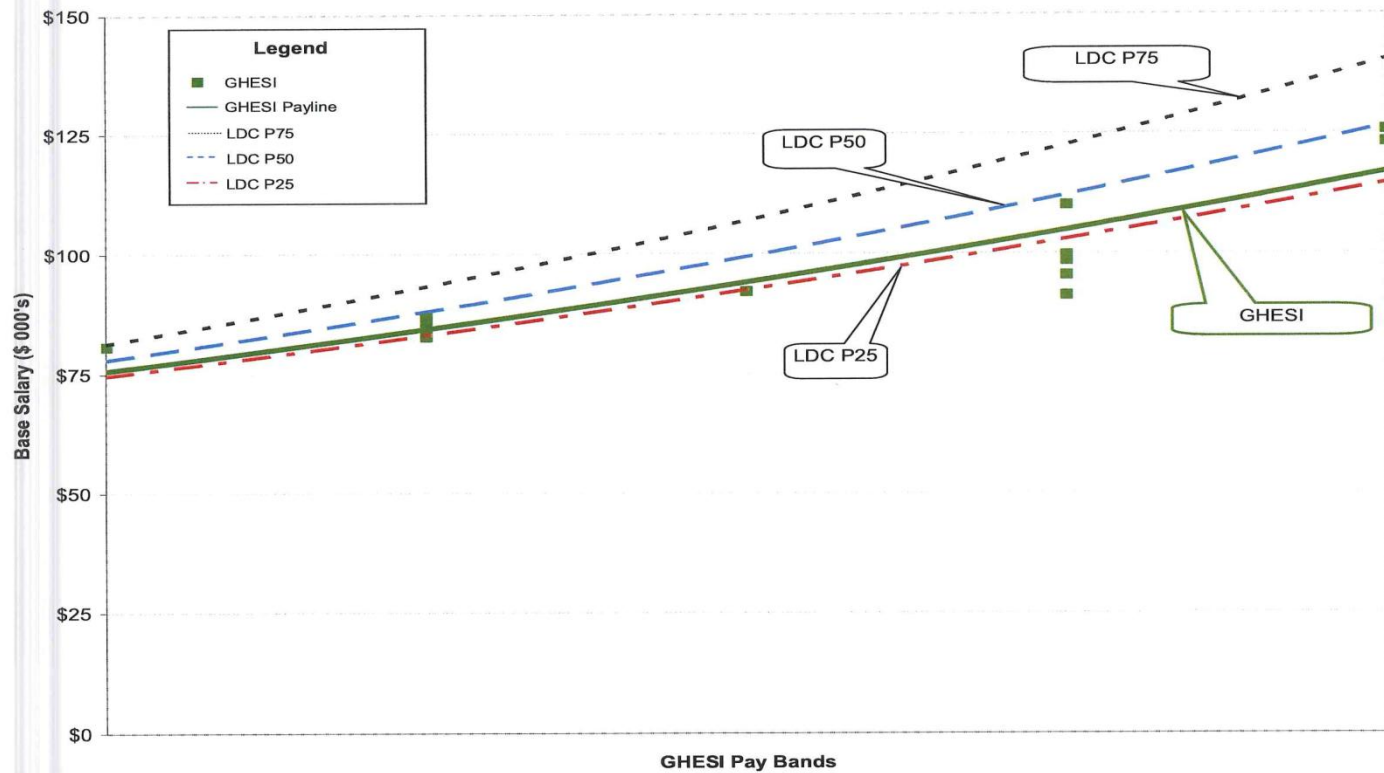
Consulting. Outsourcing. Investments.

