McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6
Canada
Tel: 416-362-1812
Fax: 416-868-0673

George Vegh
Direct Line: 416 601-7709
Direct Fax: 416 868-0673
Email: gvegh@mccarthy.ca

July 14, 2017

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON M4P 1E4

Attention: Ms Kirsten Walli
Board Secretary

Dear Ms. Walli:

Re: Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation application under section 86 of the *Ontario Energy Board Act, 1998* and application for other related relief

Please find enclosed an application pursuant to section 86 of the *Ontario Energy Board Act, 1998*, filed on behalf of applicants Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation.

Please do not hesitate to contact the undersigned if you have any questions in relation to the foregoing.

Sincerely,

Signed in the original

George Vegh

cc. J. Mark Rodger, counsel to Midland Power Utility Corporation

ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for leave to purchase all of the issued and outstanding shares of Midland Power Utility Corporation under section 86(2)(b) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation for leave to transfer its distribution system to Newmarket-Tay Power Distribution Ltd. under section 86(1)(a) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation for leave to transfer its rate order to Newmarket-Tay Power Distribution Ltd. under section 18(1) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation to cancel its distribution licence pursuant to section 77(5) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for an order to amend Newmarket-Tay Power Distribution Ltd.'s licence pursuant to section 74 of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B).

APPLICATION AND EVIDENCE

Filed: July 14, 2017

Exhibit A: Table of Contents

1 **Mapping of Application to filing requirements**

	Filing Requirements	Reference
2.1 The Index	Index	See Exhibit A: Table of contents
2.2 The Application		
2.2.1 Administrative		
	Certification of the Evidence	See "Certification of the Evidence" immediately following this table
	Details of the authorized representative of the applicant/s, including the name, phone and fax numbers, and email and delivery addresses	Section A(1) and Section A(4)
	Legal name of the other party or parties to the transaction, if not an applicant	No other parties that are not applicants
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	See above
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Section A(2) and Section A(3)
2.2.2 Description of the Business of the Parties to the Transaction		
	Describe the business of each of the parties to the proposed transaction, Including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity.	Section B(1)
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, If applicable, noting whether service area boundaries are contiguous or if not the relative distance between service boundaries.	Section B(2)
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Section B(4)
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Section B(3)
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Section B(1) and Schedule "A"
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the current net metering thresholds of the utilities involved in the proposed transaction.	Section B(5)
2.2.3 Description of the Proposed Transaction		
	Provide a detailed description of the proposed transaction.	Section C(1)
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the *Ontario Energy Board Act, 1998*.	Section A(2) and Section A(3)
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Section C(1)
	Provide all final legal documents to be used to implement the	Section C(2) and Schedule "E"

	Filing Requirements	Reference
	proposed transaction.	
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Section C(3) and Schedule "F"
2.2.4 Impact of the Proposed Transaction		
Objective 1- Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service		
	Indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Section D(1)
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post transaction and in the absence of the transaction.	Section D(2)
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	Section D(3)
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Section D(4)
	Describe how the distribution or transmission systems within the service areas will be operated.	Section D(4)
Objective 2 - Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity); identifying the various aspect of utility operations where the applicant expects sustained operation efficiencies (both quantitative and qualitative).	Section D(5)
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental merged costs (e.g. employee severances), and incremental on-going costs (e g purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Section D(6)
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Section D(7)
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	Section D(8)
	Provide details of the financing of the proposed transaction.	Section D(9)
	Provide financial statements (including balance sheet. income statement, and cash flow statement) of the parties to	Section D(10) and Schedule "G"

