



COST OF CAPITAL AND CAPITAL STRUCTURE

Hydro Ottawa Limited (Hydro Ottawa) has prepared this document to provide an overview of its capital structure, financing approach, costs associated with short term and long term debt, and calculation of return on equity as required under section 2.8 of *Ontario Energy Board (OEB) Filing Requirements for Electricity Distribution Rate Applications (July 18, 2014)*.

1.0 CAPITAL STRUCTURE

Hydro Ottawa's capital structure is set in accordance with the OEB guidelines provided in the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities issued on December 11, 2009 (the "2009 Report")*. Hydro Ottawa targets a 60:40 debt to equity range as evidenced by Hydro Ottawa's past and current practices. The 60% debt component is made up of 56% long-term debt and 4% short term debt.

Appendix 2-OA "Capital Structure" outlines Hydro Ottawa's capital structure for the last Board approved year 2012 and the Test Years 2016 to 2020.

2.0 FINANCING APPROACH

Financing for Hydro Ottawa is received through its parent company, Hydro Ottawa Holding Inc. (Holding Company). All external debt is managed by the Holding Company as it maintains a strong investment grade credit rating at the parent company level for financing purposes. These credit ratings are required for the Holding Company to issue private debt issuances into the Canadian debt market to support its subsidiaries/affiliates financing requirements. Hydro Ottawa receives all of its financing from the Holding Company via intercompany loans on a "pass through" basis for the rates, terms, and conditions that the Holding Company receives from the external markets.

2.1 Credit Rating



The current credit ratings for the Holding Company by Standard and Poor's and Dominion Bond Rating Service are as follows:

Rating Agency	Credit Rating
Dominion Bond Rating Service (DBRS)	A Stable
Standard and Poor's (S&P)	A Stable

The most recent credit rating reports issued by DBRS and S&P are provided in Attachments A-4(D) and A-4(E) respectively.

2.2 Short Term Debt

The Holding Company maintains short term credit facilities to support the liquidity needs of Hydro Ottawa. These facilities are used to cover periodic working capital deficiencies, bridge financing requirements until long term debt is warranted, and to post required prudentials with the Independent Electricity System Operator.

The cost of short term financing is passed onto Hydro Ottawa on the same terms and conditions that the Holding Company receives from external markets through its credit facilities. Terms and conditions of short term borrowings are governed by the "Credit Agreement" dated January 1, 2009 which is filed in Attachment E-1(A).

For the purpose of the rate application, Hydro Ottawa has utilized the short term debt rate of 2.16% for the years 2016 through 2020, as provided in the letter dated November 20, 2014 outlining the Cost of Capital Parameter Updates for 2015 Applications. It is recognized that this rate will be updated at the time of the rate decision to reflect the deemed short term debt rate for 2016 rate applications to be published in November 2015. As described in the Executive Summary, it is Hydro Ottawa's intention to provide regulatory efficiency and rate stability by leaving this rate in effect until December 31, 2018, a 3-year period. In 2018, the short term rate would be reviewed and updated for



1 the Cost of Capital Parameter Updates for 2019. This update would then remain in effect
2 for the 2019 and 2020 rate years.

3 4 **2.3 Long Term Debt**

5 The Holding Company issues long term debt to support the financing requirements of
6 Hydro Ottawa. Similar to short term financing, the costs associated with long term
7 financing are also passed on to Hydro Ottawa on the same terms and conditions as the
8 Holding Company receives from the external markets.

9
10 In the absence of associated external financing at the Holding Company level, long term
11 debt is charged to Hydro Ottawa at the deemed cost of debt effective at the time of the
12 fund transfer, as calculated per the 2009 Report. All debt using a deemed rate
13 accumulates until the next external long term financing is conducted by the Holding
14 Company, at which time the deemed rates are converted into the new rate, terms, and
15 conditions as per the external bond issuance, which includes the actual cost of debt plus
16 any incurred issuance costs. The issuance costs are amortized over a five year period
17 which is consistent with the write-off for tax purposes.

18
19 By using this approach, Hydro Ottawa primarily relies on the embedded or actual cost of
20 long term debt and only uses the deemed long term debt rate as a proxy to bridge the
21 period between external financings.

22
23 The markets are not receptive to long term debt issuances under \$100 million due to
24 liquidity and listing requirements, and therefore smaller issuances, if attainable, would
25 dictate premium pricing. As well, smaller and more frequent issuances will incur more
26 costs than larger, less frequent issuances due to the fixed nature of most of the required
27 issuance costs. The financing arrangement between Hydro Ottawa and the Holding
28 Company is beneficial to both Hydro Ottawa and its ratepayers, as it allows Hydro
29 Ottawa to follow the deemed capital structure and borrow in smaller tranches (without
30 paying premiums) than it could otherwise be able to borrow in the financial markets.



The financial strength of the Holding Company and this type of financing arrangement optimizes Hydro Ottawa's borrowing requirements on both short term and long term financing. It provides financing to Hydro Ottawa in tranches that meets its capital structure requirements using both actual and deemed rates in an objective and transparent manner which minimizes borrowing costs for Hydro Ottawa and its ratepayers.

The current long term debt notes issued by Hydro Ottawa are included as Attachments E-1(B), (C), (D), (E), and (F).

2.4 Forecast Long Term Debt

Hydro Ottawa plans to issue further long term debt to support its on-going capital expenditure requirements. The forecasted additional borrowing requirement for Hydro Ottawa from 2015 to 2020 is as follows:

Table 1 - Forecast Borrowing Requirements

Year	Amount
2015	\$55 million
2016	\$65 million
2017	\$60 million
2018	\$30 million
2019	\$30 million
2020	\$30 million

2.5 Cost of Long Term Debt

The long term debt rate is calculated as the weighted average rate of existing debt and forecast debt planned to be issued from 2015 – 2020. The calculation to determine the forecast long term debt rate is comprised of 3 components:

- 1) The forecast Government of Canada 10-year bond yield;



- 2) The 30-year to 10-year Government of Canada bond yield spread, and
- 3) The Hydro Ottawa credit risk spread.

This emulates the calculation of the 2009 Report. Table 2 below summarizes the forecast Hydro Ottawa long term debt rate from 2016 to 2020.

The underlying forecast for the 10-year rate is as per the October 2014 Consensus Long Term Forecast (which is issued twice a year in October and April).

The 30-year Government of Canada bond yield is then calculated using the forecast 10-year bond yield plus 55bps, which is the 5-year historical average spread of the 30-year over 10-year Government of Canada bond yield as calculated per the 2009 Report.

The Hydro Ottawa historical credit spread is based on BMO Capital markets indicative spreads over the past 2.5-years for the Holding Company.

Table 2 - Forecast Yield for 2015 to 2020 Long Term Debt Issuances

Year	Govt. of Canada 10-year Yield (based on October 2014 Consensus Forecast)	Historical Spread (30-year Govt. Yield over 10-year Govt. Yield)	Govt. of Canada 30-year Yield	Hydro Ottawa Historical Spread	Forecast Hydro Ottawa Yield
2016	3.30% ¹	55 bps	3.85%	152 bps	5.37%
2017	3.90% ¹	55 bps	4.45%	152 bps	5.97%
2018	4.20% ¹	55 bps	4.75%	152 bps	6.27%
2019	4.40% ¹	55 bps	4.95%	152 bps	6.47%
2020	4.40% ¹	55 bps	4.95%	152 bps	6.47%

¹ Average for the year

As shown in Appendix 2-OB, the weighted cost of existing long term debt as of December 31, 2014 is 4.78%.



1 In February, 2015 the Holding Company issued two new tranches of debt comprised of
2 tenures of 10 and 30 years. With this issuance, the Holding Company secured the lowest
3 10 and 30 year fixed coupons on record in the Canadian Corporate credit market. Hydro
4 Ottawa has used these same rates for its financing requirements for 2015 and has
5 reflected it in the weighted long term debt rates for 2015 to 2020.

6
7 For the purpose of the rate application, Hydro Ottawa has used the forecast weighted
8 long term debt rate of 3.72% for 2016, 3.94% for 2017, 4.08% for 2018, 4.17% for 2019
9 and 4.23% for 2020. It is recognized that these rates will be updated at the time of the
10 rate decision to reflect the then current weighted long term rate using the same
11 foregoing approach and calculation.

12
13 As described in the Executive Summary, it is Hydro Ottawa's intention to provide
14 regulatory efficiency by then leaving these rates in effect until December 31, 2018, a 3-
15 year period. In 2018, the long term rate would be reviewed and updated following this
16 same approach and to reflect any potential changes to the 2009 Report. This update
17 would then remain in effect for the 2019 and 2020 rate years.

18
19 Appendix 2-OB "Debt Instruments" outlines the amounts and associated interest rates
20 for all its long term debt instruments as well as the weighted long term debt rate for the
21 historical, bridge and test years.