April 18 2011

### **Guelph Hydro Electric Systems (GHESI) Payline Analysis**

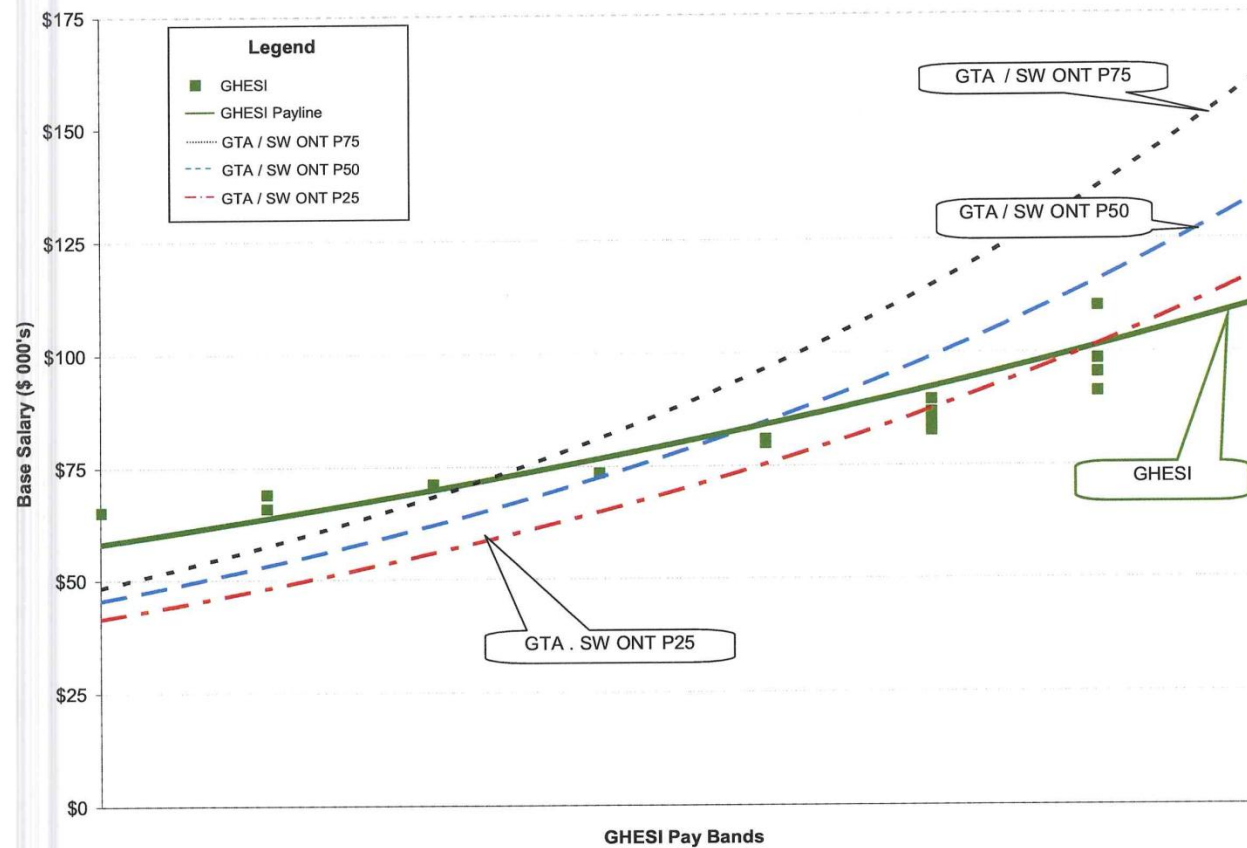
## Payline Analysis – Actual Base Salaries – GHESI