	Filing Requirements	Reference
	the proposed transaction for the past two most recent years	
	Provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following the completion of the proposed transaction.	Section D(10) and Schedule "G"
2.2.5 Rate considerations for consolidation applications		
	Indicate a specific deferred rate rebasing period that has been chosen	Section E(1)
	For deferred rebasing periods greater than five years, confirm that the ESM will be as required by the 2015 Report and the Handbook	Section E(2)
	If the applicants proposed ESM a different from the ESM set out in the 2015 Report, the applicant must provide evidence to demonstrate the benefit to the customers of the acquired distributor	Section E(2)
2.2.6 Other Related Matters		
	a) Approval to continue with existing rate riders	Section F(2)
	b) Transfer of rate order and licence	Section A(3)
	c) Licence amendment and cancellation	Section A(3)
	d) Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Section F(2)
	e) Confirmation re no change in accounting standards for financial reporting following the closing of the proposed transaction	Section F(3)

CERTIFICATION OF EVIDENCE

As President and CEO of Newmarket-Tay Power Distribution Ltd. and in my capacity as an officer of that corporation and without personal liability, I hereby certify to the best of my knowledge and as at the date of this certification that the evidence in the Application is accurate, consistent and complete.

Paul Ferguson, President

CERTIFICATION OF EVIDENCE

As President and CEO of Midland Power Utility Corporation and in my capacity as an officer of that corporation and without personal liability, I hereby certify to the best of my knowledge and as at the date of this certification that the evidence in the Application is accurate, consistent and complete.

Phil Marley, President and CEO

Exhibit B: The Application

A. INTRODUCTION & ADMINISTRATIVE

1. THE APPLICANTS

This is an application (the "**Application**") to the Ontario Energy Board (the "**OEB**" or the "**Board**") for the approvals required to effect the purchase by Newmarket-Tay Power Distribution Ltd. ("**NT Power**") of Midland Power Utility Corporation ("**MPUC**") (collectively, the "**Applicants**").

NT Power is a local electricity distribution company with approximately 45,000 customers/connections in the Town of Newmarket ("**Newmarket**") and the Township of Tay ("**Tay**"). NT Power's electrical system spans nearly 360 kilometres of line and is supplied by nine 44,000 volt feeders from Hydro One Networks Inc. ("**HONI**")'s Armitage, Holland and Waubaushene transformer stations.

MPUC is a local electricity distribution company which serves approximately 9,100 customers/connections in the Town of Midland ("**Midland**"). MPUC's electrical system spans over 130 kilometers of line and is supplied by four 44,000 volt feeders from HONI's Waubaushene transformer station.

This Application is organized to generally follow the order of requirements for consolidation applications as set out in the Board's *Handbook to Electricity Distributor and Transmitter Consolidations* (the "**Handbook**"). The mapping of evidence provided at pages 4-6 above pinpoints the exact location of the evidence responsive to each of the Board's requirements. This Application is consistent with the Handbook as well as the Board's March 26, 2015 *Report of the Board on Rate-Making Associated with Distributor Consolidation* (the "**Consolidation Report**").

2. OVERVIEW OF APPLICATION INCLUDING OVERVIEW OF NATURE OF THE TRANSACTION FOR WHICH APPROVAL OF THE OEB IS SOUGHT

On June 1, 2017 and as further described herein, Midland and NT Power entered into a Share Purchase Agreement pursuant to which, subject to the parties obtaining the required approvals, Midland has agreed to sell, and NT Power has agreed to purchase, all of the issued and outstanding shares of MPUC. Once NT Power has acquired all of the shares of MPUC, it is proposed that the two corporations will amalgamate promptly to form what is referred to in this Application as the "**Combined Utility**".

In light of the foregoing, the Applicants hereby apply to the OEB for the following approvals:

- Leave for NT Power to purchase all of the issued and outstanding shares of MPUC, as required pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the "**OEB Act**");
- Leave for MPUC to transfer its distribution system to NT Power, as required by section 86(1)(a) of the OEB Act;
- An order pursuant to section 18 of the OEB Act to transfer MPUC's current rate order to NT Power;
- An order to cancel MPUC's existing distribution licence pursuant to section 77(5) of the OEB Act; and
- An order to amend NT Power's licence pursuant to section 74 of the OEB Act.