22 23 **3.0 RETURN ON EQUITY**

24
25 Hydro Ottawa has used the deemed ROE for 2015 cost of service applications of 9.30%
26 as communicated through the November 20, 2014 Cost of Capital Parameters letter from
27 the Board. It is recognized that this rate will be updated at the time of the rate decision to
28 reflect the current rate in effect as per the calculations and terms outlined in the
29 December 11, 2009 "Report of the Board on the Cost of Capital for Ontario's Regulated
30 Utilities".



1 As described in the Executive Summary, it is Hydro Ottawa's intention to provide
2 regulatory efficiency by leaving this rate in effect until the end of 2018, a 3 year period. In
3 2018, the rate would be reviewed and updated for the Cost of Capital Parameters
4 Updates for 2019. This update would remain in effect for the 2019 and 2020 rate years.
5

6 **4.0 PREFERRED SHARES**

7

8 Hydro Ottawa does not currently have any preferred shares issued nor has it forecasted
9 for any issuance of preferred shares for the test years.

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Appendix 2-OA Capital Structure and Cost of Capital

This table must be completed for the last Board approved year and the test year.

Year:

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	Debt					
1	Long-term Debt	56.00%	\$374,683,430	5.09%		\$19,071,387
2	Short-term Debt	4.00% (1)	\$26,763,102	2.08%		\$556,673
3	Total Debt	60.0%	\$401,446,532	4.89%		\$19,628,059
	Equity					
4	Common Equity	40.00%	\$267,631,021	9.42%		\$25,210,842
5	Preferred Shares		\$ -			\$ -
6	Total Equity	40.0%	\$267,631,021	9.42%		\$25,210,842
7	Total	100.0%	\$669,077,553	6.70%		\$44,838,901

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2012 (Actual)

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)		(%)		
	Debt					
1	Long-term Debt	52.80%	\$327,185,000	5.25%		\$17,163,415
2	Short-term Debt	5.37% (1)	\$33,273,515	2.16%		\$719,041
3	Total Debt	58.2%	\$360,458,515	4.96%		\$17,882,456
	Equity					
4	Common Equity	41.83%	\$259,155,000	10.19%		\$26,413,000
5	Preferred Shares		\$ -			\$ -
6	Total Equity	41.8%	\$259,155,000	10.19%		\$26,413,000
7	Total	100.0%	\$619,613,515	7.15%		\$44,295,456

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2016 (Test Year)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)		(%)	
	Debt				
1	Long-term Debt	56.00%	\$517,051,284	3.72%	\$19,252,624
2	Short-term Debt	4.00% (1)	\$36,932,235	2.16%	\$797,736
3	Total Debt	60.0%	\$553,983,519	3.62%	\$20,050,360
	Equity				
4	Common Equity	40.00%	\$369,322,346	9.30%	\$34,346,978
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$369,322,346	9.30%	\$34,346,978
7	Total	100.0%	\$923,305,865	5.89%	\$54,397,338

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2017 (Test Year)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)		(%)	
	Debt				
1	Long-term Debt	56.00%	\$543,525,815	3.94%	\$21,397,607
2	Short-term Debt	4.00% (1)	\$38,823,273	2.16%	\$838,583
3	Total Debt	60.0%	\$582,349,088	3.82%	\$22,236,190
	Equity				
4	Common Equity	40.00%	\$388,232,725	9.30%	\$36,105,643
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$388,232,725	9.30%	\$36,105,643
7	Total	100.0%	\$970,581,813	6.01%	\$58,341,833

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2018 (Test Year)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)		(%)	
	Debt				
1	Long-term Debt	56.00%	\$571,366,562	4.08%	\$23,290,133
2	Short-term Debt	4.00% (1)	\$40,811,897	2.16%	\$881,537
3	Total Debt	60.0%	\$612,178,459	3.95%	\$24,171,670
	Equity				
4	Common Equity	40.00%	\$408,118,973	9.30%	\$37,955,064
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$408,118,973	9.30%	\$37,955,064
7	Total	100.0%	\$1,020,297,432	6.09%	\$62,126,734

Notes

(1)

4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2019 (Test Year)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)		(%)	
	Debt				
1	Long-term Debt	56.00%	\$588,405,524	4.17%	\$24,560,548
2	Short-term Debt	4.00% (1)	\$42,028,966	2.16%	\$907,826
3	Total Debt	60.0%	\$630,434,490	4.04%	\$25,468,374
	Equity				
4	Common Equity	40.00%	\$420,289,660	9.30%	\$39,086,938
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$420,289,660	9.30%	\$39,086,938
7	Total	100.0%	\$1,050,724,150	6.14%	\$64,555,312

Notes

(1)

4.0% unless an applicant has proposed or been approved for a different amount.

Year: 2020 (Test Year)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)		(%)	
	Debt				
1	Long-term Debt	56.00%	\$612,791,380	4.23%	\$25,900,220
2	Short-term Debt	4.00% (1)	\$43,770,813	2.16%	\$945,450
3	Total Debt	60.0%	\$656,562,193	4.09%	\$26,845,670
	Equity				
4	Common Equity	40.00%	\$437,708,128	9.30%	\$40,706,856
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$437,708,128	9.30%	\$40,706,856
7	Total	100.0%	\$1,094,270,321	6.17%	\$67,552,526

Notes

(1)

4.0% unless an applicant has proposed or been approved for a different amount.

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Appendix 2-OB Debt Instruments

This table must be completed for all required historical years, the bridge year and the test year.

Year 2012

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	10 yrs	\$ 200,000,000	5.040%	\$ 10,080,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	Deemed LT	\$ 32,185,000	5.900%	\$ 1,898,915		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	5.218%	\$ 2,609,000		
4	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	21-Dec-09	Deemed LT	\$ 15,000,000	5.750%	\$ 862,500		
5	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	30-Apr-10	Deemed LT	\$ 15,000,000	5.870%	\$ 880,500		
6	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	5-Jul-11	Deemed LT	\$ 15,000,000	5.550%	\$ 832,500		
Total							\$ 327,185,000	5.246%	\$ 17,163,415		

1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.

2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the Board.

3 Add more lines above row 12 if necessary.

Year 2013

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	10 years	\$ 200,000,000	5.040%	\$ 10,080,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 18,219,178	5.218%	\$ 950,677		\$50M Note - rate change May 14, 2015
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 31,780,822	4.968%	\$ 1,578,871		
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	Deemed LT	\$ 11,727,685	5.900%	\$ 691,933		
5	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	21-Dec-09	Deemed LT	\$ 5,465,753	5.750%	\$ 314,281		The cumulative deemed debt (\$77.185M o/s end of 2012 and \$30M issued on Feb 1, 2013) was converted into a single promissory note of \$107.185M to reflect the actual HOHI bond issuance on May 14, 2015.
6	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	30-Apr-10	Deemed LT	\$ 5,465,753	5.870%	\$ 320,840		
7	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	5-Jul-11	Deemed LT	\$ 5,465,753	5.550%	\$ 303,349		
8	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Feb-13	Deemed LT	\$ 8,383,562	4.220%	\$ 353,786		
9	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 68,128,548	4.144%	\$ 2,823,247		
10	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	10-Dec-13	Deemed LT	\$ 1,808,219	4.940%	\$ 89,326		\$30M deemed debt - Effective 22 days
Total							\$ 356,445,274	4.911%	\$ 17,506,311		

Notes

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- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the Board.
- 3 Add more lines above row 12 if necessary.

Year 2014

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	10 years	\$ 200,000,000	5.040%	\$ 10,080,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	4.144%	\$ 4,441,746		
4	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	10-Dec-13	Deemed LT	\$ 30,000,000	4.940%	\$ 1,482,000		
5	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	28-Oct-14	Deemed LT	\$ 5,342,466	4.770%	\$ 254,836		\$30M deemed debt - Effective 65 days
Total							\$ 392,527,466	4.775%	\$ 18,742,582		

Notes

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- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the Board.
- 3 Add more lines above row 12 if necessary.