### LDC Actual Base Salary Payline



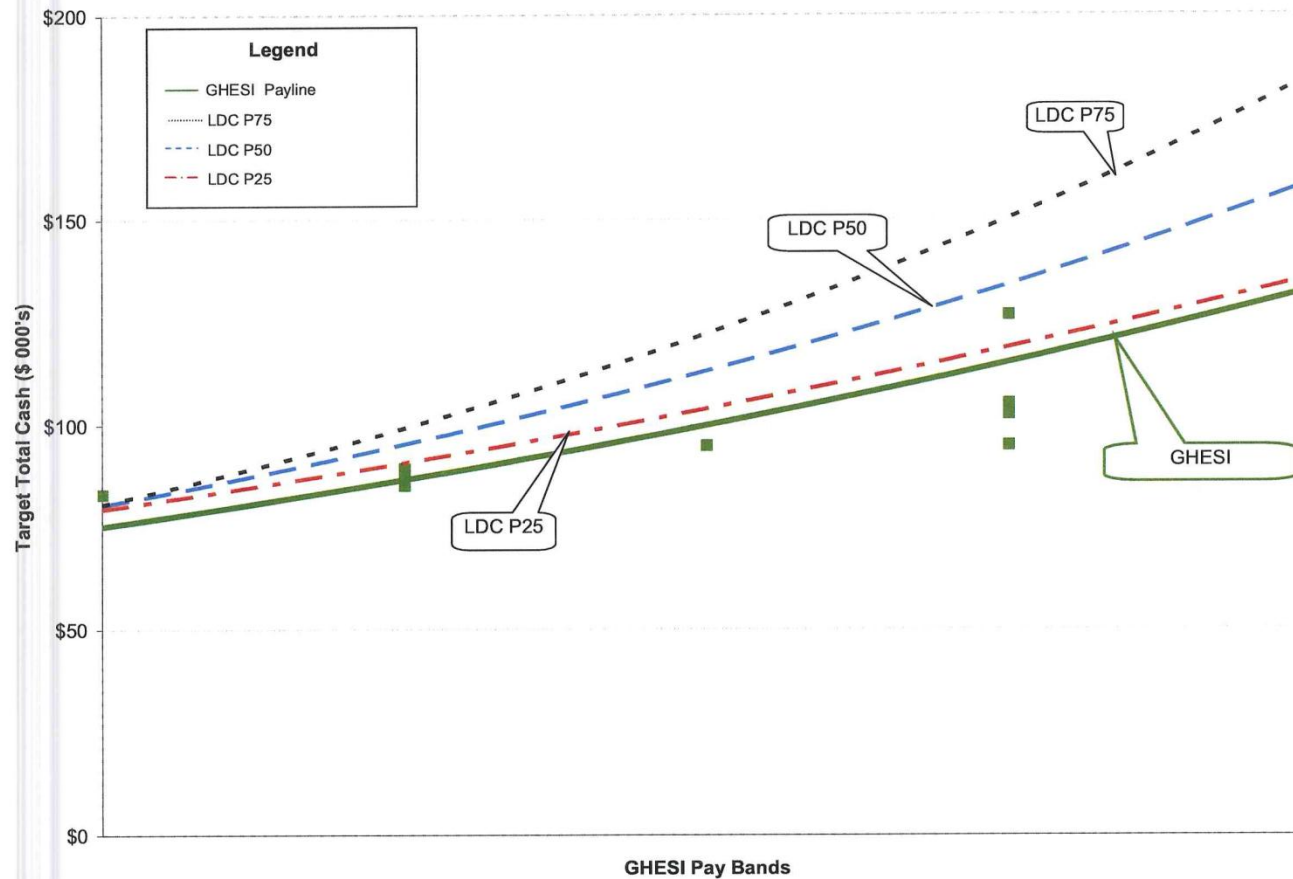
## Payline Analysis – Actual Base Salaries – GHESI