No-harm test

In the "Combined Proceeding"[1], the OEB set out the test which continues to be applied to-date when the OEB considers whether a proposed consolidation transaction should be approved. This test is referred to as the "no-harm" test, and it considers whether the proposed transaction will have an adverse effect on the attainment of the OEB's statutory objectives as set out in section 1 of the OEB Act. If the proposed transaction has a positive or neutral effect on the attainment of these objectives, the OEB will approve the application.[2]

As will be demonstrated in this Application, the proposed transaction passes the "no-harm" test as the evidence demonstrates that the transaction is expected to have a positive effect on the attainment of the Board's statutory objectives. More specifically:

- The proposed transaction is expected to have an overall positive effect with regards to customers of the Applicants in respect of prices and the adequacy, reliability and quality

[1] RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005/0257.
[2] See RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005/0257, see also EB-2016-0025/EB-2016-0360, page 1.

of electricity service, due to the significant efficiencies expected to be generated from the transaction (see Section D(1) and D(2), below). In particular, current customers of MPUC are expected to benefit from NT Power's lower cost structures, greater efficiencies and economies of scale.

- The proposed transaction is expected to have an overall positive effect with regards to economic efficiency and cost effectiveness and the facilitation of the maintenance of a financially viable electricity industry. More specifically, the harmonization of NT Power and MPUC's operational and administrative functions is expected to result in significant efficiencies and natural synergies as further set out Section D(5), below. NT Power's commitment to innovation is also expected to support in the transaction having a positive effect with regards to economic efficiency and cost effectiveness in the distribution of electricity.

Request for written hearing

The Applicants request that this Application be heard by way of a written hearing.

3. OTHER APPROVALS AND CONSIDERATIONS

This Application also requests the following relief:

- Approval of a ten-year deferral period for the rebasing of MPUC rates and the rates of the Combined Utility (see Section E(1), below).

- Approval of the earnings-sharing plan which would be implemented in the case of earnings above 300 basis points in years six to ten of the deferral period (see Section E(2), below);

- Approval of a deferral and variance account to track excess earnings in years six to ten of the deferral period (see Section E(2), below);

- Approval to continue with current rate riders approved by the OEB for NT Power and MPUC (see Section F(2), below); and

- Approval to continue with the current deferral and variance accounts approved by the Board for all Ontario local distribution companies ("**LDCs**") and for NT Power and MPUC specifically.

4. DETAILS OF THE AUTHORIZED REPRESENTATIVE OF THE APPLICANTS

The Applicants' authorized representatives are set out below.

Newmarket-Tay Power Distribution Ltd.

Laurie Ann Cooledge
Chief Financial Officer
lauriec@nmhydro.ca
Mailing address:
590 Steven Ct, Newmarket, ON L3Y 6Z2
Phone: (905) 953-8548 X2268
Fax: (905) 895-8931

Michelle Reesor
Regulatory Analyst
mreesor@nmhydro.ca
Mailing address:
590 Steven Ct, Newmarket, ON L3Y 6Z2
Phone: (905) 953-8548 X2265
Fax: (905) 895-8931

Newmarket-Tay Power Distribution Ltd.'s counsel

George Vegh
gvegh@mccarthy.ca
Suite 5300, TD Bank Tower, 66 Wellington, Street West, Box 48
Toronto, ON M5K 1E6
T: 416-601-7709, F: 416-868-0673

Héloïse Apestéguy-Reux
hapesteguyreux@mccarthy.ca
Suite 5300, TD Bank Tower, 66 Wellington, Street West, Box 48
Toronto, ON. M5K 1E6
T: 416-601-7809, F: 416-868-0673

Midland Power Utility Corporation

Phil Marley
President & CEO
pmarley@midlandpuc.on.ca
Mailing address:
16984 Highway #12, P.O. Box 820, Midland, ON L4R 4P4
Phone: (705) 526-9362 X204

Midland Power Utility Corporation's counsel:

J. Mark Rodger
Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower, 22 Adelaide Street West
Toronto, Ontario, Canada, M5H 4E3

B. DESCRIPTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION

1. BUSINESS OF EACH OF THE PARTIES TO THE PROPOSED TRANSACTION

NT Power and MPUC are each engaged in the business of electricity distribution in Ontario. Neither has any affiliates engaged in the generation, transmission or retailing of electricity.

