

October 12, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: PowerStream Inc. (Licence ED-2004-0420)
2013 Electricity Distribution Rates Application EB-2012-0161**

During the Settlement Conference held October 3 to 5, 2012 at the Board's offices, PowerStream agreed to provide additional information regarding the promissory notes held by the shareholders and further explanation regarding PowerStream's calculation of the account 1575 IFRS-CGAAP Transitional PP&E Amounts. The responses to these requests are attached. These responses have been sent by e-mail to the parties and have been filed on RESS.

We trust that this is satisfactory, but if further information is needed, please do not hesitate to contact the undersigned.

Yours truly,

Original signed by

Tom Barrett
Manager, Rate Applications

AMENDED AND RESTATED PROMISSORY NOTE

FOR VALUE RECEIVED, Barrie Hydro Distribution Inc. (the “**Corporation**”) hereby promises to pay to the order of The Corporation of the City of Barrie (the “**City**”), the principal sum of \$20,000,000.00 (twenty million dollars) (the “**Principal**”), together with interest on any and all amounts remaining unpaid thereon from time to time as specified herein.

SECTION 1: TERM

1.1 This Note is due May 31, 2024.

SECTION 2: INTEREST

2.1 This Note shall bear interest, from the date hereof until December 31, 2009, on the outstanding Principal amount at a rate per annum equal to 6.5% and thereafter the interest rate will be reset and adjusted from time to time as agreeable between the City and the Corporation, in order to reflect current market conditions, the deemed interest rate as prescribed by the Ontario Energy Board and the same interest rate for similar debt owed to all shareholders of any successor to the Corporation.

2.2 Interest is calculated daily, on the basis of a 365 day year, not compounding, and payable quarterly in arrears on the last business day of the month immediately following each of the Corporation’s fiscal quarters.

2.3 Interest payments are subject to the conditions of subordination described in section 4 hereof.

SECTION 3: ACCELERATION

3.1 The City may at any time accelerate payment of all or part of the outstanding Principal, together with all interest accrued and unpaid thereon, without penalty, by way of written notice to the Corporation no less than ninety (90) days in advance.

3.2 Any demand for accelerated payment is subject to and conditional on receiving confirmation from the Dominion Bond Rating Service Limited and from Standard & Poor’s credit rating service (or their respective successors), that such repayment will not negatively affect the credit rating of the Corporation.

3.3 Any demand for accelerated payment is subject to the conditions of subordination outlined herein.

SECTION 4: SUBORDINATION

4.1 The payment of the Principal and all interest on this Note is subordinated to the indebtedness issued by the Corporation (or any predecessor of the Corporation) to the Electricity Distributors Finance Corporation ("EDFIN") insofar as no such payment shall be made if and for so long as an Event of Default (as defined in the relevant series supplement to the Master Custodial Agreement) has occurred and remains outstanding.

4.2 The City further agrees to subordinate the indebtedness owed it hereunder to debt issued by the Corporation from time to time to a financial institution or other third party for the purposes of the Corporation or its subsidiaries on such terms as the lender may reasonably request.

4.3 The City shall execute such documents as may be reasonably required by the Corporation to evidence such subordination.

SECTION 5: ADJUSTMENTS

5.1 Adjustments, revisions, changes or restatements to this Note, including changes to the interest rate, may only be made if confirmation is received from Dominion Bond Rating Service Limited and Standard & Poor's credit rating service (or their respective successors), that such adjustments, revisions, changes or restatements will not negatively affect the Corporation's credit rating.

SECTION 6: ASSIGNMENT

6.1 This Note is not assignable by the City without the consent of the Corporation, which will not unreasonably withhold such consent.

SECTION 7: DEFAULT

7.1 An event of default will be deemed to have occurred at any time that the Corporation fails to make payment of Principal or interest thereon when the same shall become due as herein provided, unless such failure is a result of the conditions of subordination set out in section 4 hereof, or is remedied by the applicable payment of Principal or interest within 30 days of the due date. In such an event of default, the holder of this Note may declare the

entire Principal sum, together with all accrued and unpaid interest thereon, immediately due and payable.

7.2 In the event that payment of Principal or interest thereon is delayed, whether due to the abovementioned conditions of subordination or not, all outstanding amounts (including interest on unpaid interest) will continue to accrue interest at the rate set out in section 2.1 hereof until such time that the payments are remedied.

SECTION 8: DEFINITIONS

8.1 For the purposes of this Note;

- (a) “business day” means any day or other than a Saturday, Sunday or any other day that is a statutory holiday in the Province of Ontario; and
- (b) “Master Custodial Agreement” means the master custodial agreement dated August 15, 2002 between Electricity Distributors Finance Corporation and Canada Trust Company.

SECTION 9: AMENDMENT AND RESTATEMENT

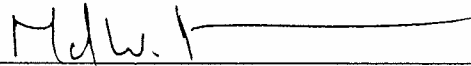
9.1 The Amended and Restated Promissory Note amends and restates the commitments made by Barrie Hydro Distribution Inc., a predecessor of the Corporation, in favour of the City

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DATED: December 31, 2008

BARRIE HYDRO DISTRIBUTION INC.

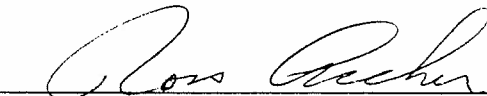
Per:

A handwritten signature in dark ink, appearing to read 'M. Henderson', written over a horizontal line.

Mark Henderson

President and Chief Executive Officer

Per:

A handwritten signature in dark ink, appearing to read 'Ross Archer', written over a horizontal line.

Ross Archer

Chair

Document 66

AMENDED AND RESTATED PROMISSORY NOTE

FOR VALUE RECEIVED, Amalco Hydro Distribution Inc. ("Amalco") hereby promises to pay to the order of The Corporation of the Town of Markham (the "Town"), the principal sum of \$67,866,202 (Sixty-seven million, eight hundred and sixty-six thousand, two hundred and two dollars) (the "Principal"), together with interest on any and all amounts remaining unpaid thereon from time to time as specified herein.

SECTION 1: TERM

1.1 This Note has a term of 20 years, due May 31st 2024.

SECTION 2: INTEREST

2.1 This Note shall bear interest, from the date hereof, on the outstanding Principal amount at a rate per annum equal to 5.58%.

2.2 Interest is calculated daily, on the basis of a 365 day year, not compounding, and payable quarterly in arrears on the last business day of the month immediately following each of Amalco's fiscal quarters.

2.3 Interest payments are subject to the conditions of subordination described in section 4 hereof.

2.4 The interest rate may be adjusted from time to time as agreeable between the Town and Amalco, in order to reflect current market conditions and the deemed interest rate as prescribed by the Ontario Energy Board.

SECTION 3: ACCELERATION

3.1 The Town may at any time after January 01, 2005 accelerate payment of all or part of the outstanding Principal, together with all interest accrued and unpaid thereon, without penalty, by way of written notice to Amalco no less than ninety (90) days in advance.

3.2 Any demand for accelerated payment is subject to and conditional on receiving confirmation from the Dominion Bond Rating Service Limited and from Standard & Poor's credit rating service (or their respective successors), that such repayment will not negatively affect the credit rating of Amalco.

3.3 Any demand for accelerated payment is subject to the conditions of subordination outlined herein.

SECTION 4: SUBORDINATION

4.1 The payment of the Principal and all interest on this Note is subordinated to the indebtedness issued by Amalco (or any predecessor of Amalco) to the Electricity Distributors Finance Corporation ("EDFIN") insofar as no such payment shall be made if and for so long as an Event of Default (as defined in the relevant series supplement to the Master Custodial Agreement) has occurred and remains outstanding.

4.2 The Town further agrees to subordinate the indebtedness owed it hereunder to debt issued by Amalco from time to time to a financial institution or other third party for the purposes of Amalco or its subsidiaries on such terms as the lender may reasonably request

The Town shall execute such documents as may be reasonably required by Amalco to evidence such ordination.

SECTION 5: ADJUSTMENTS

5.1 Adjustments, revisions, changes or restatements to this Note, including changes to the interest rate, may only be made if confirmation is received from Dominion Bond Rating Service Limited and Standard & Poor's credit rating service (or their respective successors), that such adjustments, revisions, changes or restatements will not negatively affect Amalco's credit rating.

SECTION 6: ASSIGNMENT

6.1 This Note is not assignable by the Town without the consent of Amalco, which will not unreasonably withhold such consent.

SECTION 7: DEFAULT

7.1 An event of default will be deemed to have occurred at any time that Amalco fails to make payment of Principal or interest thereon when the same shall become due as herein provided, unless such failure is a result of the conditions of subordination set out in section 4 hereof, or is remedied by the applicable payment of Principal or interest within 30 days of the due date. In such an event of default, the holder of this Note may declare the entire Principal sum, together with all accrued and unpaid interest thereon, immediately due and payable.

7.2 In the event that payment of Principal or interest thereon is delayed, whether due to the abovementioned conditions of subordination or not, all outstanding amounts (including interest on unpaid interest) will continue to accrue interest at the rate set out in section 2.1 hereof until such time that the payments are remedied.

SECTION 8: DEFINITIONS

8.1 For the purposes of this Note:

(a) "business day" means any day other than a Saturday, Sunday or any other day that is a statutory holiday in the Province of Ontario; and

(b) "Master Custodial Agreement" means the master custodial agreement dated August 15, 2002 between Electricity Distributors Finance Corporation and Canada Trust Company.

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SECTION 9: AMENDMENT AND RESTATEMENT

9.1 This Amended and Restated Promissory Note amends and restates the Promissory Note dated as of the 19th day of July, 2002 made by Markham Hydro Distribution Inc., a predecessor of Amalco, in favour of the Town.

