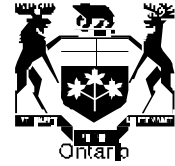


**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

August 7, 2012

Blair MacDonald
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, ON M5G 2P5

Dear Applicants:

**Re: Application by Hydro One Networks Inc. and Kitchener-Wilmot Hydro Inc.
for Licence Amendments and Transfer of Distribution Assets
Board File Number EB-2012-0305**

LETTER OF DIRECTION

The Ontario Energy Board has now issued its Notice of Application with respect to the above application and a copy is enclosed. Please note that you must serve the Notice within fourteen days of the date of this letter. If service is impossible within fourteen days, you must inform the Board Secretary immediately.

You are directed:

1. To immediately have the Notice posted on your websites, if available.
2. To immediately serve a copy of the Notice and a suitable cover letter, in person, by courier or by registered mail, upon the customers that are the subject of the above referenced application. You must include the information in the sample letter attached as appendix A to this letter of direction in your cover letter to the LTLT customers proposed to be transferred to Kitchener-Wilmot Hydro Inc.
3. To file with the Board affidavit evidence proving the above service immediately upon completion, with original post office registration receipts (where applicable), or courier confirmation lists attached as appendices.

4. To immediately have copies of the application made available for public review at the applicants' head offices.
5. To immediately provide a copy of the application to any person upon request.

You are further directed not to include any document(s) or material(s) when serving the Notice other than document(s) or material(s) expressly required by this Letter of Direction to be served.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.

Appendix A

Sample Letter to the LTLT Customer Proposed to be Transferred to Kitchener-Wilmot Hydro Inc.

YOUR ELECTRICITY DISTRIBUTOR MAY BE CHANGING

Dear customer:

Your electricity distributor, Hydro One Networks Inc. ("Hydro One") and Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot") filed a joint application with the Ontario Energy Board requesting a change to their electricity distribution service area. If the application is approved, you will become a customer of Kitchener-Wilmot. You are not required to take any action in response to this letter but you may wish to let the Ontario Energy Board know of any concerns you may have about the application.

As you know, you are currently a customer of Hydro One and charged Hydro One's rates for electricity distribution services. However, you may not know that your electricity is physically supplied by Kitchener-Wilmot. You are within Hydro One's service area but are actually served electricity by Kitchener-Wilmot. This arrangement is known as a long term load transfer.

The Ontario Energy Board requires geographic electricity distributors (in your case, Hydro One) to eliminate long term load transfer arrangements before June 30, 2014. One option available to distributors to meet this requirement is to permanently transfer the load transfer customers to the electricity distributor that physically supplies them (in your case, Kitchener-Wilmot).

To eliminate the load transfer arrangements between Kitchener-Wilmot and Hydro One, both distributors filed a joint application with the Ontario Energy Board for an order approving changes to their distribution service areas in order to transfer you to Kitchener-Wilmot's service area. If the Board approves the application, you will become a customer of Kitchener-Wilmot; you will be supplied and served by Kitchener-Wilmot and will be charged Kitchener-Wilmot's distribution rates which are lower than Hydro One's distribution rates.

An official Notice of Application was issued by the Board, a copy of which is attached to this letter. The Notice contains information about how to participate in the proceeding associated with the application.

If you have any questions about this letter, please call (name of person) at Hydro One

Networks Inc. at (phone number)