NT Power is an Ontario corporation which is owned 93% by Newmarket Hydro Holdings Inc. and 7% by Tay Hydro Inc. MPUC is an Ontario corporation which is 100% owned by the Corporation of the Town of Midland. Corporate charts which show the relationship between (i) NT Power and affiliates, and (ii) MPUC and affiliates are attached hereto at Schedule “A”.

2. GEOGRAPHIC TERRITORY SERVED BY EACH OF THE PARTIES TO THE PROPOSED TRANSACTION

Maps of the NT Power and MPUC service areas are attached hereto at Schedule “B”.

NT Power’s present service area comprises two non-contiguous areas; the geographical area of Newmarket and the geographical area of Tay.[3] NT Power’s service area in Tay (the “**Tay Area**”) is contiguous with MPUC’s service area. More specifically, the Tay Area is east of and directly abuts the MPUC current geographical service area. The continguous geographical service areas of MPUC and the Tay Area enable the proposed transaction to be favourable for both customers and employees of MPUC and NT Power, as further explained herein. NT Power’s service area is described in detail in its distribution licence, attached hereto at Schedule “C”.

MPUC’s geographical service area is generally that of Midland, as further set out in MPUC’s current licence attached hereto at Schedule “D”.

3. PROPOSED GEOGRAPHIC SERVICE AREA AFTER COMPLETION OF THE PROPOSED TRANSACTION

Upon completion of this transaction the geographic area of NT Power in both Newmarket and Tay, as described in the above section, would remain unchanged. The geographic area of the

[3] With reference to NT Power’s distribution licence, attached at Schedule “C” to this Application, the “Newmarket Area” is set out in paragraphs 1, 2 and 3 and the “Tay Area” is set out in paragraphs 4 and 5.

MPUC service area, as described above, would also remain unchanged. The only change would be that each of these service areas would be served by the Combined Utility.

4. DESCRIPTION OF CUSTOMERS, INCLUDING NUMBER OF CUSTOMERS IN EACH CLASS, SERVED BY EACH OF THE PARTIES TO THE PROPOSED TRANSACTION

NT Power serves approximately 45,000 customers/connections in Newmarket and Tay. MPUC serves approximately 9,100 customers/connections in Midland.

The following table summarizes the 2016 customer/connection profile for NT Power and MPUC:

Table 1: 2016 Customer / Connection classes

	2016 Number of Customers by Class		% of Customers by Class	
	MPUC	NT Power	MPUC	NT Power
Residential	6,347	31,945	70%	71%
General Service < 50kW	775	3,147	9%	7%
General Service >= 50kW	109	373	1%	1%
Street Lighting Connections	1,846	8,979	20%	20%
Sentinel Lighting Connections	0	427	0%	1%
Unmetered Scattered Load Connections	11	51	0%	0%
Total	**9,088**	**44,922**	**100%**	**100%**

(Source: RRR Filing, 2016)

MPUC and NT Power are similar in terms of the types of customers served by each of the two utilities. Both have a customer base primarily comprising residential customers (70-71%), followed by street lighting connections (20%) and general service customers (8-10%). Currently, both NT Power and MPUC have no customer class of large user or sub-transmission customers.

NT Power's customers per square km of service area exceed the equivalent metric for MPUC. NT Power has 475 customers per square km of service area while MPUC has 354 customers per square km of service area. MPUC's 55 customers per km of line is somewhat denser than NT Power's 41 customers per km of line.

5. CURRENT NET METERING THRESHOLDS OF NT POWER AND MPUC

MPUC's current net metering threshold is 346kW and NT Power's current net metering threshold is 1,386kW. NT Power currently has 3 net metering solar generation customers. These three customers have a total installed capacity of 7 kW. MPUC currently has 2 net metering customers with a total installed capacity of 11 kW.