Year 2015

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	4.144%	\$ 4,441,746		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-05	10 years	\$ 21,369,863	5.040%	\$ 1,077,041		The Feb 9.,2015 \$200M maturity plus the cumulative deemed debt of \$60M then outstanding (\$260M total) were converted into two promissory notes of \$138.7m and \$121.3m on Feb 9, 2015 to reflect the actual HOHI bond issuance on a prorata basis for the two terms.
4	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	10-Dec-13	Deemed LT	\$ 3,205,479	4.940%	\$ 158,351		
5	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	28-Oct-14	Deemed LT	\$ 3,205,479	4.770%	\$ 152,901		
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 123,850,526	2.724%	\$ 3,373,688		
7	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 108,368,652	3.769%	\$ 4,084,414		
8	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 14,786,290	2.724%	\$ 402,779		\$55M actual debt prorated for two terms - Effective 184 days
9	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 12,939,737	3.769%	\$ 487,699		
Total							\$ 444,911,027	3.745%	\$ 16,662,620		

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

Year 2015 2016

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	4.144%	\$ 4,441,746		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 138,667,000	2.724%	\$ 3,777,289		\$260M actual debt
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 121,333,000	3.769%	\$ 4,573,041		
5	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 29,331,500	2.724%	\$ 798,990		\$55M actual debt
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 25,668,500	3.769%	\$ 967,446		
7	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-16	Deemed LT	\$ 32,767,123	5.370%	\$ 1,759,595		\$65M deemed debt - Effective 184 days
Total							\$ 504,952,123	3.724%	\$ 18,802,107		

Notes

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- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

Year 2015 2017

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	4.144%	\$ 4,441,746		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 138,667,000	2.724%	\$ 3,777,289		\$260M actual debt
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 121,333,000	3.769%	\$ 4,573,041		
5	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 29,331,500	2.724%	\$ 798,990		\$55M actual debt
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 25,668,500	3.769%	\$ 967,446		
7	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-16	Deemed LT	\$ 65,000,000	5.370%	\$ 3,490,500		
8	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-17	Deemed LT	\$ 30,246,575	5.970%	\$ 1,805,721		\$60M deemed debt - Effective 184 days
Total							\$ 567,431,575	3.937%	\$ 22,338,733		

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

Year 2015 2018

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 39,056,452	4.144%	\$ 1,618,499		\$107.185M Note - Rate changed during the year (issuance cost fully amortized)
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 68,128,548	3.991%	\$ 2,719,010		
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 138,667,000	2.724%	\$ 3,777,289		\$260M actual debt
5	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 121,333,000	3.769%	\$ 4,573,041		
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 29,331,500	2.724%	\$ 798,990		\$55M actual debt
7	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 25,668,500	3.769%	\$ 967,446		
8	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-16	Deemed LT	\$ 65,000,000	5.370%	\$ 3,490,500		
9	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-17	Deemed LT	\$ 60,000,000	5.970%	\$ 3,582,000		
10	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-18	Deemed LT	\$ 15,123,288	6.270%	\$ 948,230		\$30M deemed debt - Effective 184 days
Total							\$ 612,308,288	4.076%	\$ 24,959,006		

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

Year 2015 2019

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	3.991%	\$ 4,277,753		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 138,667,000	2.724%	\$ 3,777,289		\$260M actual debt
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 121,333,000	3.769%	\$ 4,573,041		
5	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 29,331,500	2.724%	\$ 798,990		\$55M actual debt
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 25,668,500	3.769%	\$ 967,446		
7	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-16	Deemed LT	\$ 65,000,000	5.370%	\$ 3,490,500		
8	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-17	Deemed LT	\$ 60,000,000	5.970%	\$ 3,582,000		
9	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-18	Deemed LT	\$ 30,000,000	6.270%	\$ 1,881,000		
10	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-19	Deemed LT	\$ 15,123,288	6.470%	\$ 978,477		\$30M deemed debt - Effective 184 days
Total							\$ 642,308,288	4.174%	\$ 26,810,496		

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

Year 2015 2020

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$)	(Note 1)	Additional Comments, if any
1	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	20-Dec-06	30 years	\$ 50,000,000	4.968%	\$ 2,484,000		
2	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	14-May-13	30 years	\$ 107,185,000	3.991%	\$ 4,277,753		
3	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	10 years	\$ 14,816,474	2.724%	\$ 403,601		\$138.667M Note - Rate changed during the year (issuance cost fully amortized)
4	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-20	10 years	\$ 123,850,526	2.614%	\$ 3,237,453		\$121.333M Note - Rate changed during the year (issuance cost fully amortized)
5	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-15	30 years	\$ 12,964,348	3.769%	\$ 488,626		\$29.3315M Note - Rate changed during the year (issuance cost fully amortized)
6	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-20	30 years	\$ 108,368,652	3.639%	\$ 3,943,535		\$25.6685M Note - Rate changed during the year (issuance cost fully amortized)
7	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	10 years	\$ 3,134,051	2.724%	\$ 85,372		
8	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-20	10 years	\$ 26,197,449	2.614%	\$ 684,801		
9	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-15	30 years	\$ 2,742,662	3.769%	\$ 103,371		
10	Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	9-Feb-20	30 years	\$ 22,925,838	3.639%	\$ 834,271		
11	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-16	Deemed LT	\$ 65,000,000	5.370%	\$ 3,490,500		
12	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-17	Deemed LT	\$ 60,000,000	5.970%	\$ 3,582,000		
13	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-18	Deemed LT	\$ 30,000,000	6.270%	\$ 1,881,000		
14	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-19	Deemed LT	\$ 30,000,000	6.470%	\$ 1,941,000		
15	Grid Promissory Note	Hydo Ottawa Holding Inc.	Affiliated	Fixed Rate	1-Jul-20	Deemed LT	\$ 15,123,288	6.470%	\$ 978,477		\$30M deemed debt - Effective 184 days
Total							\$ 672,308,288	4.227%	\$ 28,415,760		

Notes

- 1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.

- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any
- 3 Add more lines above row 12 if necessary.

AMENDMENT TO CREDIT AGREEMENT

The Credit Agreement between Hydro Ottawa Holding Inc. and Hydro Ottawa Limited, dated January 1, 2009, is amended as follows:

3. Administrative Fee

An administrative charge will be added to the rate of interest charged on Prime Rate Advances and Fixed Term Loans, payable to the Lender at the rate of 0.10% per annum.

This clause is removed in its entirety.

All other sections of the Credit Agreement, including any subsequent amendments remain the same.

IN WITNESS WHEREOF the parties have executed this amendment January 31, 2014:

HYDRO OTTAWA HOLDING INC. /
SOCIÉTÉ DE PORTEFEUILLE D'HYDRO
OTTAWA INC.

By: _____

J. Bryce Conrad
President and Chief Executive Officer

By: _____

Geoff Simpson
Chief Financial Officer

HYDRO OTTAWA LIMITED

By: _____

J. Bryce Conrad
President and Chief Executive Officer

By: _____

Geoff Simpson
Chief Financial Officer

CREDIT AGREEMENT

THIS AGREEMENT is made as of the 1st day of January 2009.

BETWEEN:

**HYDRO OTTAWA HOLDING INC./SOCIÉTÉ DE PORTEFEUILLE
D'HYDRO OTTAWA INC.**

(hereinafter also referred to as the "Lender")

- and -

HYDRO OTTAWA LIMITED

(hereinafter also referred to as the "Borrower")

WHEREAS, the Lender has agreed to make available to the Borrower certain credits on the terms and conditions set out in this agreement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows

1. Definition

Whenever used in this Agreement, unless there is something inconsistent in the subject matter or context, the following words and terms shall have the meaning as set out below:

- (a) "Agreement" means this agreement, including any schedules and all instruments supplementing or amending or confirming this agreement;
- (b) "Bank of Nova Scotia Credit Agreement" means an agreement between The Bank of Nova Scotia and Hydro Ottawa Holding Inc. evidenced by the most recent Commitment Letter;
- (c) "Drawdown" means a borrowing of funds under the facility, a conversion or a rollover, as the context requires;
- (d) "Event of Default" means any of the events described in section 7;
- (e) "Fixed Term Loan" means an interest-bearing loan having a term of not less than 7 days and not more than 180 days having a rate of interest determined on the bases set out in this Agreement;
- (f) "Permitted Encumbrance" means any of the following:

- (i) purchase money security interests, capital leases and other encumbrances not exceeding in an aggregate amount of \$5,000,000;
- (ii) liens for taxes, payments in lieu of taxes, assessments, government charges or claims not yet due or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested in good faith, on in respect of which appropriate provision is made in consolidated financial statements of the Borrower;
- (iii) a lien or deposit under workers' compensation, social security or similar legislation or deposits to secure public or statutory obligations;
- (iv) a lien or deposit of cash or securities in connection with contracts, bids, tenders, leases or expropriation proceedings or to secure surety and appeal bonds not exceeding an aggregate amount of \$1,000,000 at any time;
- (v) a lien or privilege imposed by law, such as a builder's, carrier's, warehousemen's, landlord's mechanic's, supplier's or other similar liens and public, statutory and other like obligations incurred in the ordinary course of business;
- (vi) a lien or right of distress reserved in or exercisable under any lease, for rent or for compliance with the terms of the lease;
- (vii) undetermined or inchoate liens, rights of distress, privileges and charges incidental to current operations which have not at such time been filed or exercised or which relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings;
- (viii) reservations, limitations, provisos and conditions expressed in any original grants from the Crown or other grants of real or immovable property, or interests therein, which do not materially affect the use of the affected land for the purpose for which it is being used;
- (ix) title defects, encroachments or irregularities or other matters relating to title which in the aggregate do not materially impair the use of the affected property for the purpose for which it is used;
- (x) zoning, land use and building restrictions, by-laws, regulations and ordinances of federal, provincial, state, municipal and other governmental authorities, licences, easements, rights-of-way, rights in the nature of easements (including, without limiting the generality of the foregoing, licences, easements, rights-of-way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) which do not materially impair the use of the affected land for the purpose for which it is being used;
- (xi) any right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit acquired by that person or by any statutory provision to terminate any lease, licence, franchise, grant or permit, or to require annual or other payments as a condition for the continuance thereof;