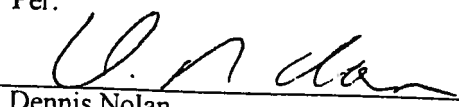
DATED as of the 1st day of June, 2004.

AMALCO HYDRO DISTRIBUTION INC.

Per:


Brian Bentz
President and Chief Executive Officer

Per:


Dennis Nolan
Executive Vice-President, Corporate
Services and Secretary

TOR_LAW 5738886.3

AMENDED AND RESTATED PROMISSORY NOTE

FOR VALUE RECEIVED, Amalco Hydro Distribution Inc. ("Amalco") hereby promises to pay to the order of The Corporation of the City of Vaughan (the "City"), the principal sum of Seventy-Eight Million, Two Hundred and Thirty-Six Thousand, Two Hundred and Eighty-Five dollars (\$78,236,285.00) (the "Principal"), together with interest on any and all amounts remaining unpaid thereon from time to time as specified herein.

SECTION 1: TERM

1.1 This Note has a term of 20 years, due May 31st 2024.

SECTION 2: INTEREST

2.1 This Note shall bear interest, from the date hereof, on the outstanding Principal amount at a rate per annum equal to 5.58%.

2.2 Interest is calculated daily, on the basis of a 365 day year, not compounding, and payable quarterly in arrears on the last business day of the month immediately following each of Amalco's fiscal quarters.

2.3 Interest payments are subject to the conditions of subordination described in section 4 hereof.

2.4 The interest rate may be adjusted from time to time as agreeable between the City and Amalco, in order to reflect current market conditions and the deemed interest rate as prescribed by the Ontario Energy Board.

SECTION 3: ACCELERATION

3.1 The City may at any time after January 01 2005 accelerate payment of all or part of the outstanding Principal, together with all interest accrued and unpaid thereon, without penalty, by way of written notice to Amalco no less than ninety (90) days in advance.

3.2 Any demand for accelerated payment is subject to and conditional on receiving confirmation from the Dominion Bond Rating Service Limited and from Standard & Poor's credit rating service (or their respective successors), that such repayment will not negatively affect the credit rating of Amalco.

3.3 Any demand for accelerated payment is subject to the conditions of subordination outlined herein.

SECTION 4: SUBORDINATION

4.1 The payment of the Principal and all interest on this Note is subordinated to the indebtedness issued by Amalco (or any predecessor of Amalco) to the Electricity Distributors Finance Corporation ("EDFIN") insofar as no such payment shall be made if and for so long as an Event of Default (as defined in the relevant series supplement to the Master Custodial Agreement) has occurred and remains outstanding.

4.2 The City further agrees to subordinate the indebtedness owed it hereunder to debt issued by Amalco from time to time to a financial institution or other third party for the purposes of Amalco or its subsidiaries on such terms as the lender may reasonably request

4.3 The City shall execute such documents as may be reasonably required by Amalco to evidence such subordination.

SECTION 5: ADJUSTMENTS

5.1 Adjustments, revisions, changes or restatements to this Note, including changes to the interest rate, may only be made if confirmation is received from Dominion Bond Rating Service Limited and Standard & Poor's credit rating service (or their respective successors), that such adjustments, revisions, changes or restatements will not negatively affect Amalco's credit rating.

SECTION 6: ASSIGNMENT

6.1 This Note is not assignable by the City without the consent of Amalco, which will not unreasonably withhold such consent.

SECTION 7: DEFAULT

7.1 An event of default will be deemed to have occurred at any time that Amalco fails to make payment of Principal or interest thereon when the same shall become due as herein provided, unless such failure is a result of the conditions of subordination set out in section 4 hereof, or is remedied by the applicable payment of Principal or interest within 30 days of the due date. In such an event of default, the holder of this Note may declare the entire Principal sum, together with all accrued and unpaid interest thereon, immediately due and payable.

7.2 In the event that payment of Principal or interest thereon is delayed, whether due to the abovementioned conditions of subordination or not, all outstanding amounts (including interest on unpaid interest) will continue to accrue interest at the rate set out in section 2.1 hereof until such time that the payments are remedied.

SECTION 8: DEFINITIONS

8.1 For the purposes of this Note:

- (a) "business day" means any day other than a Saturday, Sunday or any other day that is a statutory holiday in the Province of Ontario; and
- (b) "Master Custodial Agreement" means the master custodial agreement dated August 15, 2002 between Electricity Distributors Finance Corporation and Canada Trust Company.

SECTION 9: AMENDMENT AND RESTATEMENT

9.1 This Amended and Restated Promissory Note amends and restates the Promissory Note dated as of the 18th day of July, 2002 made by Hydro Vaughan Distribution Inc., a predecessor of Amalco, in favour of the City.

DATED as of the 1st day of June, 2004.

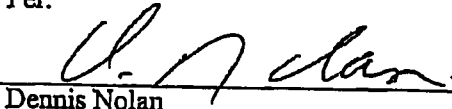
AMALCO HYDRO DISTRIBUTION INC.

Per:



Brian Bentz
President and Chief Executive Officer

Per:



Dennis Nolan
Executive Vice-President, Corporate
Services and Secretary

POSTPONEMENT AGREEMENT

THIS POSTPONEMENT AGREEMENT is entered into as of _____, 2012 among The Corporation of the City of Barrie ("**Barrie**"), The Corporation of the Town of Markham ("**Markham**") and the Corporation of the City of Vaughan ("**Vaughan**" and together with Barrie and Markham, the "**Cities**" and individually, a "**City**"), PowerStream Inc. (the "**Corporation**") and Computershare Trust Company of Canada, as trustee for and on behalf of the Debentureholders (as defined herein) pursuant to the Indenture (as defined herein) (the "**Trustee**").

WHEREAS:

A. Pursuant to a trust indenture dated as of _____, 2012 between the Corporation and the Trustee (as amended, restated or supplemented from time to time, the "**Indenture**"), the Corporation may create and issue an unlimited principal amount of senior unsecured debentures of the Corporation in one or more series under indentures supplemental to the Indenture (each, a "**Supplemental Indenture**", and together with the Indenture and the Debentures (as defined herein), the "**Debenture Documents**");

B. The Corporation is now indebted to Barrie pursuant to an amended and restated promissory note in the principal amount of \$20,000,000 dated December 31, 2008 issued by the Corporation in favour of Barrie (the "**Barrie Note**");

C. The Corporation is now indebted to Markham pursuant to an amended and restated promissory note in the principal amount of \$67,866,202 dated June 1, 2004 issued by the Corporation in favour of Markham (the "**Markham Note**");

D. The Corporation is now indebted to Vaughan pursuant to an amended and restated promissory note in the principal amount of \$78,236,285 dated June 1, 2004 issued by the Corporation in favour of Vaughan (the "**Vaughan Note**", and together with the Barrie Note and the Markham Note, the "**City Notes**");

E. The foregoing recitals are made as representations and statements of fact by the Cities and the Corporation and not by the Trustee;

F. The parties hereto wish to enter into this Agreement so as to set out the priorities between the Debentures and the present and future indebtedness, obligations and liabilities of the Corporation to each of the Cities arising under or in connection with the City Notes, whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise (collectively, the "**City Notes Debt**");

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby irrevocably acknowledged by each party hereto, the parties agree as follows:

1. **Defined Terms.** In this agreement, in addition to the defined terms set forth above, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"Debentures" means the senior unsecured debentures of the Corporation issued pursuant to the Indenture and any Supplemental Indenture, and includes all present and future indebtedness, obligations and liabilities of any nature or kind of the Corporation arising under or in connection with the Debenture Documents (whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise);

"Debentureholder" means, at a particular time, a Person entered into a register of the Trustee as a holder of one or more Debentures outstanding at such time;

"Debt" means, collectively, the City Notes Debt and the Debentures;

"Default" means any default by the Corporation under any Debenture Document;

"Documents" means the Debenture Documents and each of the City Notes and
"Document" means any one of the Documents;

"Insolvency Law" means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and any similar Canadian or provincial corporation statutes, including without limitation, corporate statutory provisions dealing with arrangements, assignment and preference statutes and fraudulent conveyance legislation, each as now and hereafter in effect, including any successor legislation to such legislation and statutes, and any other applicable insolvency, preference or other similar laws of any jurisdiction;

"Insolvency Proceeding" means (a) any voluntary or involuntary case or proceeding under any Insolvency Law with respect to the Corporation; (b) any other voluntary or involuntary insolvency, compromise, arrangement, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to the Corporation or with respect to a material portion of its assets or its creditors and others; (c) any liquidation, dissolution, reorganization, compromise, arrangement or winding-up of the Corporation whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Corporation; or (e) the appointment of a trustee, receiver, receiver-manager, interim receiver, monitor, liquidator, custodian, sequestrator, conservator or any similar official for the Corporation or for or in respect of a substantial part of the property or assets of the Corporation;

"Notice of Default" means a written notice delivered by the Trustee to each City of a Default; and

"Person" includes any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership (whether general or limited), governmental authority or other legal entity.

2. Restriction on City Notes Payments.

(i) **No Subordinated Debt Principal Payments.** Unless previously consented to in writing by the Trustee and as otherwise permitted in this Section 2, no payments (whether on account of principal, interest, premium, indemnification, fees, expenses or otherwise) in respect of any of the City Notes may directly or indirectly be paid by the Corporation to any of the Cities or received and retained by any of the Cities in cash or other property or by set-off or any other manner prior to the payment in full of all Debentures.

