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June 10, 2016

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**Re: Wasaga Distribution Inc. (“WDI”), Promissory Note  
Board File No: EB-2015-0107**

On March 24, 2016 the Ontario Energy Board (the “OEB”) issued its Decision and Rate Order in this proceeding. As part of the Decision, the OEB approved the Settlement Proposal by the parties to the proceeding.

Issue 2.1 in the OEB-approved Issues List (relating to Revenue Requirement) was: “Are all the elements of the Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?” This issue was addressed in the Settlement Proposal, and the discussion of that issue included a matter related to the Cost of Capital. This was numbered as Issue 2.1.1, and the discussion can be found on page 17 of the Settlement Proposal.

As part of the resolution of Issue 2.1.1, the Settlement Proposal provides:

The Promissory Note between the Municipal Shareholder and Wasaga Distribution Inc. (“WDI”) had originally provided for the 10 year Government of Canada bond rate (as shown in Exhibit 5, Appendix A), but as of 2004, the rate had been revised by WDI and the Municipal Shareholder to the OEB’s deemed interest rate, where it has remained each year. The Parties accept the use of an estimated 10 year bond rate of 3.78% based on the OEB’s 4.54% Cost of Capital Parameters Update for the 2016 Application calculation, excluding the spread between the OEB’s 30 year and 10 year bond rate (0.756%) in lieu of a properly documented Promissory Note between WDI and their Shareholder. This is because the current Promissory Note does not reflect amendments agreed to by WDI and its Shareholder effective in 2004. The parties agree that, should the OEB approve the Settlement Proposal, that WDI will provide further documentation of the debt obligation within 90 days after such OEB approval.



Pursuant to the final sentence of that extract, please find accompanying this letter copies of an executed Promissory Note in the principal amount of \$3,593,269 payable by Wasaga Distribution Inc. to the Corporation of the Town of Wasaga Beach; and an executed Amended and Restated Promissory Note in the same principal amount reflecting the OEB-approved settlement.

If you have any questions, please do not hesitate to contact the undersigned at (705) – 429 -2517 or via email at [j.tackaberry@wasagadist.ca](mailto:j.tackaberry@wasagadist.ca)

Yours very truly,

Joanne Tackaberry, CPA, CGA  
Director of Finance  
Wasaga Distribution Inc.

## PROMISSORY NOTE

**Principal Amount: \$3,593,269**

### 1. Effective date

This promissory note shall have no effect by way of interest or principal until ratified by **WASAGA DISTRIBUTION INC.** (the "Corporation").

### 2. Promise to Pay

**FOR VALUE RECEIVED** the Corporation acknowledges itself indebted and hereby promises to pay The Corporation of the Town of Wasaga Beach or its successor or assignee (the "Town") at its offices at 30 Lewis Street, Wasaga Beach, Ontario (or at such other place as the Town may direct the Corporation in writing) the principal sum of **\$3,593,269** in lawful money of Canada, together with interest thereon as hereinafter provided.

### 3. Interest

Interest shall be payable on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing under this promissory note. The interest rate payable in any given year shall be the Government of Canada 10 year bond rate posted by the Bank of Canada on December 31st of each year. At the option of the Corporation, interest under this Promissory Note may be payable in cash or, in lieu thereof, in additional common shares in the capital of the Corporation.

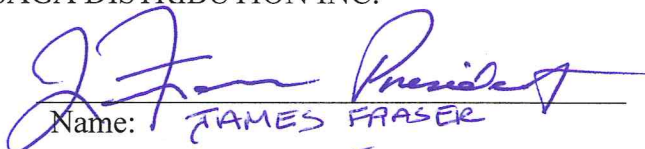
### 4. Principal Payments

The Corporation shall have the option of prepaying the principal amount hereof at any time, in whole or in part, without notice or bonus and further shall have the option to redeem any shares issued under this note at the value at the date of issue.

DATED at Wasaga Beach, this **30<sup>TH</sup>** day of **MAY**, 2016, with effect as of the 30<sup>th</sup> day of October, 2000

WASAGA DISTRIBUTION INC.

Per:

  
Name: **JAMES FRASER**

Title: **PRESIDENT**

I have authority to bind the corporation.

## AMENDED AND RESTATED PROMISSORY NOTE

**Principal Amount: \$3,593,269**

### 1. Amendment and Restatement

This promissory note amends and restates a Promissory Note (the "**Predecessor Note**") issued by Wasaga Distribution Corporation to The Corporation of the Town of Wasaga Beach (the "**Town**") with effect as of October 30<sup>th</sup>, 2000 for the Principal Amount. The Predecessor Note was issued pursuant to By-law No. 2000-64 of the Town.

This promissory note amends the terms of repayment of, and does not extinguish, the debt created pursuant to the transfer by-law (enacted pursuant to the authority granted under the *Electricity Act, 1998*) as set forth in By-Law No. 2000-64 of the Town, and the Predecessor Note.

### 2. Promise to Pay

**FOR VALUE RECEIVED** the Corporation acknowledges itself indebted and hereby promises to pay The Corporation of the Town of Wasaga Beach or its successor or assignee at its offices at 30 Lewis Street, Wasaga Beach, Ontario (or at such other place as the Town may direct the Corporation in writing) the principal sum of **\$3,593,269** in lawful money of Canada, together with interest thereon as hereinafter provided.

### 3. Interest

Interest on the Principal Amount shall be calculated annually, not in advance, and payable to the Town on the 30<sup>th</sup> day following December 31<sup>st</sup> of each year in which principal is owing under this promissory note. The annual interest rate payable in any given year will be equal to any interest rate deemed or approved by the Ontario Energy Board ("**Board**") in connection with the then current decision and order issued by the Board approving the electricity distribution rates that the Corporation is permitted to recover. At the option of the Corporation, interest under this promissory note may be payable in cash or, in lieu thereof, in additional common shares in the capital of the Corporation.

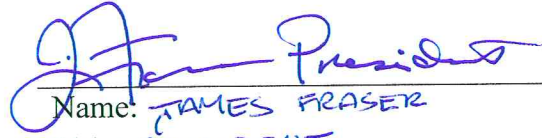
### 4. Principal Payments

The Corporation shall have the option of prepaying the Principal Amount hereof at any time, in whole or in part, without notice or bonus and further shall have the option to redeem any shares issued under this note at the value at the date of such issue.

DATED at Wasaga Beach, this 30<sup>TH</sup> day of MAY, 2016, with effect as of the 30<sup>TH</sup> day of MAY, 2016

WASAGA DISTRIBUTION INC.

Per:



Name: JAMES FRASER

Title: PRESIDENT

I have authority to bind the corporation.