- (xii) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that person in the ordinary course of business;
- (xiii) security for costs of litigation where required by law; and
- (xiv) attachments, judgements and other similar encumbrances arising in connection with court proceedings; provided that the encumbrances are in existence for less than 30 days after their creation or the execution or other enforcement of the encumbrances is effectively stayed or the claims so secured are being actively contested in good faith and by proper legal proceedings;
- (g) "Prime Rate" means, at any time, the rate of interest expressed as an annual rate, established by The Bank of Nova Scotia Agreement from time to time as its reference "interest rate / fee" to determine the interest rates it will charge for loans in Canadian dollars; and
- (h) "Prime Rate Advance" means an interest-bearing loan having a term not more than 180 days, for which the principal may be drawdown and upon which interest is calculated daily at the Prime Rate and repayable determined on the bases set out in this Agreement;

2. **The Credit Facilities**

- (1) Upon the terms and subject to the conditions herein set forth, the Lender establishes in favour of the Borrower the following credit facility to be available to the Borrower in accordance with the provisions of this Agreement. The facility shall consist of a revolving demand facility of up to a maximum principal amount available within the Bank of Nova Scotia Credit Agreement.
- (2) The total amount authorized for this credit facility is \$90,000,000.00 CDN.
- (3) The Borrower may avail the credit facility by way of direct advances through Prime Rate Advances. Changes in the Prime Rate shall cause an immediate adjustment to the interest rate applicable to an advance without the necessity of notice to the Borrower. The principal amounts of any Prime Rate Advances shall be repayable at any time on demand of the Lender and may be repaid by the Borrower at any time prior to such demand.
- (4) The Borrower may avail the credit facility by way of Fixed Term Loans.
- (5) The rate of interest on Fixed Term Loans shall be the Banker's Acceptance Fee charged pursuant to The Bank of Nova Scotia Credit Agreement, plus the Bankers Acceptance rate applicable to the date of the Drawdown as evidenced by a Bankers

Acceptance drawn by Hydro Ottawa Holding Inc. on that date, otherwise The Bank of Canada "Bankers Acceptances – 1 Month" rate will be used as posted on that date.

- (6) Interest on loans and advances will be calculated on a daily basis and payable in arrears on a mutually agreed date.
- (7) The Borrower may increase or decrease advances made by Prime Rate Advances or by Fixed Term Loan by making drawdowns, repayments or further drawdowns of the amount of advances that have been repaid. The Borrower may also convert a Prime Rate Advance to a Fixed Term Loan by notice to the Lender.
- (8) On the date of maturity, the Borrower shall repay to the Lender the principal amount of Prime Rate Advances and Fixed Term Loans. The Borrower may request from the Lender and the Lender, in its sole discretion, may grant an extension of the maturity date of any Primary Rate Advances or Fixed Term Loans for a further period not to exceed 180 days.
- (9) The Borrower may avail the credit facility by way of Standby Letters of Credit / Letters of Guarantee. The charge will be made pursuant to the Bank of Nova Scotia Credit Agreement "Commission" fee and will be payable upon issuance.

3. **Administrative Fee**

An administrative charge will be added to the rate of interest charged on Prime Rate Advances and Fixed Term Loans, payable to the Lender at the rate of 0.10% per annum.

4. **Commitment Fee and Standby Fees**

The Borrower shall pay a proportionate share of the commitment fee and standby fees payable per the terms of the Bank of Nova Scotia Credit Agreement.

5. **Evidence of Indebtedness**

The Lender shall open and maintain books of account evidencing all advances and all other amounts owing by the Borrower to the Lender hereunder. The information entered in the foregoing accounts shall constitute *prima facie* evidence of the obligations of the Borrower to the Lender and, in the absence of manifest error, are conclusive evidence of the advances made, repayments on account thereof and the indebtedness of the Borrower to the Lender. Upon request of the Borrower, the Lender shall advise the Borrower of entries made on the books of account.

6. **General Conditions**

The following conditions will apply until all debts and liabilities of the Borrower availed under the Credit Facilities have been discharged in full:

- (a) The Borrower shall not encumber its assets in any manner other than by Permitted Encumbrances;
- (b) The Borrower may not incur, assume or permit any debt to remain outstanding other than debt under this Agreement, other than:
 - (i) debt incurred from the Lender;
 - (ii) debt incurred in respect of purchase money security interests;
 - (iii) capital leases; and
 - (iv) other debt permitted by the Lender.
- (c) The business activities of the Borrower shall be restricted to those permitted pursuant to section 73 of the *Ontario Energy Board Act, 1998*, so long as those restrictions on business activities continue to apply to the Borrower;
- (d) The Borrower shall make due and timely payment of the obligations required to be paid by it hereunder;
- (e) The Borrower shall provide notice to the Lender of any Event of Default;
- (f) The Lender shall be under no obligation to provide a Prime Rate Advance, a Fixed Term Loan, or a Standby Letter of Credit / Letters of Guarantee following an Event of Default.

7. **Events of Default**

- (1) The following shall constitute Events of Default for the purposes of this Agreement:
 - (a) The Borrower encumbering assets other than by Permitted Encumbrances;
 - (b) The Borrower fails to pay interest, principal or other amounts owing pursuant to this Agreement
 - (c) The Borrower is in breach of any conditions of this Agreement;

- (d) Any actions by the Borrower which cause the Lender to be in default of its obligations under the Bank of Nova Scotia Credit Agreement;
 - (e) The Borrower is bankrupt, insolvent or liquidation proceedings or any other proceedings for the relief of creditors are instituted by or against the Borrower and are not dismissed within 60 days of such institution.
- (2) Upon the occurrence of an Event of Default, at the option of the Lender, all amounts of Principal and Interest shall become immediately due and payable. The occurrence of an Event of Default shall relieve the Lender of all obligations to provide any further advances or loans to the Borrower.

8. **Indemnification**

The Borrower shall indemnify the Lender from any loss or expense incurred by the Lender as a result of any failure by the Borrower to fulfill its obligations under this Agreement, expense any loss or expense arising from the negligence or wilful misconduct of the Lender.

9. **Early Termination**

In the event of any change in control of the Borrower, the Lender may require that the Borrower pay the Principal and Interest payable within 30 days following a change of control of the Borrower. For the purpose of this sub-section control means with respect to the Borrower at any time (i) holding, as owner or other beneficiary – other than solely as beneficiary of an unrealized security interest – directly or indirectly, securities or ownership interests of the Borrower carrying votes or ownership interests sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of the Borrower, or (ii) the exercise of de facto control of the Borrower, whether direct or indirect and whether through the ownership of securities or ownership interests, by contract, trust or otherwise.

10. **Termination**

Unless otherwise extended by agreement of the parties, this facility shall terminate the date the Bank of Nova Scotia Credit Agreement is no longer in force. Prior to the termination of the facility, the Borrower shall pay to the Lender the Principal outstanding and any Interest payable.

11. **Notice**

Any demand, notice or communication to be made or given pursuant to this Agreement shall be in writing and may be made or given by personal delivery, by mail, by electronic mail addressed to the respective parties as follows:

To the Borrower:

Hydro Ottawa Limited
3025 Albion Road North
Ottawa, Ontario
K1G 3S4

Attention: Treasurer

Telephone: 613-738-5499 ext. 319

Electronic Mail: mikegrue@hydroottawa.com

To the Lender:

Hydro Ottawa Holding Inc.
3025 Albion Road North
Ottawa, Ontario
K1G 3S4

Attention: Treasurer

Telephone: 613-738-5499 ext. 319

Electronic mail: mikegrue@hydroottawa.com

Either party may from time to time notify the other party of any change to its address, telephone number or electronic mail contact.

12. Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Lender, the Borrower and their successors and assigns, except that the Borrower shall not assign any rights or obligations with respect to this Agreement without the prior written consent of the Lender, which consent may be withheld or refused for any reason. The Lender may assign its rights and obligations with respect to this Agreement upon notice to the Borrower.

13. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

14. Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

**HYDRO OTTAWA HOLDING INC./
SOCIÉTÉ DE PORTEFEUILLE D'HYDRO
OTTAWA INC.**

By: 

Rosemarie T. Leclair
President and Chief Executive Officer

By: 

Alan Hoverd
Chief Financial Officer

HYDRO OTTAWA LIMITED

By: 

Rosemarie T. Leclair
President and Chief Executive Officer

By: 

Alan Hoverd
Chief Financial Officer

GRID PROMISSORY NOTE

Effective the 14th day of May 2013.

As consideration for the funds received, **Hydro Ottawa Limited** (the "Borrower") unconditionally promises to pay to, or the order of, **Hydro Ottawa Holding Inc.** ("the Lender"), in lawful money of Canada, the principal amount (the "Principal") advanced under this grid promissory note (the "Note") and interest ("Interest") thereon at a rate specified below upon the terms and subject to the conditions set forth below.

This Note is a negotiable instrument.

The following are the terms and conditions of the Note:

1. PRINCIPAL

- (1) Advances of Principal may be made in tranches to meet **Hydro Ottawa Limited's** long term business requirements.
- (2) The liability of the Borrower and of any guarantor of the Borrower ("Guarantor") or endorser in respect of Principal shall not exceed the outstanding amount of Principal.
- (3) Advances shall be deemed conclusively to have been made to and for the benefit of the Borrower when,
 - (a) deposited or credited to the account of the Borrower by the Lender; or
 - (b) made in accordance with the instructions of the Borrower.
- (4) All advances of Principal under this Note shall be evidenced by endorsement upon the grid attached to this Note as Schedule A (the "Grid").
- (5) The Lender's Chief Financial Officer, President and Chief Executive Officer and Treasurer are authorized to endorse the Grid, including any continuation Grid that may be attached to this Note, the date and amount of each advance and together with the unpaid balance of the Principal and each endorsement shall be prima facie evidence of the amounts so advanced and the balance of principal outstanding under this Note.

2. INTEREST RATE

- (1) Interest shall be payable upon the amounts advanced under this Note at a fixed rate of Interest payable monthly in arrears on a mutually agreed date. The rate established for long term debt will be:
 - a. a "deemed interest rate" which will be based on the underlying methodology outlined in the Ontario Energy Board's "Report of the Board" on the Cost of Capital for Ontario's Regulated Utilities EB-2009-0084 dated December 11, 2009. The rate will be determined from information available at the end of the month preceding the date of the advancement. The rate that is in effect when

the advance was made will be used for the duration of the advance as per the Term and Repayment section.

3. **TERMS OF PAYMENT**

The Interest payable hereunder shall be calculated and payable monthly in arrears on the first day of each month, both before and after demand, default and judgment. **Hydro Ottawa Limited** shall pay to **Hydro Ottawa Holding Inc.**, on demand, Interest on overdue Interest at the rate described in section 2 hereof compounded on each date for the payment of Interest on this Note before and after judgment.

4. **REPAYMENT**

- (1) **Hydro Ottawa Limited** may, at any time, repay in whole or in part the Principal and Interest outstanding under this Note.
- (2) **Hydro Ottawa Holding Inc.** may, at any time, require that **Hydro Ottawa Limited** repay in whole or in part the Principal and Interest outstanding under this Note.

5. **SUBORDINATION**

The obligation of **Hydro Ottawa Limited** to pay the Principal amount or the amount remaining unpaid from time to time on this Note, together with Interest thereon in accordance with and pursuant to this Note is subordinated and postponed to the obligations of **Hydro Ottawa Limited** to a third party for the payment in full of any secured indebtedness and all security interests granted to secure such obligations of **Hydro Ottawa Limited**.

6. **WAIVER OF NOTICE IN EVENT OF DEFAULT**

Hydro Ottawa Limited hereby waives presentment, protest and notice of any kind in the enforcement of this Note. **Hydro Ottawa Limited** further agrees to pay all costs of collection, including legal fees on a solicitor and client basis, in case the Principal amount on the amount remaining unpaid from time to time on this Note, or any payment of Interest thereon, is not made when due.

7. **RIGHTS AND REMEDIES IN EVENT OF DEFAULT**

The rights and remedies of **Hydro Ottawa Holding Inc.** under this Note which it may have at law or in equity against **Hydro Ottawa Limited** shall be distinct, separate and cumulative, and shall not be deemed inconsistent with one another, and none of the said rights, whether or not exercised by **Hydro Ottawa Holding Inc.**, shall be deemed to be to the exclusion of any other, and any one or more of said rights and remedies may be exercised at the same time. The obligations of **Hydro Ottawa Limited** under this Note shall continue until the entire debt evidenced hereby is paid, notwithstanding any court action or actions taken by **Hydro Ottawa Holding Inc.** which may be brought to recover any amounts due and payable under this Note. No delay or failure by **Hydro Ottawa Holding Inc.** in the enforcement of any covenant, promise or agreement of **Hydro**

Ottawa Limited hereunder shall constitute or be deemed to constitute a waiver of such right. Any waivers of **Hydro Ottawa Holding Inc.** shall only occur and be valid when set forth in writing by **Hydro Ottawa Holding Inc.** No waiver of any event of default shall discharge or release any person at any time liable for the payment of this Note from such liability. No single or partial exercise of any of **Hydro Ottawa Holding Inc.**'s powers hereunder shall preclude other and further exercise thereof or the exercise of any other power.

8. **ASSIGNMENT**

This Note may not be assigned by **Hydro Ottawa Limited** without the written consent of **Hydro Ottawa Holding Inc.**

9. **GOVERNING LAW**

This Note shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

10. **CANCELLATION OF PREVIOUS NOTE**

This Note replaces the Note dated January 1, 2009 made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.**

IN WITNESS WHEREOF **Hydro Ottawa Limited** has duly executed this Grid Promissory Note.

HYDRO OTTAWA LIMITED

Per: 
Name: J. Bryce Conrad
Title: President and Chief Executive Officer

Per: 
Name: Geoff Simpson
Title: Chief Financial Officer

Advances and Payment of Principal

[illegible]

PROMISSORY NOTE

Principal: \$50,000,000 lawful money of Canada	Effective May 14 th , 2013
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For value received, **Hydro Ottawa Limited**, hereby unconditionally promises to pay to the order of **Hydro Ottawa Holding Inc.** at Ottawa, Canada on December 19, 2036 (the "Due Date") the principal amount of fifty million dollars (\$50,000,000) (the "Principal Amount") in lawful money of Canada and interest thereon upon the terms and subject to the conditions set forth below.

1. **INTEREST RATE**

The rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 4.968% per annum.

2. **TERMS OF PAYMENT**

The interest payable hereunder shall be calculated and payable monthly in arrears on the first day of each month, both before and after demand, default and judgment. **Hydro Ottawa Limited** shall pay to **Hydro Ottawa Holding Inc.**, on demand, interest on overdue interest at the rate described in section 1 hereof compounded on each date for the payment of interest on this Promissory Note before and after judgment.

3. **REPAYMENT**

- (1) Subject to the terms and conditions set out in sub-section 3 (4) herein, **Hydro Ottawa Limited** may, at any time, repay in whole or in part the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note and interest owing under this Promissory Note.
- (2) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable within 30 days following a change of control of **Hydro Ottawa Limited**. For the purpose of this sub-section control means with respect to **Hydro Ottawa Limited** at any time:
 - a. holding, as owner or other beneficiary, other than solely as beneficiary of an unrealized security interest, directly or indirectly, securities or ownership interests of **Hydro Ottawa Limited** carrying votes or ownership interests sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of **Hydro Ottawa Limited**, or

- b. the exercise of de facto control of **Hydro Ottawa Limited**, whether direct or indirect and whether through the ownership of securities or ownership interests, by contract, trust or otherwise.

Hydro Ottawa Holding Inc. shall provide **Hydro Ottawa Limited** with no less than twenty (20) days' prior notice of the requirement to repay Principal and interest.