(ii) **Permitted Subordinated Debt Interest Payments.** The Corporation may pay to each of the Cities, and each of the Cities may receive and retain (A) regularly scheduled quarterly cash interest payments in respect of the principal amount of each of the City Notes in accordance with the terms and conditions thereof (as currently written) in an amount not exceeding 5.58% per annum and (B) such other payments as are from time to time permitted pursuant to the terms of the Debenture Documents; provided that upon the delivery of a Notice of Default by the Trustee to each of the Cities, no amounts which would otherwise be permitted to be paid by the Corporation to, and accepted by, any of the Cities pursuant to this Section 2(ii) shall be paid by the Corporation to or accepted by any of the Cities.

3. Payments Held In Trust. Should any payment be received by any of the Cities upon or with respect to any of the City Notes prior to the payment in full of the Debentures (other than a payment expressly permitted pursuant to Section 2), then the applicable City shall forthwith deliver the same to the Trustee in the form received (except for endorsement or assignment by such City where reasonably required by the Trustee) and until so delivered the same shall be held in trust by such City as the property of the Trustee, for and on behalf of Debentureholders. Each of the Cities agrees that in the event that all or any part of any payment made on account of the Debentures is recovered from the Trustee or Debentureholders pursuant to any Insolvency Proceeding as a preference, fraudulent transfer or similar payment under any Insolvency Law, any payment or distribution received by any of the Cities from the Corporation on any of the City Notes (other than a payment expressly permitted pursuant to Section 2 within the one year period prior to any Insolvency Proceeding) shall be deemed to have been received by such City in trust for the Trustee, for and on behalf of Debentureholders and shall promptly be paid over to the Trustee for application to the Debentures until the Debentures are paid in full. The Corporation agrees to make all payments (or, as applicable, shall refrain from making payments) to the Trustee and Debentureholders and each of the Cities in compliance with this Agreement.

4. Payment of Debentures. Nothing herein contained shall prevent, limit or restrict the Trustee or Debentureholders in any manner from exercising all or any of its or their rights and remedies otherwise permitted by applicable law or under the terms of the Debenture Documents. For the purposes of this Agreement, the Debentures shall be deemed not to be paid in full until the Trustee or Debentureholders have received cash in an aggregate amount equal to

the amount owing under the Debentures at that time or other provision satisfactory to the Trustee or Debentureholders for payment of the Debentures in full has been made.

5. Postponement and Subordination.

(i) Postponement and Subordination. The City Notes Debt is hereby and shall hereafter be postponed and subordinated, on the terms set forth herein, to the prior payment in full of, and shall rank junior and subordinate in all respects to, the Debentures.

(ii) Insolvency Proceedings. The parties hereto agree that if an Insolvency Proceeding is commenced by a Person other than any of the Cities or the Corporation, each of the Cities shall be entitled to participate in such Insolvency Proceeding and to vote its City Notes Debt and otherwise exercise its rights as a creditor during such Insolvency Proceeding; provided that (A) none of the Cities shall be entitled to apply to the court for relief from the stay provisions of such Insolvency Proceeding, (B) nothing in this Section 5(ii) shall entitle any of the Cities to, and each of the Cities agrees not to, initiate an Insolvency Proceeding, and (iii) none of the Cities shall vote its City Notes Debt in favour of a plan or other proposal under an Insolvency Proceeding that would defeat (x) the priority of the Debentures provided for hereunder or (y) the rights of the Trustee and Debentureholders under this Agreement.

(iii) Each of the Cities agrees that all dividends, distributions or other sums which may be or become payable in respect of the City Notes Debt pursuant to any Insolvency Proceeding shall be subject to Section 3.

6. No Challenge, Discharge, Release.

(i) No Challenge. None of the Cities will, in any manner, contest or bring into question the validity, priority, perfection or enforceability of the Debenture Documents or the rights of the Trustee or Debentureholders thereunder or hereunder, and each of the Cities agrees that the postponement of the City Notes Debt pursuant to the terms hereof shall not be affected by the invalidity, unenforceability or imperfection of any Debenture Document or any security contemplated thereby.

(ii) Further Assurances. Each of the Cities agrees to execute and deliver, upon request by the Trustee, such further instruments and agreements as may be reasonably required by the Trustee to confirm and give effect to the provisions of this Agreement.

7. Insolvency Proceedings. In the event of any Insolvency Proceeding, the Trustee and Debentureholders shall be entitled to receive and retain any payment, distribution or security proceeds upon or with respect to the Debentures prior to and in preference to any such payment, distribution or security or proceeds to any of the Cities upon or with respect to the City Notes Debt, and, in order to implement the foregoing, each City hereby agrees to account to the Trustee, for and on behalf of Debentureholders in respect of all sums received on account of the City Notes Debt imposed with a trust pursuant to Section 3 hereof.

8. Continuing Agreement. This Agreement shall constitute a continuing agreement and shall continue until the Debentures have been paid in full.

9. Dealings with Corporation. At any time, and from time to time, the Trustee and Debentureholders may deal with the Corporation in any manner which it or they see fit in accordance with the terms of the Debenture Documents and applicable law. Neither the Trustee nor Debentureholders shall have any liability of any nature or kind (in contract, tort or otherwise) to any of the Cities should any such dealings (including those described below), knowingly or unknowingly, constitute or result in a breach under any of the City Notes.

10. Amendments to City Notes. Neither the Corporation nor any of the Cities may amend, modify or otherwise vary the terms and conditions of any of the City Notes unless such amendment, modification or variation is not material.

11. Amendments to Senior Debt. The Corporation and the Trustee and Debentureholders may amend, modify or otherwise vary the terms and conditions of the Debenture Documents and enter into new Debenture Documents. The Cities hereby consent to any such amendment, modification or variation to the Debenture Documents and any new Debenture Document.

12. Sharing of Information. The Corporation agrees that the Trustee and Debentureholders and any of the Cities may share between themselves any information regarding the financial position, property and/or operations of the Corporation and that any such sharing of information shall not breach any express or implied duty of confidentiality to which any party hereto might otherwise be subject.

13. No Waivers. No waiver shall be deemed to be made by any party hereto of any of the rights of such party hereunder unless the same shall be in writing and signed by such party and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such party except as expressly set forth therein.

14. Successors and Assigns. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns and shall enure to the benefit of each of the Cities, the Corporation and the Trustee, in its capacity as trustee for an on behalf of the Debentureholders, and their respective successors and permitted assigns; provided that none of the Cities may assign or transfer, in whole or in part, its rights under the City Notes or granted in its favour or its rights in respect of the City Notes Debt owing to it unless the assignee or transferee contemporaneously therewith becomes bound by this Agreement in its place and stead, and the Trustee shall not resign as trustee under the Trust Indenture or assign its obligations as trustee thereunder unless the new trustee or assignee or transferee contemporaneously therewith becomes bound by this Agreement, in its capacity as trustee for and on behalf of Debentureholders, in its place and stead.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, including the federal laws of Canada applicable therein, but excluding choice of law rules.

16. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or

other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

17. Communication. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer of the addressee or sent by facsimile, in each case, to the applicable address set forth on the signature page of this Agreement or to such other address as a party hereto may from time to time designate to the other parties in such manner. Any communication so personally delivered shall be deemed to have been validly and effectively given on the date of such delivery. Communications so sent by facsimile shall be deemed to have been validly and effectively given on the business day next following the day on which it is sent.

18. Corporation Bound. By executing this Agreement, the Corporation acknowledges the existence of this Agreement and agrees to be bound by its terms; provided, however, that nothing in this Agreement shall confer or be deemed to confer any right, benefit or advantage on the Corporation.

19. Several Obligations. The parties hereto agree that the rights and obligations of each of the Cities under this Agreement are several and not joint and several.

20. Counterparts. This Agreement may be executed in any number of counterparts, and in original, facsimile or electronic "PDF" format, each of which when executed and delivered, (including personal delivery or delivery by facsimile or in electronic "PDF" format) shall be deemed to be an original, but all of which, when taken together, constitute one and the same instrument.

21. Amendments. This Agreement may not be amended except pursuant to an agreement in writing entered into by the Corporation, the Trustee and each of the Cities; provided, however, that no consent of the Corporation shall be necessary to any amendment of the terms hereof unless the obligations of the Corporation are adversely affected thereby; provided that the Corporation shall not be bound by any amendment to which it is not a party.

[Signatures to follow on next page]

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


The Corporation of the City of Barrie


Address: 70 Collier St
Barrie ON

Attention: Dawn A McAlpine

Facsimile: 705 739 4043

**THE CORPORATION OF THE CITY OF
BARRIE**

By: 
Name: A Nuttall
Title: Acting Mayor

By: 
Name: Dawn A McAlpine
Title: City Clerk

The Corporation of the City of Vaughan

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE CITY OF
VAUGHAN**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the Town of Markham

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE TOWN OF
MARKHAM**

By: _____

Name:

Title:

By: _____

Name:

Title:

PowerStream Inc.

Address:
161 Cityview Boulevard
Vaughan, Ontario
L4H 0A9

Attention: John Glicksman
Facsimile: (905) 532-4505

POWERSTREAM INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Computershare Trust Company of Canada

Address:
100 University Avenue
9th Floor
Toronto, Ontario
M5J 2Y1

Attention: Manager Corporate Trust

Facsimile: 416-981-9777

**COMPUTERSHARE TRUST COMPANY
OF CANADA**

By: _____
Name:
Title:

By: _____
Name:
Title:

TOR_LAW\ 7936229\3

POSTPONEMENT AGREEMENT

THIS POSTPONEMENT AGREEMENT is entered into as of June 26, 2012 among The Corporation of the City of Barrie ("**Barrie**"), The Corporation of the Town of Markham ("**Markham**") and the Corporation of the City of Vaughan ("**Vaughan**" and together with Barrie and Markham, the "**Cities**" and individually, a "**City**"), PowerStream Inc. (the "**Corporation**") and Computershare Trust Company of Canada, as trustee for and on behalf of the Debentureholders (as defined herein) pursuant to the Indenture (as defined herein) (the "**Trustee**").