### GTA / SW ONT Actual Base Salary Payline



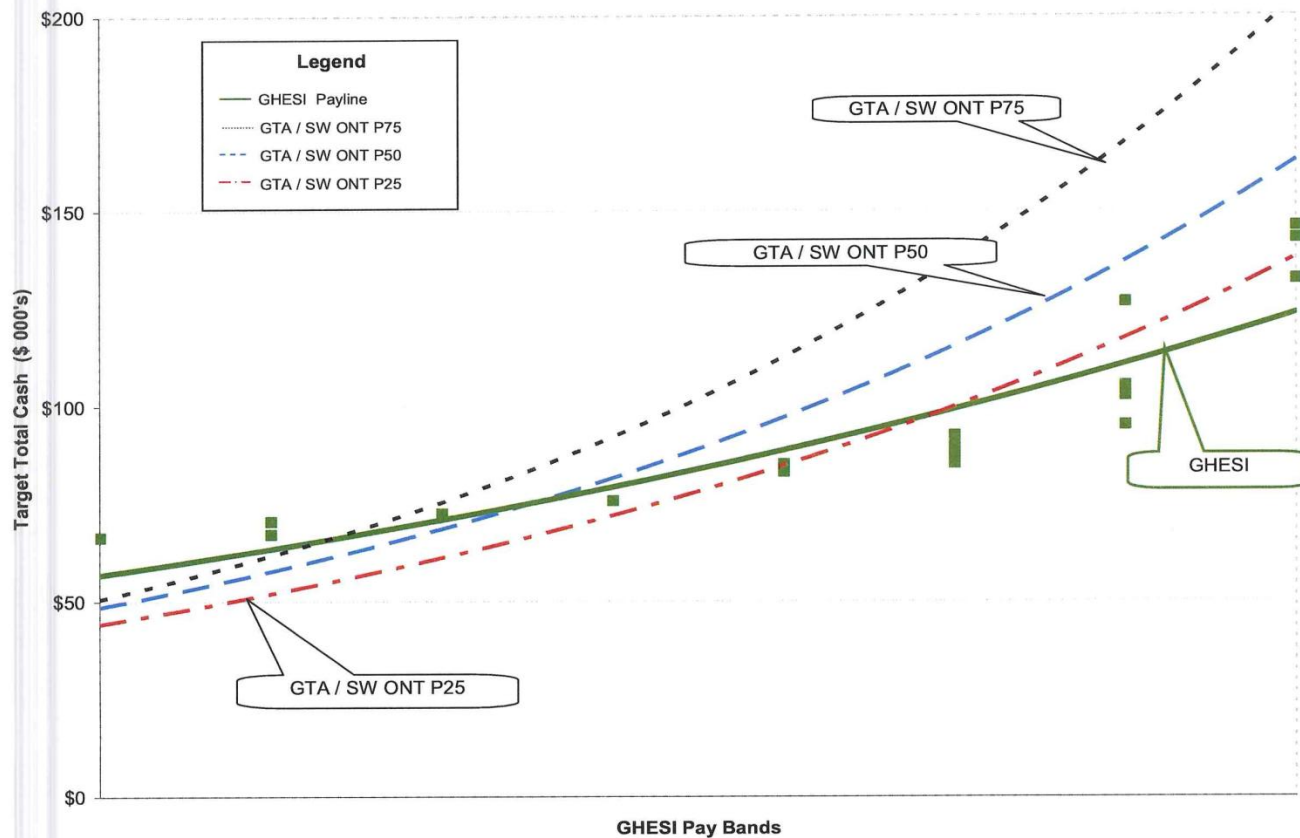
## Payline Analysis – Target Total Cash – GHESI

### LDC Target Total Cash Payline



## Payline Analysis – Target Total Cash – GHESI

### GTA / SW ONT Target Total Cash Payline





## Appendix Guelph\_SEC\_IRR\_#44\_PlanDesignComparison – Comparison of the Benefit Plans



### Plan Design Comparisons

In comparison to the other Hydro plans we manage, Guelph Hydro has a **below average plan** in many respects. This comparison can be seen in the benefit plan review for the hourly Hydro plans under our management (see following document for detailed plan outlines).

Average Annual Claims per Person	Health	Dental
Guelph Hydro	\$ 1,436.69	\$ 1,151.31
2	\$ 1,518.93	\$ 971.37
3	\$ 3,146.78	\$ 905.87
4	\$ 2,610.59	\$ 1,446.99
5	\$ 1,856.95	\$ 1,078.45
6	\$ 1,936.46	\$ 1,330.47
7	\$ 1,927.11	\$ 1,340.33
Average	\$ 2,061.93	\$ 1,174.97

Legend: Red = lowest average, Blue = average, Green = highest average

In terms of average annual spending per person, Guelph Hydro has the lowest level on Health, and is below average on Dental. These costs will correlate highly with the plan design: *the better the plan coverage, the higher the utilization by plan members*. What this equates to is that the plan design does not have many opportunities for plan design reductions, while maintaining the current competitive position of the benefit plan.