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

(3) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable in the event that **Hydro Ottawa Limited**:

- a. disposes of substantially all of its property or assets;
- b. fails to pay any principal, premium or interest on an indebtedness however incurred beyond any period of grace applicable to such indebtedness, where the amount of the indebtedness is \$25 million or greater;
- c. fails to perform or observe an agreement, term or condition contained in any agreement under which an indebtedness in the amount of \$25 million or greater becomes due and payable; or
- d. for any other reason causes the whole or any part of the Principal Amount to be repayable to **Hydro Ottawa Holding Inc.** in advance of the Due Date;

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

(4) In the event that **Hydro Ottawa Limited** chooses to repay or is required to repay in whole or in part the Principal Amount remaining unpaid and accrued and unpaid interest in accordance with sub-sections 3 (1), (2) or (3) herein, **Hydro Ottawa Limited** shall:

- a. Provide, where such repayment is initiated at the request of **Hydro Ottawa Limited**, at least fifty (50) days' prior notice in writing to **Hydro Ottawa Holding Inc.** setting out the proposed amount of the Principal Amount and accrued and unpaid interest that it proposes to pay and the date of such payment;
- b. Pay to **Hydro Ottawa Holding Inc.** in respect of the Principal Amount and accrued and unpaid interest to be paid, an amount calculated and determined by **Hydro Ottawa Holding Inc.** in the same manner and subject to the same conditions (subject to any necessary changes) as the

Redemption Price respecting an equivalent payment of principal as is set out in the Series 2006 – 1 Supplemental Indenture dated as of December 20, 2006 between Hydro Ottawa Holding Inc. and BNY Trust Company of Canada;

- c. Indemnify **Hydro Ottawa Holding Inc.**, in addition to the amount calculated and determined pursuant to sub-section 3 (4)(b) herein, for any damages, losses, liabilities, claims, demands, interest, charges, fines, penalties, assessments, judgments, costs and expenses suffered or asserted directly or indirectly arising from any payment made pursuant to sub-section 3 (1), (2) or (3) herein or any delay in providing such payment.

4. **SUBORDINATION**

The obligation of **Hydro Ottawa Limited** to pay the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note, together with interest thereon in accordance with and pursuant to this Promissory Note is subordinated and postponed to the obligations of **Hydro Ottawa Limited** to a third party for the payment in full of any secured indebtedness and all security interests granted to secure such obligations of **Hydro Ottawa Limited**.

5. **WAIVER OF NOTICE IN EVENT OF DEFAULT**

Hydro Ottawa Limited hereby waives presentment, protest and notice of any kind in the enforcement of this Promissory Note. **Hydro Ottawa Limited** further agrees to pay all costs of collection, including legal fees on a solicitor and client basis, in case the Principal Amount, or the amount remaining unpaid from time to time on this Promissory Note, or any payment of interest thereon is not made when due.

6. **RIGHTS AND REMEDIES IN EVENT OF DEFAULT**

The rights and remedies of **Hydro Ottawa Holding Inc.** under this Promissory Note which it may have at law or in equity against **Hydro Ottawa Limited** shall be distinct, separate and cumulative, and shall not be deemed inconsistent with one another, and none of the said rights, whether or not exercised by **Hydro Ottawa Holding Inc.**, shall be deemed to be to the exclusion of any other, and any one or more of said rights and remedies may be exercised at the same time. The obligations of **Hydro Ottawa Limited** under this Promissory Note shall continue until the entire debt evidenced hereby is paid, notwithstanding any court action or actions taken by **Hydro Ottawa Holding Inc.** which may be brought to recover any amounts due and payable under this Promissory Note. No delay or failure by **Hydro Ottawa Holding Inc.** in the enforcement of any covenant, promise or agreement of **Hydro Ottawa Limited** hereunder shall constitute or be deemed to constitute a waiver of such right. Any waivers of **Hydro Ottawa Holding Inc.** shall only occur and be valid when set forth in writing by **Hydro Ottawa Holding Inc.** No waiver of any event of default shall discharge or release any person at any time liable for the payment of this

Promissory Note from such liability. No single or partial exercise of any of **Hydro Ottawa Holding Inc.**'s powers hereunder shall preclude other and further exercise thereof or the exercise of any other power.

7. **ASSIGNMENT**

This Promissory Note may not be assigned by **Hydro Ottawa Limited** without the written consent of **Hydro Ottawa Holding Inc.**

8. **GOVERNING LAW**

This Promissory Note shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

9. **CANCELLATION OF PREVIOUS NOTE**

This interest bearing Promissory Note in the amount of fifty million dollars (\$50,000,000) replaces the Demand Promissory Note dated **December 20, 2006** in the amount of fifty million dollars (\$50,000,000) made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.**

IN WITNESS WHEREOF **Hydro Ottawa Limited** has duly executed this Promissory Note.

HYDRO OTTAWA LIMITED



Per: _____

Name: J. Bryce Conrad

Title: President and Chief Executive Officer



Per: _____

Name: Geoff Simpson

Title: Chief Financial Officer

PROMISSORY NOTE

Principal: \$107,185,000 lawful money of Canada	Effective May 14 th , 2013
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For value received, **Hydro Ottawa Limited** hereby unconditionally promises to pay to the order of **Hydro Ottawa Holding Inc.** at Ottawa, Canada on May 14, 2043 (the "Due Date") the principal amount of one hundred seven million one hundred eighty five thousand dollars (\$107,185,000) (the "Principal Amount") in lawful money of Canada and interest thereon upon the terms and subject to the conditions set forth below.

1. **INTEREST RATE**

The rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 4.144% per annum from May 14, 2013 to May 13, 2018 (the first five years). Subsequently, the rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 3.991% per annum from May 14, 2018 to May 13, 2043.

2. **TERMS OF PAYMENT**

The interest payable hereunder shall be calculated and payable monthly in arrears on the first day of each month, both before and after demand, default and judgment. **Hydro Ottawa Limited** shall pay to **Hydro Ottawa Holding Inc.**, on demand, interest on overdue interest at the rate described in section 1 hereof compounded on each date for the payment of interest on this Promissory Note before and after judgment.

3. **REPAYMENT**

- (1) Subject to the terms and conditions set out in sub-section 3 (4) herein, **Hydro Ottawa Limited** may, at any time, repay in whole or in part the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note and interest owing under this Promissory Note.
- (2) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable within 30 days following a change of control of **Hydro Ottawa Limited**. For the purpose of this sub-section control means with respect to **Hydro Ottawa Limited** at any time:
 - a. holding, as owner or other beneficiary, other than solely as beneficiary of an unrealized security interest, directly or indirectly, securities or ownership interests of **Hydro Ottawa Limited** carrying votes or ownership interests

sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of **Hydro Ottawa Limited**, or

- b. the exercise of de facto control of **Hydro Ottawa Limited**, whether direct or indirect and whether through the ownership of securities or ownership interests, by contract, trust or otherwise.

Hydro Ottawa Holding Inc. shall provide **Hydro Ottawa Limited** with no less than twenty (20) days' prior notice of the requirement to repay Principal and interest.

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

- (3) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable in the event that **Hydro Ottawa Limited**:

- a. disposes of substantially all of its property or assets;
- b. fails to pay any principal, premium or interest on an indebtedness however incurred beyond any period of grace applicable to such indebtedness, where the amount of the indebtedness is \$25 million or greater;
- c. fails to perform or observe an agreement, term or condition contained in any agreement under which an indebtedness in the amount of \$25 million or greater becomes due and payable; or
- d. for any other reason causes the whole or any part of the Principal Amount to be repayable to **Hydro Ottawa Holding Inc.** in advance of the Due Date;

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

- (4) In the event that **Hydro Ottawa Limited** chooses to repay or is required to repay in whole or in part the Principal Amount remaining unpaid and accrued and unpaid interest in accordance with sub-sections 3 (1), (2) or (3) herein, **Hydro Ottawa Limited** shall:

- a. Provide, where such repayment is initiated at the request of **Hydro Ottawa Limited**, at least fifty (50) days' prior notice in writing to **Hydro Ottawa Holding Inc.** setting out the proposed amount of the Principal Amount and accrued and unpaid interest that it proposes to pay and the date of such payment;
- b. Pay to **Hydro Ottawa Holding Inc.** in respect of the Principal Amount and accrued and unpaid interest to be paid, an amount calculated and determined

by **Hydro Ottawa Holding Inc.** in the same manner and subject to the same conditions (subject to any necessary changes) as the Redemption Price respecting an equivalent payment of principal as is set out in the Series 2013 – 1 Supplemental Indenture dated as of May 14, 2013 between Hydro Ottawa Holding Inc. and BNY Trust Company of Canada;

- c. Indemnify **Hydro Ottawa Holding Inc.**, in addition to the amount calculated and determined pursuant to sub-section 3 (4)(b) herein, for any damages, losses, liabilities, claims, demands, interest, charges, fines, penalties, assessments, judgments, costs and expenses suffered or asserted directly or indirectly arising from any payment made pursuant to sub-section 3 (1), (2) or (3) herein or any delay in providing such payment.

4. **SUBORDINATION**

The obligation of **Hydro Ottawa Limited** to pay the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note, together with interest thereon in accordance with and pursuant to this Promissory Note is subordinated and postponed to the obligations of **Hydro Ottawa Limited** to a third party for the payment in full of any secured indebtedness and all security interests granted to secure such obligations of **Hydro Ottawa Limited**.