C. DESCRIPTION OF THE PROPOSED TRANSACTION

1. DETAILED DESCRIPTION OF THE PROPOSED TRANSACTION (INCLUDING PURCHASE PRICE)

As noted above, on June 1, 2017, Midland and NT Power entered into a Share Purchase Agreement (the "**Agreement**", attached hereto as Schedule E) pursuant to which, subject to the parties obtaining the required approvals, Midland has agreed to sell, and NT Power has agreed to purchase, all of the issued and outstanding shares of MPUC.

The purchase price (the "**Purchase Price**") for NT Power to acquire 100% of the issued and outstanding shares of MPUC will be $27,663,911, broken down as follows:

- $1,000,000 cash deposit which was paid upon the June 1, 2017 execution of the Agreement;
- assumption pursuant to the transaction of an estimated $5,617,134 of long-term debt and an estimated $77,290 of employee future benefit liabilities of MPUC; and
- a net cash payment of $20,969,487 to the Town of Midland.

These amounts are subject to adjustment in accordance with section 2.4 of the Agreement, which provides for adjustments to the purchase price based on specified updates such as updates to working capital and updates to long-term debt based on updated financial information and documentation.

NT Power will also pay Midland an additional fixed amount of $200,000 in respect of Midland's transaction costs and expenses.

The Agreement contemplates the closing of the transaction following the Parties' receipt of all required approvals, including the OEB's approval of this Application.

The Agreement also provides for a number of measures such as continued employment in and around Midland and Tay for employees of MPUC; economic development initiatives in the community, participation in community events and programs, and an advisory committee or board representation to provide a forum for communication and continuing dialogue between NT Power and Midland.[4]

Purchase Price and Premium

The Purchase Price is 1.70 times MPUC's 2015 Ontario Energy Board-approved rate base[5] of $15,796,736 plus the net regulatory assets as per MPUC's audited December 31, 2015 financial statements (attached hereto at Schedule G). NT Power was able to offer a substantial premium over the Board-approved rate base for MPUC because NT Power is confident of the unique and significant synergies which it has with MPUC in light of contiguous service territories and intertwined communities, as detailed in this Application. The purchase price premium will not be recovered through rates. Instead, the recovery of the purchase price premium will be accomplished from the estimated synergy savings.

Amalgamation following Acquisition of Shares of MPUC

Once NT Power has acquired all of the shares of MPUC pursuant to the Agreement, the two corporations will amalgamate promptly following such acquisition to form the Combined Utility.

2. FINAL LEGAL DOCUMENT TO BE USED TO IMPLEMENT THE PROPOSED TRANSACTION

The final legal document to be used to implement the transaction is the Agreement (attached hereto at Schedule "E").

3. COPY OF APPROPRIATE RESOLUTIONS BY PARTIES APPROVING THE PROPOSED TRANSACTION

Copies of resolutions authorizing this transaction made by Newmarket, Tay, Midland and NT Power are attached hereto at Schedule "F".

[4] See Sections 6.1-6.5 of the Agreement.
[5] As adjusted for 2015 pursuant to the Price Cap mechanism.

D. IMPACT OF THE PROPOSED TRANSACTION

1. IMPACT OF PROPOSED TRANSACTION ON CONSUMERS WITH RESPECT TO PRICES AND THE ADEQUACY, RELIABILITY AND QUALITY OF ELECTRICITY SERVICE

Impact with respect to prices

NT Power is proposing that MPUC customers will have rates adjusted for the next 10 years based on the Price Cap Incentive Rate-setting adjustment mechanism. NT Power will harmonize rates as the Combined Utility in year 11. Please see Section E below for information on the proposed deferred rate rebasing period and the proposed rates for customers of the Combined Utility.

The transaction is expected to both benefit and protect consumers. MPUC's customers will receive the benefits of:

(a) rate increases of less than inflation in years 1 to 10 (inflation less productivity stretch factor); and

(b) NT Power is currently operating in the OEB's efficiency cohort group 2. NT Power looks forward to the opportunity, if this application is approved by the Board, to working to bring the benefits of increased efficiency to MPUC customers. It is estimated that over time the cost structure of the MPUC service territory will move to be more in line with the distributors in cohort 2.