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Health Care Drugs - Plan Details	Guelph Hydro						Hydro 1		Hydro 2		Hydro 3		Hydro 4		Hydro 5		Hydro 6		Hydro 7	
	\$1,436.69						\$1,518.83		\$1,518.83		\$3,146.78		\$2,610.59		\$1,855.95		\$1,936.46		\$1,927.11	
Pay Direct Drug Card (Year/No)							Yes		Yes		YES		Yes		Yes		Yes		No	
Outpatient Dispensing Fee							\$7.00 Dispensing Fee Cap		\$2/RX		Maximum/Calendar Year: \$13,500 (Includes drugs, excludes OTC), No deductibles.		NIL		NIL		\$12 Dispensing Fee Cap		Dispensing Fee-Deductible 100%	
Concomitance							100%		100%		100%		100%		100%		100%		100%	
Definition of Drug Formulary							Legally requiring a prescription, to the lowest priced generic manr, unless on the prescription		#60 Includes Brand Name (Currently cover any OTC product with DIN that is prescribed and varieties)		Legally requiring RX/some OTC drugs - Generic unless no substitutions		Liberty's Formulary 2: Requires RX, includes some OTC		Generic with Substitution/Includes OTC/Some Vaccines		Legally reqies prescription, No OTC		Generic substitution unless otherwise prescribed	
Obesity Drugs							NO BENEFIT		NO BENEFIT		180 tablets/180 days for Meridia		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT	
Fertility Drugs							NO BENEFIT		Unlimited		Unlimited		Unlimited		NO BENEFIT		NO BENEFIT		NO BENEFIT	
Smoking Cessation Drugs							NO BENEFIT		Unlimited		\$500/lifetime		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT	
Erectile Dysfunction Drugs							NO BENEFIT		Unlimited		NO BENEFIT		\$1,000 per calendar year		NO BENEFIT		NO BENEFIT		NO BENEFIT	
Supplementary Health Care							NIL		NIL		100%		NIL		\$10/\$20		\$25/\$50		Nil	
Deductible							100%		100%		Private		100%		Private		100%		100%	
Contraception							NO BENEFIT		Semi-Private		Private		Private		Private		Semi-Private/Private		NO BENEFIT	
Hospital Accommodation							NO BENEFIT		S/P up to \$3/day, maximum 120 days/12 months.		\$3/day - deductible does NOT apply.		\$3/day, Maximum 120 days/12 consecutive months		\$3/day, max. 120 days/cal.Yr., SP		\$3/day, Maximum 120 days/12 consecutive months		NO BENEFIT	
Chronic Care							NO BENEFIT		Included following 3 or more days of acute care		Following a 3-day confinement in acute care		\$10/day to a maximum of 120 days/person		100 days/disability, SIP		NO BENEFIT		Following 3 or more days of confinement for acute care	
Condom/Contracept Hospital							NO BENEFIT		NO BENEFIT		\$10,000, per condition		\$10,000/calendar year		\$10,000/calendar year		Reasonable & Customary		\$10,000/12 months/condition	
Private Duty Nursing							\$25,000 per calendar year		NO BENEFIT		\$250/calendar year		NO R&C MAXIMUMS		NO BENEFIT		NO BENEFIT		NO BENEFIT	
Paramedical Practitioners							NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT	
- Acupuncturist							\$500 per calendar year (includes one x-ray) - combined with podiatrist		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT		80% coinsurance - \$500/12 consecutive months/person		NO BENEFIT	
- Chiropract							\$500 per calendar year		NO BENEFIT		NO BENEFIT		NO BENEFIT		NO BENEFIT		80% coinsurance - \$500/12 consecutive months/person		NO BENEFIT	
- Massage Therapist							\$500 per calendar year		\$500/person/calendar year		\$500/calendar year		\$800/calendar year, NO REFERRAL		\$500/calendar year		80% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
- Naturopath							\$500 per calendar year		NO BENEFIT		NO BENEFIT		NO BENEFIT		\$500/calendar year		80% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
- Osteopath							\$500 per calendar year (includes one x-ray)		NO BENEFIT		NO BENEFIT		NO BENEFIT		\$500/calendar year		80% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
- Physiotherapist							\$500 per calendar year		NO BENEFIT		NO BENEFIT		\$500/calendar year		\$500/calendar year		100% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
- Podiatrist							\$500 per calendar year (includes one x-ray) - combined with chiropract		NO BENEFIT		\$1,600/calendar year		\$1,000/calendar year combined with Chiropractor - includes x- rays		\$500/calendar year		100% coinsurance - \$500/12 consecutive months/person		\$500/calendar year	
- Psychologist							\$500 per calendar year		NO BENEFIT		NO BENEFIT		\$500/calendar year		\$500/calendar year		100% coinsurance, \$35 initial assessment/\$20 each subsequent visit, to a maximum of \$200 every 12 consecutive months		\$300/calendar year	
- Chiropractor							\$500 per calendar year (includes one x-ray)		NO BENEFIT		\$35 first visit/\$20/hour for subsequent visits, maximum of \$200/cal. Yr.		\$500/calendar year		\$500/calendar year		80% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
- Speech Therapist							\$500 per calendar year		NO BENEFIT		\$500/calendar year		\$1,000/calendar year combined with Physio- Includes x-rays		\$500/calendar year		80% coinsurance - \$500/12 consecutive months/person		\$300/calendar year	
Orthotic Devices							\$500 per calendar year		\$500/person/calendar year		\$200/calendar year		\$500/calendar year		\$500/calendar year		100% coinsurance - \$200 / 12 months 2 pair/calendar year		\$300/calendar year	
Orthopaedic Shoes							\$450 per calendar year		NO BENEFIT		\$250/3 years combined with ortho shoes		\$500/12 consecutive months, includes adj. to stock items		\$400/pair, Maximum 2 pair/calendar year		\$500/pair, 2 pair/calendar year		Under age 2: 4 pairs, Age 2-17: 3 pairs, 18 and older: 1 pair	