5. **WAIVER OF NOTICE IN EVENT OF DEFAULT**

Hydro Ottawa Limited hereby waives presentment, protest and notice of any kind in the enforcement of this Promissory Note. **Hydro Ottawa Limited** further agrees to pay all costs of collection, including legal fees on a solicitor and client basis, in case the Principal Amount, or the amount remaining unpaid from time to time on this Promissory Note, or any payment of interest thereon is not made when due.

6. **RIGHTS AND REMEDIES IN EVENT OF DEFAULT**

The rights and remedies of **Hydro Ottawa Holding Inc.** under this Promissory Note which it may have at law or in equity against **Hydro Ottawa Limited** shall be distinct, separate and cumulative, and shall not be deemed inconsistent with one another, and none of the said rights, whether or not exercised by **Hydro Ottawa Holding Inc.**, shall be deemed to be to the exclusion of any other, and any one or more of said rights and remedies may be exercised at the same time. The obligations of **Hydro Ottawa Limited** under this Promissory Note shall continue until the entire debt evidenced hereby is paid, notwithstanding any court action or actions taken by **Hydro Ottawa Holding Inc.** which may be brought to recover any amounts due and payable under this Promissory Note. No delay or failure by **Hydro Ottawa Holding Inc.** in the enforcement of any covenant, promise or agreement of **Hydro Ottawa Limited** hereunder shall constitute or be deemed to constitute a waiver of such right. Any waivers of **Hydro Ottawa Holding Inc.** shall only occur and be valid when set forth in writing by **Hydro Ottawa Holding Inc.** No waiver of any event of default shall

discharge or release any person at any time liable for the payment of this Promissory Note from such liability. No single or partial exercise of any of **Hydro Ottawa Holding Inc.**'s powers hereunder shall preclude other and further exercise thereof or the exercise of any other power.

7. **ASSIGNMENT**

This Promissory Note may not be assigned by **Hydro Ottawa Limited** without the written consent of **Hydro Ottawa Holding Inc.**

8. **GOVERNING LAW**

This Promissory Note shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

9. **CANCELLATION OF PREVIOUS NOTE**

This interest bearing Promissory Note in the amount of one hundred seven million, one hundred eighty five thousand dollars (\$107,185,000) replaces the Demand Promissory Note dated **July 1, 2005** in the amount of thirty two million, one hundred eighty five thousand dollars (\$32,185,000) made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.** and the Grid Promissory Note dated **January 1, 2009** in the amount of seventy five million dollars (\$75,000,000) made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.**

IN WITNESS WHEREOF **Hydro Ottawa Limited** has duly executed this Promissory Note.

HYDRO OTTAWA LIMITED

Per: 
Name: J. Bryce Conrad
Title: President and Chief Executive Officer

Per: 
Name: Geoff Simpson
Title: Chief Financial Officer

PROMISSORY NOTE

Principal: \$138,667,000 lawful money of Canada	Effective February 9 th , 2015
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For value received, **Hydro Ottawa Limited** hereby unconditionally promises to pay to the order of **Hydro Ottawa Holding Inc.** at Ottawa, Canada on February 3, 2025 (the "Due Date") the principal amount of one hundred thirty eight million, six hundred sixty seven thousand dollars (\$138,667,000) (the "Principal Amount") in lawful money of Canada and interest thereon upon the terms and subject to the conditions set forth below.

1. INTEREST RATE

The rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 2.724% per annum from February 9, 2015 to February 3, 2020 (the first five years). Subsequently, the rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 2.614% per annum from February 4, 2020 to February 3, 2025.

2. TERMS OF PAYMENT

The interest payable hereunder shall be calculated and payable monthly in arrears on the first day of each month, both before and after demand, default and judgment. **Hydro Ottawa Limited** shall pay to **Hydro Ottawa Holding Inc.**, on demand, interest on overdue interest at the rate described in section 1 hereof compounded on each date for the payment of interest on this Promissory Note before and after judgment.

3. REPAYMENT

- (1) Subject to the terms and conditions set out in sub-section 3 (4) herein, **Hydro Ottawa Limited** may, at any time, repay in whole or in part the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note and interest owing under this Promissory Note.
- (2) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable within 30 days following a change of control of **Hydro Ottawa Limited**. For the purpose of this sub-section control means with respect to **Hydro Ottawa Limited** at any time:
 - a. holding, as owner or other beneficiary, other than solely as beneficiary of an unrealized security interest, directly or indirectly, securities or ownership interests of **Hydro Ottawa Limited** carrying votes or ownership interests

sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of **Hydro Ottawa Limited**, or

- b. the exercise of de facto control of **Hydro Ottawa Limited**, whether direct or indirect and whether through the ownership of securities or ownership interests, by contract, trust or otherwise.

Hydro Ottawa Holding Inc. shall provide **Hydro Ottawa Limited** with no less than twenty (20) days' prior notice of the requirement to repay Principal and interest.

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

(3) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable in the event that **Hydro Ottawa Limited**:

- a. disposes of substantially all of its property or assets;
- b. fails to pay any principal, premium or interest on an indebtedness however incurred beyond any period of grace applicable to such indebtedness, where the amount of the indebtedness is \$25 million or greater;
- c. fails to perform or observe an agreement, term or condition contained in any agreement under which an indebtedness in the amount of \$25 million or greater becomes due and payable; or
- d. for any other reason causes the whole or any part of the Principal Amount to be repayable to **Hydro Ottawa Holding Inc.** in advance of the Due Date;

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

(4) In the event that **Hydro Ottawa Limited** chooses to repay or is required to repay in whole or in part the Principal Amount remaining unpaid and accrued and unpaid interest in accordance with sub-sections 3 (1), (2) or (3) herein, **Hydro Ottawa Limited** shall:

- a. Provide, where such repayment is initiated at the request of **Hydro Ottawa Limited**, at least fifty (50) days' prior notice in writing to **Hydro Ottawa Holding Inc.** setting out the proposed amount of the Principal Amount and accrued and unpaid interest that it proposes to pay and the date of such payment;
- b. Pay to **Hydro Ottawa Holding Inc.** in respect of the Principal Amount and accrued and unpaid interest to be paid, an amount calculated and determined

by **Hydro Ottawa Holding Inc.** in the same manner and subject to the same conditions (subject to any necessary changes) as the Redemption Price respecting an equivalent payment of principal as is set out in the Series 2015 – 1 Supplemental Indenture dated as of February 2, 2015 between Hydro Ottawa Holding Inc. and BNY Trust Company of Canada;

- c. Indemnify **Hydro Ottawa Holding Inc.**, in addition to the amount calculated and determined pursuant to sub-section 3 (4)(b) herein, for any damages, losses, liabilities, claims, demands, interest, charges, fines, penalties, assessments, judgments, costs and expenses suffered or asserted directly or indirectly arising from any payment made pursuant to sub-section 3 (1), (2) or (3) herein or any delay in providing such payment.

4. SUBORDINATION

The obligation of **Hydro Ottawa Limited** to pay the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note, together with interest thereon in accordance with and pursuant to this Promissory Note is subordinated and postponed to the obligations of **Hydro Ottawa Limited** to a third party for the payment in full of any secured indebtedness and all security interests granted to secure such obligations of **Hydro Ottawa Limited**.

5. WAIVER OF NOTICE IN EVENT OF DEFAULT

Hydro Ottawa Limited hereby waives presentment, protest and notice of any kind in the enforcement of this Promissory Note. **Hydro Ottawa Limited** further agrees to pay all costs of collection, including legal fees on a solicitor and client basis, in case the Principal Amount, or the amount remaining unpaid from time to time on this Promissory Note, or any payment of interest thereon is not made when due.

6. RIGHTS AND REMEDIES IN EVENT OF DEFAULT

The rights and remedies of **Hydro Ottawa Holding Inc.** under this Promissory Note which it may have at law or in equity against **Hydro Ottawa Limited** shall be distinct, separate and cumulative, and shall not be deemed inconsistent with one another, and none of the said rights, whether or not exercised by **Hydro Ottawa Holding Inc.**, shall be deemed to be to the exclusion of any other, and any one or more of said rights and remedies may be exercised at the same time. The obligations of **Hydro Ottawa Limited** under this Promissory Note shall continue until the entire debt evidenced hereby is paid, notwithstanding any court action or actions taken by **Hydro Ottawa Holding Inc.** which may be brought to recover any amounts due and payable under this Promissory Note. No delay or failure by **Hydro Ottawa Holding Inc.** in the enforcement of any covenant, promise or agreement of **Hydro Ottawa Limited** hereunder shall constitute or be deemed to constitute a waiver of such right. Any waivers of **Hydro Ottawa Holding Inc.** shall only occur and be valid when set forth in writing by **Hydro Ottawa Holding Inc.** No waiver of any event of default shall

discharge or release any person at any time liable for the payment of this Promissory Note from such liability. No single or partial exercise of any of **Hydro Ottawa Holding Inc.**'s powers hereunder shall preclude other and further exercise thereof or the exercise of any other power.