WHEREAS:

- A. Pursuant to a trust indenture dated as of **June 27, 2012** between the Corporation and the Trustee (as amended, restated or supplemented from time to time, the "**Indenture**"), the Corporation may create and issue an unlimited principal amount of senior unsecured debentures of the Corporation in one or more series under indentures supplemental to the Indenture (each, a "**Supplemental Indenture**", and together with the Indenture and the Debentures (as defined herein), the "**Debenture Documents**");
- B. The Corporation is now indebted to Barrie pursuant to an amended and restated promissory note in the principal amount of \$20,000,000 dated December 31, 2008 issued by the Corporation in favour of Barrie (the "**Barrie Note**");
- C. The Corporation is now indebted to Markham pursuant to an amended and restated promissory note in the principal amount of \$67,866,202 dated June 1, 2004 issued by the Corporation in favour of Markham (the "**Markham Note**");
- D. The Corporation is now indebted to Vaughan pursuant to an amended and restated promissory note in the principal amount of \$78,236,285 dated June 1, 2004 issued by the Corporation in favour of Vaughan (the "**Vaughan Note**", and together with the Barrie Note and the Markham Note, the "**City Notes**");
- E. The foregoing recitals are made as representations and statements of fact by the Cities and the Corporation and not by the Trustee;
- F. The parties hereto wish to enter into this Agreement so as to set out the priorities between the Debentures and the present and future indebtedness, obligations and liabilities of the Corporation to each of the Cities arising under or in connection with the City Notes, whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise (collectively, the "**City Notes Debt**");

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby irrevocably acknowledged by each party hereto, the parties agree as follows:

- 2 -

1. **Defined Terms.** In this agreement, in addition to the defined terms set forth above, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"Debentures" means the senior unsecured debentures of the Corporation issued pursuant to the Indenture and any Supplemental Indenture, and includes all present and future indebtedness, obligations and liabilities of any nature or kind of the Corporation arising under or in connection with the Debenture Documents (whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise);

"Debentureholder" means, at a particular time, a Person entered into a register of the Trustee as a holder of one or more Debentures outstanding at such time;

"Debt" means, collectively, the City Notes Debt and the Debentures;

"Default" means any default by the Corporation under any Debenture Document;

"Documents" means the Debenture Documents and each of the City Notes and
"Document" means any one of the Documents;

"Insolvency Law" means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and any similar Canadian or provincial corporation statutes, including without limitation, corporate statutory provisions dealing with arrangements, assignment and preference statutes and fraudulent conveyance legislation, each as now and hereafter in effect, including any successor legislation to such legislation and statutes, and any other applicable insolvency, preference or other similar laws of any jurisdiction;

"Insolvency Proceeding" means (a) any voluntary or involuntary case or proceeding under any Insolvency Law with respect to the Corporation; (b) any other voluntary or involuntary insolvency, compromise, arrangement, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to the Corporation or with respect to a material portion of its assets or its creditors and others; (c) any liquidation, dissolution, reorganization, compromise, arrangement or winding-up of the Corporation whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Corporation; or (e) the appointment of a trustee, receiver, receiver-manager, interim receiver, monitor, liquidator, custodian, sequestrator, conservator or any similar official for the Corporation or for or in respect of a substantial part of the property or assets of the Corporation;

"Notice of Default" means a written notice delivered by the Trustee to each City of a Default; and

- 3 -

"Person" includes any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership (whether general or limited), governmental authority or other legal entity.

2. Restriction on City Notes Payments.

(i) **No Subordinated Debt Principal Payments.** Unless previously consented to in writing by the Trustee and as otherwise permitted in this Section 2, no payments (whether on account of principal, interest, premium, indemnification, fees, expenses or otherwise) in respect of any of the City Notes may directly or indirectly be paid by the Corporation to any of the Cities or received and retained by any of the Cities in cash or other property or by set-off or any other manner prior to the payment in full of all Debentures.

(ii) **Permitted Subordinated Debt Interest Payments.** The Corporation may pay to each of the Cities, and each of the Cities may receive and retain (A) regularly scheduled quarterly cash interest payments in respect of the principal amount of each of the City Notes in accordance with the terms and conditions thereof (as currently written) in an amount not exceeding 5.58% per annum and (B) such other payments as are from time to time permitted pursuant to the terms of the Debenture Documents; provided that upon the delivery of a Notice of Default by the Trustee to each of the Cities, no amounts which would otherwise be permitted to be paid by the Corporation to, and accepted by, any of the Cities pursuant to this Section 2(ii) shall be paid by the Corporation to or accepted by any of the Cities.

3. Payments Held In Trust. Should any payment be received by any of the Cities upon or with respect to any of the City Notes prior to the payment in full of the Debentures (other than a payment expressly permitted pursuant to Section 2), then the applicable City shall forthwith deliver the same to the Trustee in the form received (except for endorsement or assignment by such City where reasonably required by the Trustee) and until so delivered the same shall be held in trust by such City as the property of the Trustee, for and on behalf of Debentureholders. Each of the Cities agrees that in the event that all or any part of any payment made on account of the Debentures is recovered from the Trustee or Debentureholders pursuant to any Insolvency Proceeding as a preference, fraudulent transfer or similar payment under any Insolvency Law, any payment or distribution received by any of the Cities from the Corporation on any of the City Notes (other than a payment expressly permitted pursuant to Section 2 within the one year period prior to any Insolvency Proceeding) shall be deemed to have been received by such City in trust for the Trustee, for and on behalf of Debentureholders and shall promptly be paid over to the Trustee for application to the Debentures until the Debentures are paid in full. The Corporation agrees to make all payments (or, as applicable, shall refrain from making payments) to the Trustee and Debentureholders and each of the Cities in compliance with this Agreement.

4. Payment of Debentures. Nothing herein contained shall prevent, limit or restrict the Trustee or Debentureholders in any manner from exercising all or any of its or their rights and remedies otherwise permitted by applicable law or under the terms of the Debenture Documents. For the purposes of this Agreement, the Debentures shall be deemed not to be paid in full until the Trustee or Debentureholders have received cash in an aggregate amount equal to

- 4 -

the amount owing under the Debentures at that time or other provision satisfactory to the Trustee or Debentureholders for payment of the Debentures in full has been made.

5. Postponement and Subordination.

(i) **Postponement and Subordination.** The City Notes Debt is hereby and shall hereafter be postponed and subordinated, on the terms set forth herein, to the prior payment in full of, and shall rank junior and subordinate in all respects to, the Debentures.

(ii) **Insolvency Proceedings.** The parties hereto agree that if an Insolvency Proceeding is commenced by a Person other than any of the Cities or the Corporation, each of the Cities shall be entitled to participate in such Insolvency Proceeding and to vote its City Notes Debt and otherwise exercise its rights as a creditor during such Insolvency Proceeding; provided that (A) none of the Cities shall be entitled to apply to the court for relief from the stay provisions of such Insolvency Proceeding, (B) nothing in this Section 5(ii) shall entitle any of the Cities to, and each of the Cities agrees not to, initiate an Insolvency Proceeding, and (iii) none of the Cities shall vote its City Notes Debt in favour of a plan or other proposal under an Insolvency Proceeding that would defeat (x) the priority of the Debentures provided for hereunder or (y) the rights of the Trustee and Debentureholders under this Agreement.

(iii) Each of the Cities agrees that all dividends, distributions or other sums which may be or become payable in respect of the City Notes Debt pursuant to any Insolvency Proceeding shall be subject to Section 3.

6. No Challenge, Discharge, Release.

(i) **No Challenge.** None of the Cities will, in any manner, contest or bring into question the validity, priority, perfection or enforceability of the Debenture Documents or the rights of the Trustee or Debentureholders thereunder or hereunder, and each of the Cities agrees that the postponement of the City Notes Debt pursuant to the terms hereof shall not be affected by the invalidity, unenforceability or imperfection of any Debenture Document or any security contemplated thereby.

(ii) **Further Assurances.** Each of the Cities agrees to execute and deliver, upon request by the Trustee, such further instruments and agreements as may be reasonably required by the Trustee to confirm and give effect to the provisions of this Agreement.

7. Insolvency Proceedings. In the event of any Insolvency Proceeding, the Trustee and Debentureholders shall be entitled to receive and retain any payment, distribution or security proceeds upon or with respect to the Debentures prior to and in preference to any such payment, distribution or security or proceeds to any of the Cities upon or with respect to the City Notes Debt, and, in order to implement the foregoing, each City hereby agrees to account to the Trustee, for and on behalf of Debentureholders in respect of all sums received on account of the City Notes Debt imposed with a trust pursuant to Section 3 hereof.

8. Continuing Agreement. This Agreement shall constitute a continuing agreement and shall continue until the Debentures have been paid in full.