	Hydro 1	Hydro 2	Hydro 3	Hydro 4	Hydro 5	Hydro 6	Hydro 7
Hearing Aids	\$500 per 5 years (excluding tax) (Age 65)	NO BENEFIT	\$600/60 month period	\$500/60 months	\$500/5 years	\$25/24 months	\$300/5 years
Vision Care	\$275/24 months	\$285/24 months	\$375/24 months	\$350/24 months	\$200/24 months	\$400/24 months, 12 months for children under 18	\$200/24 months
Eye Examinations	\$75/2 calendar years	NO BENEFIT	Included in above, \$85 max. 1/24 months	1/year, R&C	NO BENEFIT	1 per year, included in above	1 every 24 months
Accidental Dental	Yes	Covered under Dental	Yes	Yes	Yes	Yes	Yes
Medical Equipment & Supplies	Yes		No	Yes + sleep apnea	Yes	Yes	Yes
Conversion	NO BENEFIT		To age 65 if employee has worked a minimum of 20 years. Children: 2 years.	NO BENEFIT	NO BENEFIT	Yes - for ee and dependents	NO BENEFIT
Survivor Benefit					Based on seniority	1 year	24 months
Terminates at Age	Death if employed prior to Oct. 22nd, 2001. Otherwise: Age 65 or retirement		Age 65 for employee & spouse	Retirement - Hospital and OOC terminates at age 65	Age 65 or retirement. At retirement a more restrictive plan is offered.	70 or earlier retirement	Retirement
Out-of-Province/Country		NO BENEFIT				NO BENEFIT	
Deductible	Nil		Nil	Nil	Nil		Nil
Insurance	100%		100%	100%	100%		100%
Emergency Maximum	\$1,000,000/lifetime		\$1,000,000/calendar year	Unlimited	\$1,000,000/lifetime		Unlimited
Referral Maximum	NO BENEFIT		\$50,000/calendar year	NO BENEFIT	\$50,000/lifetime		NO BENEFIT
Number of Days Limited	60 days (ee's must return for at least 30 consecutive days before being eligible for another 60 days of coverage)		180 days	6 months	60 days		60 days