7. **ASSIGNMENT**

This Promissory Note may not be assigned by **Hydro Ottawa Limited** without the written consent of **Hydro Ottawa Holding Inc.**

8. **GOVERNING LAW**

This Promissory Note shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

9. **CANCELLATION OF PREVIOUS NOTE**

This interest bearing Promissory Note in the amount of one hundred thirty eight million, six hundred sixty seven thousand dollars (\$138,667,000) replaces 53.33% of the Promissory Note dated **May 14, 2013** in the amount of two hundred million dollars (\$200,000,000) made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.** which matured February 9, 2015, and 53.33% of the \$60,000,000 outstanding as of February 9, 2015 on the Grid Promissory Note dated **May 14, 2013** made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.**

IN WITNESS WHEREOF **Hydro Ottawa Limited** has duly executed this Promissory Note.

HYDRO OTTAWA LIMITED

Per: 

Name: J. Bryce Conrad

Title: President and Chief Executive Officer

Per: 

Name: Geoff Simpson

Title: Chief Financial Officer

PROMISSORY NOTE

Principal: \$121,333,000 lawful money of Canada	Effective February 9 th , 2015
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For value received, **Hydro Ottawa Limited** hereby unconditionally promises to pay to the order of **Hydro Ottawa Holding Inc.** at Ottawa, Canada on February 2, 2045 (the "Due Date") the principal amount of one hundred twenty one million, three hundred thirty three thousand dollars (\$121,333,000) (the "Principal Amount") in lawful money of Canada and interest thereon upon the terms and subject to the conditions set forth below.

1. INTEREST RATE

The rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 3.769% per annum from February 9, 2015 to February 2, 2020 (the first five years). Subsequently, the rate of interest payable on the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note shall be 3.639% per annum from February 3, 2020 to February 2, 2045.

2. TERMS OF PAYMENT

The interest payable hereunder shall be calculated and payable monthly in arrears on the first day of each month, both before and after demand, default and judgment. **Hydro Ottawa Limited** shall pay to **Hydro Ottawa Holding Inc.**, on demand, interest on overdue interest at the rate described in section 1 hereof compounded on each date for the payment of interest on this Promissory Note before and after judgment.

3. REPAYMENT

- (1) Subject to the terms and conditions set out in sub-section 3 (4) herein, **Hydro Ottawa Limited** may, at any time, repay in whole or in part the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note and interest owing under this Promissory Note.
- (2) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable within 30 days following a change of control of **Hydro Ottawa Limited**. For the purpose of this sub-section control means with respect to **Hydro Ottawa Limited** at any time:
 - a. holding, as owner or other beneficiary, other than solely as beneficiary of an unrealized security interest, directly or indirectly, securities or ownership interests of **Hydro Ottawa Limited** carrying votes or ownership interests

sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of **Hydro Ottawa Limited**, or

- b. the exercise of de facto control of **Hydro Ottawa Limited**, whether direct or indirect and whether through the ownership of securities or ownership interests, by contract, trust or otherwise.

Hydro Ottawa Holding Inc. shall provide **Hydro Ottawa Limited** with no less than twenty (20) days' prior notice of the requirement to repay Principal and interest.

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

- (3) **Hydro Ottawa Holding Inc.** may require that **Hydro Ottawa Limited** repay the Principal Amount and interest payable in the event that **Hydro Ottawa Limited**:

- a. disposes of substantially all of its property or assets;
- b. fails to pay any principal, premium or interest on an indebtedness however incurred beyond any period of grace applicable to such indebtedness, where the amount of the indebtedness is \$25 million or greater;
- c. fails to perform or observe an agreement, term or condition contained in any agreement under which an indebtedness in the amount of \$25 million or greater becomes due and payable; or
- d. for any other reason causes the whole or any part of the Principal Amount to be repayable to **Hydro Ottawa Holding Inc.** in advance of the Due Date;

The amount to be repaid in respect of the Principal Amount and accrued and unpaid interest shall be determined in accordance with sub-section 3 (4) herein.

- (4) In the event that **Hydro Ottawa Limited** chooses to repay or is required to repay in whole or in part the Principal Amount remaining unpaid and accrued and unpaid interest in accordance with sub-sections 3 (1), (2) or (3) herein, **Hydro Ottawa Limited** shall:

- a. Provide, where such repayment is initiated at the request of **Hydro Ottawa Limited**, at least fifty (50) days' prior notice in writing to **Hydro Ottawa Holding Inc.** setting out the proposed amount of the Principal Amount and accrued and unpaid interest that it proposes to pay and the date of such payment;
- b. Pay to **Hydro Ottawa Holding Inc.** in respect of the Principal Amount and accrued and unpaid interest to be paid, an amount calculated and determined

by **Hydro Ottawa Holding Inc.** in the same manner and subject to the same conditions (subject to any necessary changes) as the Redemption Price respecting an equivalent payment of principal as is set out in the Series 2015 – 2 Supplemental Indenture dated as of February 2, 2015 between Hydro Ottawa Holding Inc. and BNY Trust Company of Canada;

- c. Indemnify **Hydro Ottawa Holding Inc.**, in addition to the amount calculated and determined pursuant to sub-section 3 (4)(b) herein, for any damages, losses, liabilities, claims, demands, interest, charges, fines, penalties, assessments, judgments, costs and expenses suffered or asserted directly or indirectly arising from any payment made pursuant to sub-section 3 (1), (2) or (3) herein or any delay in providing such payment.

4. **SUBORDINATION**

The obligation of **Hydro Ottawa Limited** to pay the Principal Amount or the amount remaining unpaid from time to time on this Promissory Note, together with interest thereon in accordance with and pursuant to this Promissory Note is subordinated and postponed to the obligations of **Hydro Ottawa Limited** to a third party for the payment in full of any secured indebtedness and all security interests granted to secure such obligations of **Hydro Ottawa Limited**.

5. **WAIVER OF NOTICE IN EVENT OF DEFAULT**

Hydro Ottawa Limited hereby waives presentment, protest and notice of any kind in the enforcement of this Promissory Note. **Hydro Ottawa Limited** further agrees to pay all costs of collection, including legal fees on a solicitor and client basis, in case the Principal Amount, or the amount remaining unpaid from time to time on this Promissory Note, or any payment of interest thereon is not made when due.

6. **RIGHTS AND REMEDIES IN EVENT OF DEFAULT**

The rights and remedies of **Hydro Ottawa Holding Inc.** under this Promissory Note which it may have at law or in equity against **Hydro Ottawa Limited** shall be distinct, separate and cumulative, and shall not be deemed inconsistent with one another, and none of the said rights, whether or not exercised by **Hydro Ottawa Holding Inc.**, shall be deemed to be to the exclusion of any other, and any one or more of said rights and remedies may be exercised at the same time. The obligations of **Hydro Ottawa Limited** under this Promissory Note shall continue until the entire debt evidenced hereby is paid, notwithstanding any court action or actions taken by **Hydro Ottawa Holding Inc.** which may be brought to recover any amounts due and payable under this Promissory Note. No delay or failure by **Hydro Ottawa Holding Inc.** in the enforcement of any covenant, promise or agreement of **Hydro Ottawa Limited** hereunder shall constitute or be deemed to constitute a waiver of such right. Any waivers of **Hydro Ottawa Holding Inc.** shall only occur and be valid when set forth in writing by **Hydro Ottawa Holding Inc.** No waiver of any event of default shall

discharge or release any person at any time liable for the payment of this Promissory Note from such liability. No single or partial exercise of any of **Hydro Ottawa Holding Inc.**'s powers hereunder shall preclude other and further exercise thereof or the exercise of any other power.

7. **ASSIGNMENT**

This Promissory Note may not be assigned by **Hydro Ottawa Limited** without the written consent of **Hydro Ottawa Holding Inc.**

8. **GOVERNING LAW**

This Promissory Note shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

9. **CANCELLATION OF PREVIOUS NOTE**

This interest bearing Promissory Note in the amount of one hundred twenty one million, three hundred thirty three thousand dollars (\$121,333,000) replaces 46.67% of the Promissory Note dated **May 14, 2013** in the amount of two hundred million dollars (\$200,000,000) made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.** which matured February 9, 2015, and 46.67% of the \$60,000,000 outstanding as of February 9, 2015 on the Grid Promissory Note dated **May 14, 2013** made between **Hydro Ottawa Limited** and **Hydro Ottawa Holding Inc.**

IN WITNESS WHEREOF **Hydro Ottawa Limited** has duly executed this Promissory Note.

HYDRO OTTAWA LIMITED

Per: 

Name: J. Bryce Conrad

Title: President and Chief Executive Officer

Per: 

Name: Geoff Simpson

Title: Chief Financial Officer