As a result of item (a) above, MPUC's distribution rates would remain the same, aside from a small mechanistic adjustment, for the next ten years.

At harmonization, NT Power projects that residential customers in Midland will see a distribution rate reduction as a result of the lower residential distribution rates of NT Power and the significant efficiencies as a result of the service area contiguity between the Tay Area and MPUC. NT Power expects there could be a modest increase in the distribution rates for MPUC's commercial customers which can be mitigated by (i) the significant efficiencies expected to be generated; (ii) NT Power's lower ongoing cost structures; and (iii) NT Power's intent to migrate the MPUC and Tay Area service territories to a direct connection to the Independent Electricity System Operator ("**IESO**") controlled grid.

Potential to un-embed MPUC (and Tay Area) service territories

As a result of the Midland service territory being contiguous with the Township of Tay, there is the potential for the Combined Utility to connect the Tay Area and MPUC service territories directly to the IESO controlled-grid at Waubashene transformer station. As soon as practicable following the closing of the proposed transaction, the Combined Utility will prepare a working plan to connect the Tay Area and MPUC service territory directly to the IESO controlled-grid. The Combined Utility will use commercially reasonable efforts to implement the plan within three to five years following the closing of the transaction. If successfully implemented, the plan would result in significant benefit to MPUC customers, as well as NT Power customers by the elimination of costs attributable to embedded distribution. In particular, NT Power estimates that the elimination of losses related to embedded distribution could result in a three percent average savings on MPUC customers' overall electricity bills.

Impact with respect to the adequacy, reliability and quality of electricity service

NT Power expects that it will be in a position to maintain existing MPUC service levels and quality standards for MPUC's customers. Historically, NT Power has upheld strong reliability measures in both System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") metrics. SAIFI and SAIDI results for the year ending 2015 indicate that NT Power customers benefit from superior reliability characterized by fewer outages and shorter durations when compared to many other Ontario utilities.

NT Power monitors reliability performance internally on a regular basis to identify issues and opportunities for improvement in its distribution network as a whole. Of note is that NT Power's Tay service area has seen better reliability performance as it has benefited from capital and maintenance improvements implemented following the amalgamation of the two predecessor utilities.

The existing reliability metrics for MPUC and NT Power are provided in Table 2, below.

Table 2: Existing Reliability Metrics

	2012	2013	2014	2015	2016
SAIDI					
MPUC	1.12	1.46	0.04	0.33	0.68
NT Power	0.72	0.78	0.68	0.58	1.05
SAIFI					
MPUC	1.02	0.57	0.01	0.18	0.7
NT Power	0.5	0.54	0.79	0.67	1.02

Note: NT Power does not maintain separate reliability statics for its Tay Area.

NT Power recognizes that MPUC has similar reliability standards as compared to its own and NT Power will continuously strive to improve upon these standards. NT Power anticipates that reliability may in fact improve with the combination of NT Power's Tay Area and former MPUC resources optimized for the broader Midland-Tay area.

Moreover, NT Power is committed to retaining all MPUC staff members as well as continuing the existing level of operational capability in the Midland and Tay communities. Part of the rationale for this is to best ensure that service levels are not adversely affected. By retaining MPUC employees who are familiar with the territory they service in that territory, the Combined Utility is better positioned to continue providing the best possible service levels and quality standards to MPUC's service territory.

Finally, NT Power sees an opportunity for improving reliability through the potential to unembed its Tay Area and MPUC service territories (see "Potential to un-embed MPUC (and Tay Area) service territories", above"). By doing so, the Combined Utility could use local resources to service certain outages instead of waiting for the distribution provider to address an issue with its system. NT Power anticipates that unembedding the Tay Area and MPUC service territories would lead to measurable improvements in outage durations due to loss of supply.