	Hydro 1	Hydro 2	Hydro 3	Hydro 4	Hydro 5	Hydro 6	Hydro 7
<b>Dental Care</b>	\$1,151.31	\$871.37	\$995.87	\$1,446.99	\$1,078.45	\$1,330.47	\$1,340.33
Deductible	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Consurances	100%	100%	100%	100%	100%	100%	90%
- Basic Services	100%	100%	100%	100%	100%	100%	80%
- Endodontics/Periodontics	100%	100%	100%	100%	100%	100%	80%
- Denture Repair	100%	100%	100%	100%	100%	100%	80%
- Surgical Removal	100%	100%	100%	100%	100%	100%	80%
- Surgical Services/Drugs	100%	100%	100%	100%	100%	100%	80%
- Units of Scale/Year	8 units/calendar year	8 time units/12 months	16 time units of scaling/calendar year	8 time units of scaling/12 months	8 time units of scaling/12 months	10 units scaling/calendar year	6/calendar year
- Major Restorative			100% Relines ONLY - No Denture Coverage once every 5 years once every 5 years NO BENEFIT N/A	Rider 2, once/5 years Rider 4 Rider 3 50% Adult	50%	50%	80%
- Dentures	50%	50%					Every 3 years Every 3 years Every 3 years 50% Includes Adult
- Crowns	50%	50%					
- Bridges	50%	50%					
- Orthodontics	50%	50%					
- Age (Adult/Child)	Under 19 years	Age 6+ (Includes Adult)					
Maximum	Unlimited	Unlimited	\$3,100/calendar year - Basic/Major Combined	Unlimited	Unlimited	\$1,800/calendar year	\$2,000/calendar year (Dentures & Repairs) \$1,500/calendar year combined with Major Maximum
- Basic Services			\$3,100/calendar year - Basic/Major Combined	Unlimited	Unlimited (Fixed and Removable Prosthodontics \$300/yr)	\$1,700/calendar year	\$1,500/calendar year
- Major Restorative	Dentures - Unlimited (3 years) Crowns & Bridges \$1,000 per year	Unlimited	\$3,100/calendar year - Basic/Major Combined	Unlimited	\$1,500/lifetime/Terminates at retirement	\$2,900/lifetime	\$1,500/lifetime
- Orthodontics	\$1,800 Lifetime	\$2,250/lifetime	NO BENEFIT	\$3,000/person/lifetime			
Fee Guide	Each October, fee guide is moved up one year. Currently 2009, 2008, 2007, Oct 10th, Alberta resident, 1887 Alberta Fee Guide	Current	One Year Lag	Current	Current Provincial	Current	Current less 2 years
Recall Examinations	9 months	9 months	9 months	6 months	6 months	6 months	Adult 12 months, children 6 months
Conversion	NO BENEFIT	NO BENEFIT	To age 65 if ee has worked a minimum of 20 years.	NO BENEFIT	Based on seniority	Yes - ee and dependents	NO BENEFIT
Survivor Benefit	NO BENEFIT	NO BENEFIT	Age 65 for employee and spouse EACH	Retirement -	At retirement, or if you retire after Jan2898 and are younger than 65, basic services continue to 65 or after 5 years	70 or earlier retirement	2 years Retirement
Terminates at Age	Death if employed prior to Oct. 22nd, 2001. Otherwise: Age 65 or retirement	Retirement					