- 5 -

9. **Dealings with Corporation.** At any time, and from time to time, the Trustee and Debentureholders may deal with the Corporation in any manner which it or they see fit in accordance with the terms of the Debenture Documents and applicable law. Neither the Trustee nor Debentureholders shall have any liability of any nature or kind (in contract, tort or otherwise) to any of the Cities should any such dealings (including those described below), knowingly or unknowingly, constitute or result in a breach under any of the City Notes.
10. **Amendments to City Notes.** Neither the Corporation nor any of the Cities may amend, modify or otherwise vary the terms and conditions of any of the City Notes unless such amendment, modification or variation is not material.
11. **Amendments to Senior Debt.** The Corporation and the Trustee and Debentureholders may amend, modify or otherwise vary the terms and conditions of the Debenture Documents and enter into new Debenture Documents. The Cities hereby consent to any such amendment, modification or variation to the Debenture Documents and any new Debenture Document.
12. **Sharing of Information.** The Corporation agrees that the Trustee and Debentureholders and any of the Cities may share between themselves any information regarding the financial position, property and/or operations of the Corporation and that any such sharing of information shall not breach any express or implied duty of confidentiality to which any party hereto might otherwise be subject.
13. **No Waivers.** No waiver shall be deemed to be made by any party hereto of any of the rights of such party hereunder unless the same shall be in writing and signed by such party and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such party except as expressly set forth therein.
14. **Successors and Assigns.** This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns and shall enure to the benefit of each of the Cities, the Corporation and the Trustee, in its capacity as trustee for an on behalf of the Debentureholders, and their respective successors and permitted assigns; provided that none of the Cities may assign or transfer, in whole or in part, its rights under the City Notes or granted in its favour or its rights in respect of the City Notes Debt owing to it unless the assignee or transferee contemporaneously therewith becomes bound by this Agreement in its place and stead, and the Trustee shall not resign as trustee under the Trust Indenture or assign its obligations as trustee thereunder unless the new trustee or assignee or transferee contemporaneously therewith becomes bound by this Agreement, in its capacity as trustee for and on behalf of Debentureholders, in its place and stead.
15. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, including the federal laws of Canada applicable therein, but excluding choice of law rules.
16. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or

- 6 -

other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

17. Communication. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer of the addressee or sent by facsimile, in each case, to the applicable address set forth on the signature page of this Agreement or to such other address as a party hereto may from time to time designate to the other parties in such manner. Any communication so personally delivered shall be deemed to have been validly and effectively given on the date of such delivery. Communications so sent by facsimile shall be deemed to have been validly and effectively given on the business day next following the day on which it is sent.

18. Corporation Bound. By executing this Agreement, the Corporation acknowledges the existence of this Agreement and agrees to be bound by its terms; provided, however, that nothing in this Agreement shall confer or be deemed to confer any right, benefit or advantage on the Corporation.

19. Several Obligations. The parties hereto agree that the rights and obligations of each of the Cities under this Agreement are several and not joint and several.

20. Counterparts. This Agreement may be executed in any number of counterparts, and in original, facsimile or electronic "PDF" format, each of which when executed and delivered, (including personal delivery or delivery by facsimile or in electronic "PDF" format) shall be deemed to be an original, but all of which, when taken together, constitute one and the same instrument.

21. Amendments. This Agreement may not be amended except pursuant to an agreement in writing entered into by the Corporation, the Trustee and each of the Cities; provided, however, that no consent of the Corporation shall be necessary to any amendment of the terms hereof unless the obligations of the Corporation are adversely affected thereby; provided that the Corporation shall not be bound by any amendment to which it is not a party.

[Signatures to follow on next page]

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

The Corporation of the City of Barrie

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE CITY OF
BARRIE**

By: _____

Name:

Title:

By: _____

Name:

Title:

The Corporation of the City of Vaughan

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE CITY OF
VAUGHAN**

By: _____

Name:

Title:

By: _____


Name:


Title:

The Corporation of the Town of Markham

Address: 101 Town Centre Blvd.
Markham, Ontario L3R 9W3
Attention: Joel Lustig, Treasurer
Facsimile: 905-479-7769

**THE CORPORATION OF THE TOWN OF
MARKHAM**

By: 
Name: Frank Scarpitti
Title: Mayor

By: 
Name: Kimberley Kitteringham
Title: Clerk



PowerStream Inc.

Address:
161 Cityview Boulevard
Vaughan, Ontario
L4H 0A9

Attention: John Glicksman
Facsimile: (905) 532-4505

POWERSTREAM INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Computershare Trust Company of Canada

Address:
100 University Avenue
9th Floor
Toronto, Ontario
M5J 2Y1

Attention: Manager Corporate Trust

Facsimile: 416-981-9777

**COMPUTERSHARE TRUST COMPANY
OF CANADA**

By: _____
Name:
Title:

By: _____
Name:
Title:

TOR LAW 79362293

POSTPONEMENT AGREEMENT

THIS POSTPONEMENT AGREEMENT is entered into as of _____, 2012 among The Corporation of the City of Barrie ("**Barrie**"), The Corporation of the Town of Markham ("**Markham**") and the Corporation of the City of Vaughan ("**Vaughan**" and together with Barrie and Markham, the "**Cities**" and individually, a "**City**"), PowerStream Inc. (the "**Corporation**") and Computershare Trust Company of Canada, as trustee for and on behalf of the Debentureholders (as defined herein) pursuant to the Indenture (as defined herein) (the "**Trustee**").

WHEREAS:

A. Pursuant to a trust indenture dated as of _____, 2012 between the Corporation and the Trustee (as amended, restated or supplemented from time to time, the "**Indenture**"), the Corporation may create and issue an unlimited principal amount of senior unsecured debentures of the Corporation in one or more series under indentures supplemental to the Indenture (each, a "**Supplemental Indenture**", and together with the Indenture and the Debentures (as defined herein), the "**Debenture Documents**");

B. The Corporation is now indebted to Barrie pursuant to an amended and restated promissory note in the principal amount of \$20,000,000 dated December 31, 2008 issued by the Corporation in favour of Barrie (the "**Barrie Note**");

C. The Corporation is now indebted to Markham pursuant to an amended and restated promissory note in the principal amount of \$67,866,202 dated June 1, 2004 issued by the Corporation in favour of Markham (the "**Markham Note**");

D. The Corporation is now indebted to Vaughan pursuant to an amended and restated promissory note in the principal amount of \$78,236,285 dated June 1, 2004 issued by the Corporation in favour of Vaughan (the "**Vaughan Note**", and together with the Barrie Note and the Markham Note, the "**City Notes**");

E. The foregoing recitals are made as representations and statements of fact by the Cities and the Corporation and not by the Trustee;

F. The parties hereto wish to enter into this Agreement so as to set out the priorities between the Debentures and the present and future indebtedness, obligations and liabilities of the Corporation to each of the Cities arising under or in connection with the City Notes, whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise (collectively, the "**City Notes Debt**");

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby irrevocably acknowledged by each party hereto, the parties agree as follows:

1. **Defined Terms.** In this agreement, in addition to the defined terms set forth above, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"Debentures" means the senior unsecured debentures of the Corporation issued pursuant to the Indenture and any Supplemental Indenture, and includes all present and future indebtedness, obligations and liabilities of any nature or kind of the Corporation arising under or in connection with the Debenture Documents (whether on account of principal, interest, premium, fees, expenses, damage claims or otherwise);

"Debentureholder" means, at a particular time, a Person entered into a register of the Trustee as a holder of one or more Debentures outstanding at such time;

"Debt" means, collectively, the City Notes Debt and the Debentures;

"Default" means any default by the Corporation under any Debenture Document;

"Documents" means the Debenture Documents and each of the City Notes and **"Document"** means any one of the Documents;

"Insolvency Law" means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and any similar Canadian or provincial corporation statutes, including without limitation, corporate statutory provisions dealing with arrangements, assignment and preference statutes and fraudulent conveyance legislation, each as now and hereafter in effect, including any successor legislation to such legislation and statutes, and any other applicable insolvency, preference or other similar laws of any jurisdiction;

"Insolvency Proceeding" means (a) any voluntary or involuntary case or proceeding under any Insolvency Law with respect to the Corporation; (b) any other voluntary or involuntary insolvency, compromise, arrangement, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to the Corporation or with respect to a material portion of its assets or its creditors and others; (c) any liquidation, dissolution, reorganization, compromise, arrangement or winding-up of the Corporation whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Corporation; or (e) the appointment of a trustee, receiver, receiver-manager, interim receiver, monitor, liquidator, custodian, sequestrator, conservator or any similar official for the Corporation or for or in respect of a substantial part of the property or assets of the Corporation;

"Notice of Default" means a written notice delivered by the Trustee to each City of a Default; and

"Person" includes any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership (whether general or limited), governmental authority or other legal entity.

2. Restriction on City Notes Payments.

(i) No Subordinated Debt Principal Payments. Unless previously consented to in writing by the Trustee and as otherwise permitted in this Section 2, no payments (whether on account of principal, interest, premium, indemnification, fees, expenses or otherwise) in respect of any of the City Notes may directly or indirectly be paid by the Corporation to any of the Cities or received and retained by any of the Cities in cash or other property or by set-off or any other manner prior to the payment in full of all Debentures.

(ii) Permitted Subordinated Debt Interest Payments. The Corporation may pay to each of the Cities, and each of the Cities may receive and retain (A) regularly scheduled quarterly cash interest payments in respect of the principal amount of each of the City Notes in accordance with the terms and conditions thereof (as currently written) in an amount not exceeding 5.58% per annum and (B) such other payments as are from time to time permitted pursuant to the terms of the Debenture Documents; provided that upon the delivery of a Notice of Default by the Trustee to each of the Cities, no amounts which would otherwise be permitted to be paid by the Corporation to, and accepted by, any of the Cities pursuant to this Section 2(ii) shall be paid by the Corporation to or accepted by any of the Cities.

3. Payments Held In Trust. Should any payment be received by any of the Cities upon or with respect to any of the City Notes prior to the payment in full of the Debentures (other than a payment expressly permitted pursuant to Section 2), then the applicable City shall forthwith deliver the same to the Trustee in the form received (except for endorsement or assignment by such City where reasonably required by the Trustee) and until so delivered the same shall be held in trust by such City as the property of the Trustee, for and on behalf of Debentureholders. Each of the Cities agrees that in the event that all or any part of any payment made on account of the Debentures is recovered from the Trustee or Debentureholders pursuant to any Insolvency Proceeding as a preference, fraudulent transfer or similar payment under any Insolvency Law, any payment or distribution received by any of the Cities from the Corporation on any of the City Notes (other than a payment expressly permitted pursuant to Section 2 within the one year period prior to any Insolvency Proceeding) shall be deemed to have been received by such City in trust for the Trustee, for and on behalf of Debentureholders and shall promptly be paid over to the Trustee for application to the Debentures until the Debentures are paid in full. The Corporation agrees to make all payments (or, as applicable, shall refrain from making payments) to the Trustee and Debentureholders and each of the Cities in compliance with this Agreement.

4. Payment of Debentures. Nothing herein contained shall prevent, limit or restrict the Trustee or Debentureholders in any manner from exercising all or any of its or their rights and remedies otherwise permitted by applicable law or under the terms of the Debenture Documents. For the purposes of this Agreement, the Debentures shall be deemed not to be paid in full until the Trustee or Debentureholders have received cash in an aggregate amount equal to

the amount owing under the Debentures at that time or other provision satisfactory to the Trustee or Debentureholders for payment of the Debentures in full has been made.

5. Postponement and Subordination.

(i) Postponement and Subordination. The City Notes Debt is hereby and shall hereafter be postponed and subordinated, on the terms set forth herein, to the prior payment in full of, and shall rank junior and subordinate in all respects to, the Debentures.

(ii) Insolvency Proceedings. The parties hereto agree that if an Insolvency Proceeding is commenced by a Person other than any of the Cities or the Corporation, each of the Cities shall be entitled to participate in such Insolvency Proceeding and to vote its City Notes Debt and otherwise exercise its rights as a creditor during such Insolvency Proceeding; provided that (A) none of the Cities shall be entitled to apply to the court for relief from the stay provisions of such Insolvency Proceeding, (B) nothing in this Section 5(ii) shall entitle any of the Cities to, and each of the Cities agrees not to, initiate an Insolvency Proceeding, and (iii) none of the Cities shall vote its City Notes Debt in favour of a plan or other proposal under an Insolvency Proceeding that would defeat (x) the priority of the Debentures provided for hereunder or (y) the rights of the Trustee and Debentureholders under this Agreement.

(iii) Each of the Cities agrees that all dividends, distributions or other sums which may be or become payable in respect of the City Notes Debt pursuant to any Insolvency Proceeding shall be subject to Section 3.

6. No Challenge, Discharge, Release.

(i) **No Challenge.** None of the Cities will, in any manner, contest or bring into question the validity, priority, perfection or enforceability of the Debenture Documents or the rights of the Trustee or Debentureholders thereunder or hereunder, and each of the Cities agrees that the postponement of the City Notes Debt pursuant to the terms hereof shall not be affected by the invalidity, unenforceability or imperfection of any Debenture Document or any security contemplated thereby.

(ii) **Further Assurances.** Each of the Cities agrees to execute and deliver, upon request by the Trustee, such further instruments and agreements as may be reasonably required by the Trustee to confirm and give effect to the provisions of this Agreement.

7. Insolvency Proceedings. In the event of any Insolvency Proceeding, the Trustee and Debentureholders shall be entitled to receive and retain any payment, distribution or security proceeds upon or with respect to the Debentures prior to and in preference to any such payment, distribution or security or proceeds to any of the Cities upon or with respect to the City Notes Debt, and, in order to implement the foregoing, each City hereby agrees to account to the Trustee, for and on behalf of Debentureholders in respect of all sums received on account of the City Notes Debt imposed with a trust pursuant to Section 3 hereof.

8. Continuing Agreement. This Agreement shall constitute a continuing agreement and shall continue until the Debentures have been paid in full.

9. **Dealings with Corporation.** At any time, and from time to time, the Trustee and Debentureholders may deal with the Corporation in any manner which it or they see fit in accordance with the terms of the Debenture Documents and applicable law. Neither the Trustee nor Debentureholders shall have any liability of any nature or kind (in contract, tort or otherwise) to any of the Cities should any such dealings (including those described below), knowingly or unknowingly, constitute or result in a breach under any of the City Notes.

10. **Amendments to City Notes.** Neither the Corporation nor any of the Cities may amend, modify or otherwise vary the terms and conditions of any of the City Notes unless such amendment, modification or variation is not material.

11. **Amendments to Senior Debt.** The Corporation and the Trustee and Debentureholders may amend, modify or otherwise vary the terms and conditions of the Debenture Documents and enter into new Debenture Documents. The Cities hereby consent to any such amendment, modification or variation to the Debenture Documents and any new Debenture Document.

12. **Sharing of Information.** The Corporation agrees that the Trustee and Debentureholders and any of the Cities may share between themselves any information regarding the financial position, property and/or operations of the Corporation and that any such sharing of information shall not breach any express or implied duty of confidentiality to which any party hereto might otherwise be subject.

13. **No Waivers.** No waiver shall be deemed to be made by any party hereto of any of the rights of such party hereunder unless the same shall be in writing and signed by such party and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such party except as expressly set forth therein.

14. **Successors and Assigns.** This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns and shall enure to the benefit of each of the Cities, the Corporation and the Trustee, in its capacity as trustee for an on behalf of the Debentureholders, and their respective successors and permitted assigns; provided that none of the Cities may assign or transfer, in whole or in part, its rights under the City Notes or granted in its favour or its rights in respect of the City Notes Debt owing to it unless the assignee or transferee contemporaneously therewith becomes bound by this Agreement in its place and stead, and the Trustee shall not resign as trustee under the Trust Indenture or assign its obligations as trustee thereunder unless the new trustee or assignee or transferee contemporaneously therewith becomes bound by this Agreement, in its capacity as trustee for and on behalf of Debentureholders, in its place and stead.

15. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, including the federal laws of Canada applicable therein, but excluding choice of law rules.

16. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or

- 6 -

other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

17. Communication. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer of the addressee or sent by facsimile, in each case, to the applicable address set forth on the signature page of this Agreement or to such other address as a party hereto may from time to time designate to the other parties in such manner. Any communication so personally delivered shall be deemed to have been validly and effectively given on the date of such delivery. Communications so sent by facsimile shall be deemed to have been validly and effectively given on the business day next following the day on which it is sent.

18. Corporation Bound. By executing this Agreement, the Corporation acknowledges the existence of this Agreement and agrees to be bound by its terms; provided, however, that nothing in this Agreement shall confer or be deemed to confer any right, benefit or advantage on the Corporation.

19. Several Obligations. The parties hereto agree that the rights and obligations of each of the Cities under this Agreement are several and not joint and several.

20. Counterparts. This Agreement may be executed in any number of counterparts, and in original, facsimile or electronic "PDF" format, each of which when executed and delivered, (including personal delivery or delivery by facsimile or in electronic "PDF" format) shall be deemed to be an original, but all of which, when taken together, constitute one and the same instrument.

21. Amendments. This Agreement may not be amended except pursuant to an agreement in writing entered into by the Corporation, the Trustee and each of the Cities; provided, however, that no consent of the Corporation shall be necessary to any amendment of the terms hereof unless the obligations of the Corporation are adversely affected thereby; provided that the Corporation shall not be bound by any amendment to which it is not a party.

[Signatures to follow on next page]

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

The Corporation of the City of Barrie

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE CITY OF
BARRIE**

By: _____

Name:

Title:

By: _____

Name:

Title:


The Corporation of the City of Vaughan

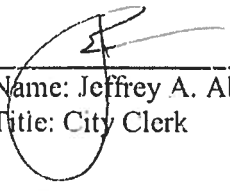
Address: _____

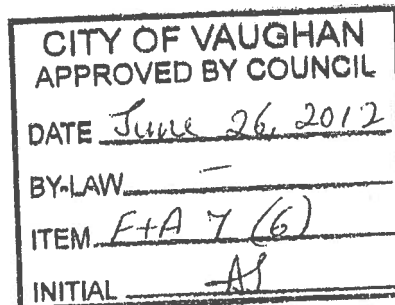
Attention: _____

Facsimile: _____

**THE CORPORATION OF THE CITY OF
VAUGHAN**

By: 
Name: Maurizio Bevilacqua
Title: Mayor

By: 
Name: Jeffrey A. Abrams
Title: City Clerk



The Corporation of the Town of Markham

Address: _____

Attention: _____

Facsimile: _____

**THE CORPORATION OF THE TOWN OF
MARKHAM**

By: _____

Name:

Title:

By: _____

Name:

Title:

PowerStream Inc.

Address:
161 Cityview Boulevard
Vaughan, Ontario
L4H 0A9

Attention: John Glicksman
Facsimile: (905) 532-4505

POWERSTREAM INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**CERTIFIED COPY OF
RESOLUTIONS OF THE BOARD OF DIRECTORS
OF POWERSTREAM INC.**

WHEREAS BANK OF MONTREAL (the “**Lender**”) has agreed to make a certain credit facility available to **POWERSTREAM INC.** (the “**Corporation**”) upon the terms and subject to the conditions set forth in a credit agreement dated as of June 27, 2012 between the Corporation and the Lender (the “**Credit Agreement**”);

AND WHEREAS in accordance with the by-laws of the Corporation, the Corporation is authorized to borrow money upon the credit of the Corporation;


NOW THEREFORE BE IT RESOLVED THAT:

1. The execution, delivery and performance of the obligations of the Corporation under the Credit Agreement by the Corporation to the Lender is hereby authorized and approved.
2. The Corporation borrow from the Lender on the terms and conditions set out in the Credit Agreement.
3. The Corporation enter into, execute and deliver and perform each of its obligations under such other documents as the Lender may require from time to time in accordance with the terms and conditions of the Credit Agreement (collectively, the “**Credit Documents**”).
4. Any two directors or officers of the Corporation, acting together, are authorized for and on behalf of the Corporation to execute and deliver, under its corporate seal or otherwise, the Credit Agreement and the Credit Documents to the Lender, with such alterations, additions, amendments and deletions as may be approved by such persons executing the same, whose signatures shall be conclusive evidence of such authorization.
5. Any two directors or officers of the Corporation, acting together, are hereby authorized and directed to take all such actions and to execute all such documents, instruments and agreements, whether under the corporate seal of the Corporation or otherwise, as they may in their absolute discretion determine to be necessary or desirable to carry out the foregoing provisions of this resolution, the completion of all such acts and things and the execution of all such documents, instruments and agreements in accordance with this paragraph being conclusive evidence of such determination.
6. These Resolutions may be executed in counterparts and shall be effective whether executed in original ink, by facsimile or in electronic PDF format.

CERTIFICATE

The foregoing is certified to be a true copy of resolutions of all of the directors of the Corporation, passed on May 15, 2012, which resolutions remain in full force and effect, unamended, as of the date of this Certificate.

DATED the 27th day of June, 2012.



Dennis Nolan
EVP and Secretary

TO: Director of Legal Services
City Clerk
Director of Finance
General Manager of Corporate Services, CEO of Barrie Hydro Holdings Inc.
Treasurer, Barrie Hydro Holdings Inc.

FROM: Dawn McAlpine, City Clerk

DATE APPROVED

BY COUNCIL: June 25, 2012, 2011

12-G-177 BARRIE HYDRO HOLDINGS INC. ANNUAL GENERAL MEETING MATTERS AND EXECUTION OF POSTPONEMENT/ SUBORDINATION AGREEMENTS

1. That, acting as sole shareholder in Barrie Hydro Holdings Inc. (BHHI), the following actions be authorized:
 - a) The minutes of the BHHI Shareholder's Meeting held on December 5, 2011 be approved;
 - b) The non-consolidated financial statements of BHHI attached as Appendix "A" to Staff Report CLK006-12 for the financial year ended December 31, 2011, as approved by their Board of Directors, be accepted; and
 - c) The City of Barrie's auditor be appointed as Accountants for BHHI and its subsidiary Barrie Hydro Energy Services Inc., until a successor is appointed, at a remuneration to be fixed by the Directors and the Directors be authorized to fix such remuneration.
2. That, acting as sole shareholder in Barrie Hydro Holdings Inc. (BHHI), the Mayor and City Clerk be authorized to execute any postponement and/or subordination agreements that may be requested of the shareholder related to the promissory note, upon the recommendation of the BHHI Chief Executive Officer, BHHI Treasurer, City Treasurer and Legal Counsel on behalf of BHHI. (CLK006-12) (File: E00)



RESOLUTION OF COUNCIL MEETING NO. 12 DATED JUNE 12, 2012

REPORT NO. 36 – GENERAL COMMITTEE

**(4) POSTPONEMENT OF MARKHAM'S DEBT
FROM POWERSTREAM AND MARKHAM
DISTRICT ENERGY INC. – DELEGATED AUTHORITY (8.0)**

- 1) That the report entitled "Postponement of Markham's Debt from PowerStream and Markham District Energy Inc. – Delegated Authority" dated June 6, 2012 be received; and,
- 2) That the Mayor and Clerk be authorized and directed to execute postponements of Markham's Promissory Note or other debt from PowerStream, and any other documents required, to facilitate PowerStream refinancing initiatives from time to time, subject to approval of the Chief Administrative Officer; and,
- 3) That the Mayor and Clerk be authorized and directed to execute postponements of Markham District Energy debt to Markham, and any other documents required, to facilitate Markham District Energy Inc. financing or re-financing initiatives from time to time; and,
- 4) That a brief presentation be provided at the June 25, 2012 Markham Enterprises Corporation regarding this proposal; and,
- 5) That PowerStream and Markham District Energy Inc. update Markham Enterprises Corporation's Board of Directors, as required, on their debt and any upcoming financing initiatives requiring action or approval by the Town of Markham or Markham Enterprises Corporation; and further,
- 6) That staff be directed to do all things necessary to give effect to the recommendations of this report.

A handwritten signature in black ink, appearing to read 'Kimberley Kitteringham', with a stylized flourish at the end.

Kimberley Kitteringham
Town Clerk

Copy to: Andy Taylor, CAO
Catherine Conrad, Town Solicitor
Don Taylor

Vaughan
Council Res
Re financing.

Laura Venafro

From: Cribbett, Barbara [Barbara.Cribbett@vaughan.ca]
Sent: Wednesday, June 27, 2012 9:21 AM
To: Laura Venafro
Subject: Emailing: 07Finance0618m-12%20short%20report.pdf
Attachments: 07Finance0618m-12%20short%20report.pdf

Laura

We are getting the executed copies ready and will get the scanned versions to you this morning.

I attached the Finance Committee recommendations that went to Council last night. Item #9 deals with the postponements. I don't have the official extracts yet.

Barb

This e-mail, including any attachment(s), may be confidential and is intended solely for the attention and information of the named addressee(s). If you are not the intended recipient or have received this message in error, please notify me immediately by return e-mail and permanently delete the original transmission from your computer, including any attachment(s). Any unauthorized distribution, disclosure or copying of this message and attachment(s) by anyone other than the recipient is strictly prohibited.

CITY OF VAUGHAN
REPORT NO. 7 OF THE
FINANCE AND ADMINISTRATION COMMITTEE

*For consideration by the Council
of the City of Vaughan
on June 26, 2012*

The Finance and Administration Committee met at 9:38 a.m., on June 18, 2012.

Present: Councillor Marilyn Iafrate, Chair
Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati (9:52 a.m.)
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Sandra Yeung Racco
Councillor Alan Shefman

The following items were dealt with:

1 DEVELOPMENT CHARGES – SEMI-ANNUAL ADJUSTMENT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

- 1) That in accordance with the appropriate semi-annual adjustments sections of each respective development charge by-law, the City Wide Development Charge rates and Special Service Area Development Charge rates be increased by 1.1% effective July 1, 2012; and
- 2) That the following revised Development Charge Rates (Attachment 1 & 2) be approved.

**2 CAPITAL PROJECT CO-0054-09 UPDATE
VAUGHAN HOSPITAL LAND ACQUISITION AND DEVELOPMENT LEVY**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated June 18, 2012:

**REPORT NO. 7 OF THE FINANCE AND ADMINISTRATION COMMITTEE
FOR CONSIDERATION BY COUNCIL, JUNE 26, 2012**

That the recommendation and staffing outlined in the report be approved:

- a. The Parks Development Department remain within the Community Services Commission with the dotted line relationship with the Commissioner of Planning,
- b. That the recommended Landscape Architect position (contract) that will increase the Department's ability to provide input and support on a timely basis to Development Planning, be referred to the 2013 budget deliberations,
- c. That the position role and responsibilities of an existing Construction Coordinator be expanded to help manage the unit on a day-to-day basis.

6

**CASH-IN-LIEU OF PARKLAND DEDICATION
HIGH DENSITY RESIDENTIAL DEVELOPMENT**

The Finance and Administration Committee recommends:

- 1) That consideration of this matter be deferred to allow for proper industry consultation and that it be brought back in September 2012 with identified rates and appropriate phasing options, including looking at a retroactive formula to recover any loss;
- 2) That the presentation of the Director of Legal Services and the Senior Manager of Real Estate, and Communication C8, presentation material, be received;
- 3) That the report of the Commissioners of Legal and Administrative Services, Community Services, Finance, and Planning, dated June 18, 2012, be received;
- 4) That the following deputations and Communication be received:
 1. Ms. Paula Tenuta, Building Industry and Land Development Association, 20 Upjohn Road, Suite 100, North York, M2B 2V9, and Communication C1, dated June 14, 2012;
 2. Mr. Marco Filice, Liberty Developments, 1 Steelcase Road, Unit 8, Markham, L3R 0T3; and
 3. Mr. John Taglieri, Lormel Homes, 331 Cityview Boulevard., Suite 300, Vaughan, L4H 3M3; and
- 5) That the following Communications be received:
 - C2. Mr. Scott Zavaros, The Metrontario Group, One Yorkdale Road, Suite 601, Toronto, M6A 3A1, dated June 15, 2012;
 - C3. Mr. Luch Ognibene, The Remington Group, 7501 Keele Street, Suite 100, Vaughan, L4K 1Y2, dated June 14, 2012;
 - C4. Mr. Aaron Hershoff, TACC Developments, 600 Applewood Crescent, Vaughan, L4K 4B4, dated June 14, 2012;
 - C5. Mr. Paulo Stellato, Cityzen Urban Lifestyle, 56 The Esplanade, Suite 308, Toronto, M5E 1A7, dated June 15, 2012;
 - C6. Mr. Nick Pileggi, Malone Given Parsons Ltd., 140 Renfrew Drive, Suite 201, Markham, L3R 6B3, dated June 15, 2012; and
 - C7. Mr. Maurizio Rogato, Solmar Development Corp., 122 Romina Drive, Concord, L4K 4Z7, dated June 15, 2012.

**REPORT NO. 7 OF THE FINANCE AND ADMINISTRATION COMMITTEE
FOR CONSIDERATION BY COUNCIL, JUNE 26, 2012**

Recommendation

The Commissioners of Legal and Administrative Services, Community Services, Finance, and Planning, recommend:

1. That a by-law be enacted to provide that the current formula of 1hectare/300 units for the determination of cash-in-lieu of parkland dedication continue to be used, and that on an average of medium density values, the unit rate for high density residential development shall be \$8,500.00 per unit.
2. That Council provide direction regarding the preferred implementation option.
3. That the current formula for estimating parkland credits, being "area of parkland dedicated x 300 u/ha equals the number of units to be deducted from total units on which cash-in-lieu is payable" continue to be used.
4. AND That staff be directed to complete a review of appropriate parkland credits within the intensification areas being the Vaughan Metropolitan Centre and the Yonge/Steeles Secondary Plan area and report to a future Committee.

7 ENDING DECEMBER 31, 2011 – CONSOLIDATED QUARTERLY REPORT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services recommend:

That the 2011 Consolidated Fourth Quarter Variance Report be received.

8 ENDING MARCH 31, 2012 – CONSOLIDATED QUARTERLY REPORT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services recommend:

That the 2012 Consolidated First Quarter Variance Report be received.

9 POWERSTREAM REQUEST TO POSTPONE SHAREHOLDER DEBT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Commissioner of Legal and Administrative Services & City Solicitor, dated June 18, 2012:

Recommendation

**REPORT NO. 7 OF THE FINANCE AND ADMINISTRATION COMMITTEE
FOR CONSIDERATION BY COUNCIL, JUNE 26, 2012**

The Commissioner of Finance & City Treasurer and the Commissioner of Legal and Administrative Services & City Solicitor recommends:

1. That the Mayor and Clerk be authorized to execute the Postponement Agreement with the Bank of Montreal for backstop financing; and
2. That the Mayor and Clerk be authorized to execute a similar Postponement Agreement in relation to the new debenture issue.

**10 NEW BUSINESS – REVIEW OF POLICIES REGARDING THE
UTILIZATION OF CASH-IN-LIEU FUNDS**

The Finance and Administration Committee recommends that staff review City policies regarding the utilization of cash-in-lieu funds and develop a program that would consider that an appropriate percentage of the funds collected be used to retrofit parkland in the vicinity of the residential development providing the funds.

The foregoing was brought to the attention of the Committee by Councillor Shefman

11 OTHER MATTERS CONSIDERED BY THE COMMITTEE

11.1 RECESS AND RECONVENE

The Finance and Administration Committee recessed at 9:59 a.m. and reconvened at 10:41 a.m. with the following members present:

Councillor Marilyn Iafrate, Chair
Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Sandra Yeung Racco
Councillor Alan Shefman

11.2 RECESS AND RECONVENE

The Finance and Administration Committee recessed at 12:30 p.m. and reconvened at 12:50 p.m. with the following members present:

Councillor Marilyn Iafrate, Chair
Hon. Maurizio Bevilacqua, Mayor (1:04 p.m.)
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase (1:03 p.m.)
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Sandra Yeung Racco
Councillor Alan Shefman

**REPORT NO. 7 OF THE FINANCE AND ADMINISTRATION COMMITTEE
FOR CONSIDERATION BY COUNCIL, JUNE 26, 2012**

The meeting adjourned at 1:29 p.m.

Respectfully submitted,

Councillor Marilyn lafrate, Chair

Undertaking JT1.4: Further Clarification re PowerStream's calculation of Account 1575 IFRS Transitional PP&E Amount (Issue 8.2)

Preamble:

The Board has clearly stated, and PowerStream shares the view, that the change in accounting standards from CGAAP to IFRS should not cause utilities to experience material out of period costs (or over-recovery).

Background:

PowerStream has based the calculation of the account 1575 IFRS-CGAAP Transitional PP&E Amounts ("PP&E Amount") on PP&E balances including construction work-in-progress (CWIP).

The difference between the lower overhead capitalized to PP&E under IFRS and the higher overhead capitalized under CGAAP becomes an OM&A cost under IFRS. Current rates are based on the full amount of these costs being capitalized under CGAAP and not going to OM&A. Under CGAAP these costs are capitalized and recovered in rates through depreciation.

The amount not capitalized under MIFRS becomes a "material out of period cost" with respect to current rates **unless** it is captured in account 1575. To include only the portion of the amount pertaining to PP&E additions that become in-service results in the portion pertaining to CWIP becoming a "material out of period cost".

PowerStream notes that it is only the difference in overhead capitalized on CWIP at December 31, 2012 that becomes an issue. CWIP at December 31, 2011 is added to rate base additions in 2012 and CWIP at December 31, 2012 deducted, under both CGAAP and MIFRS. If PowerStream was continuing on CGAAP the amount of CWIP at December 31, 2012 with the higher overhead capitalized would be added to rate base in 2013. Clearly CWIP is part of PP&E and its addition to rate base is simply an issue of timing.

PowerStream is confident its calculation of the PP&E, including the overhead that would have been capitalized on CWIP, is in compliance with the Board guidance (see below). PowerStream has summarized below how the PP&E Amount was determined.

Discussion of Board Guidance:

PowerStream notes that the recently released OEB Appendix 2-EA, "IFRS-CGAAP Transitional PP&E Amounts", detailing the calculation of the amount in account 1575, refers to PP&E values without reference to rate base or CWIP. PowerStream has based its calculation of the PP&E Amount including CWIP in accordance with the following statements by the Board in the Addendum to the Report of the Board (June 13, 2011, EB-2008-0408):

The Board will approve the proposed PP&E deferral account. The account addresses the unique circumstance of a change in accounting standards and provides for the

continuity of rate base. The account allows utilities to avoid the potential for material out of period costs (or over-recovery) that might not be eligible for inclusion in the current period determination of rates. The deferral account also facilitates monitoring of the extent of potential impact during the IRM period, and provides the opportunity to identify any unusual circumstances requiring attention before completion of the IRM period.

The Board therefore authorizes a generic deferral account to capture PP&E differences arising only as a result of the accounting policy changes caused by the transition from CGAAP to MIFRS. It is for use by utilities to record PP&E differences arising during the period since their last rebasing under CGAAP up to their first rebasing under MIFRS, including utilities using IRM rate-setting methodology.

The first paragraph clearly states that the intention is to prevent any material out of period costs or over recoveries that would not be included in the current determination of rates. The additional amount of overhead under MIFRS that is expensed rather than capitalized creates OM&A costs resulting solely from the change in accounting. These costs are not factored in 2011 and 2012 rates. Under MIFRS these costs are not capitalized so these costs will not be recovered in future rates based on the MIFRS rate base unless included in the account 1575 PP&E account. It is the entire amount affecting PP&E, including the burden on CWIP, that goes into OM&A under MIFRS and as such the entire amount belongs in account 1575.

The second paragraph refers to PP&E differences and does not make any exclusion regarding CWIP which is clearly part of PP&E and in time becomes part of rate base. The CWIP burden amounts are on items that are included in rate base but due to timing are not included in rate base at December 31, 2012 but would have been part of rate base in 2013 or later under CGAAP.

As these burden amounts are not in current rates and are not included in the MIFRS rate base used to set 2013 rates, these will become out of period costs that the Board refers to in its report. Inclusion in account 1575 is necessary to achieve the objective stated by the Board in its report.

Summary of Transitional PP&E Amounts:

Table JT1.4-1 summarizes the differences leading to the credit (owing to customers) balance in account 1575 as at December 31, 2012 of \$2,387,000.

Table JT1.4-1: Summary of Transitional PP&E Amounts (\$000)

| | CGAAP | MIFRS | Difference |
|------------------------------------|-------------------|-------------------|-------------------|
| Net Book Value Jan 1, 2011 | \$ 639,944 | \$ 639,944 | \$ - |
| Additions | \$ 91,123 | \$ 78,954 | \$ 12,169 |
| Depreciation | \$ (48,642) | \$ (35,593) | \$ (13,049) |
| Net Book Value Dec 31, 2011 | \$ 682,425 | \$ 683,305 | \$ (880) |
| Additions | \$ 92,685 | \$ 79,534 | \$ 13,151 |
| Depreciation | \$ (48,924) | \$ (34,266) | \$ (14,658) |
| Net Book Value Dec 31, 2012 | \$ 726,186 | \$ 728,573 | \$ (2,387) |

The lower additions under MIFRS represents the lower overhead that is allowed to be capitalized under IFRS and MIFRS, the lower amount of interest allowed to be capitalized and the reduction from the derecognition of assets previously pooled and left in PP&E under CGAAP. The lower depreciation under MIFRS represents the on average longer useful lives used to depreciate assets compared to the prescribed lives used under CGAAP.

Table JT1.4-2 shows the differences between PP&E (including CWIP) and the in-service PP&E amounts found in Appendix 2-B.

Table JT1.4-2: In-Service vs. Total PP&E

| In Service vs. Total PP&E | CGAAP | MIFRS | Difference |
|--|-------------------|-------------------|-------------------|
| NBV PP&E In-service per 2-B Dec 31/10 | \$ 613,158 | \$ 613,158 | \$ - |
| Work-in-progress (CWIP) Dec 31/10 | \$ 26,786 | \$ 26,786 | \$ - |
| NBV PP&E Total including CWIP Dec 31/10 | \$ 639,944 | \$ 639,944 | \$ - |
| NBV PP&E In-service per 2-B Dec 31/11 | \$ 651,911 | \$ 659,803 | \$ (7,892) |
| Work-in-progress (CWIP) Dec 31/11 | \$ 30,514 | \$ 23,502 | \$ 7,012 |
| NBV PP&E Total including CWIP Dec 31/11 | \$ 682,425 | \$ 683,305 | \$ (880) |
| NBV PP&E In-service per 2-B Dec 31/12 | \$ 689,093 | \$ 698,664 | \$ (9,571) |
| Work-in-progress (CWIP) Dec 31/12 | \$ 37,093 | \$ 29,909 | \$ 7,184 |
| NBV PP&E Total including CWIP Dec 31/12 | \$ 726,186 | \$ 728,573 | \$ (2,387) |

Please note that the above numbers reflect the removal of the fair market value increment recorded on the assets acquired in the purchase of Aurora Hydro in November 2005.