<u>Above-standard Customer Service</u>

NT Power expects to be able to deliver its above-standard customer service to MPUC service territory customers. As do all Ontario utilities, NT Power measures service quality indicators as prescribed by the OEB. For the 2015 reporting year, in all categories related to quality of service, NT Power's performance is at or above the OEB's standard.

NT Power has a strong culture of customer service. NT Power engages an independent survey firm to give it greater insight into how its customers view the service they receive from NT Power. In NT Power's latest survey for 2017, customers of NT Power reported an overall customer satisfaction of 91 percent, a score that is higher than Ontario and national benchmarks for electric utilities. Customer interactions were also measured by a "customer experience performance rating" that evaluated how customers felt about contact with the utility. In this measure, NT Power again recorded scores higher than Ontario and national benchmarks.

As noted in section 4, NT Power and MPUC have been realizing efficiencies in the past 8 years. This transaction will give long-term certainty to these efficiencies and the provision of best possible service levels.

Consistent with NT Power's excellent actual reliability results as reported to the OEB, NT Power customers had a very high perception of overall "power quality and reliability" as maintained by NT Power. NT Power customers generally ranked NT Power as a "respected company in the community" and gave NT Power higher than Ontario and national scores for demonstrating "credibility" and "trust".

Improving customer service would remain an ongoing objective for the Combined Utility.

2. YEAR OVER YEAR COMPARATIVE COST STRUCTURE ANALYSIS FOR THE PROPOSED TRANSACTION

The proposed 10-year cost structure for combining NT Power and MPUC is shown below. Over time it is expected that the cost structure of the MPUC service territory will move to be more in line with distributors in cohort 2, resulting in cost reductions. Both utilities have a culture of efficiency, but a downward movement of MPUC's cost structures is expected as a result of consolidation, compared to the status quo. The efficiencies over time are estimated to result in annual reductions of OM&A ranging from $248k to $1,424k.

Table 3: Comparative Cost Analysis

(000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
NT Power	6,854	7,052	7,257	7,467	7,684	7,907	8,136	8,372	8,615	8,865
MPUC	2,534	2,586	2,635	2,685	2,736	2,788	2,841	2,895	2,950	3,006
Synergies	(153)	(509)	(757)	(824)	(1,088)	(1,112)	(1,205)	(1,233)	(1,274)	(1,308)
Total	**9,235**	**9,129**	**9,135**	**9,328**	**9,332**	**9,583**	**9,772**	**10,034**	**10,291**	**10,563**
Capital										
NT Power	4,004	4,001	5,500	5,665	5,835	6,010	6,190	6,376	6,567	6,764
MPUC	553	615	2,400	985	750	773	796	820	844	869
Synergies	0	0	0	0	(773)	0	0	0	0	0
Total	**4,557**	**4,616**	**7,900**	**6,650**	**5,812**	**6,782**	**6,986**	**7,196**	**7,411**	**7,634**

3. COMPARISON OF THE OM&A COST PER CUSTOMER PER YEAR BETWEEN THE CONSOLIDATING DISTRIBUTORS

Table 4: OM&A Per Customer History

	OM&A per Customer		
	MPUC	**NT Power**	**Variance between NT Power and MPUC**
2015	$337.91	$214.43	$(123.48)
2014	$328.42	$231.48	$(96.94)
2013	$319.22	$214.87	$(104.35)
2012	$347.28	$240.26	$(107.03)
2011	$257.78	$198.21	$(59.56)

The variances between OM&A per customer between NT Power and MPUC are, in part, a result of NT Power's ability to consolidate synergies between its two corporate predecessors, Newmarket Hydro Ltd. ("**Newmarket Hydro**") and Tay Hydro Electric Distribution Company Inc. ("**Tay Hydro**"). Newmarket Hydro amalgamated with Tay Hydro on April 30, 2007.

With a variance of OM&A per customer between NT Power and MPUC ranging from $59.56 to $123.48, this demonstrates a 30-58% cost savings range over the past 5 years**.**

In 2015, MPUC's OM&A per customer experienced a historical 5 year peak of $337.91. In contrast, NT Power had a OM&A per customer of $214.43.

4. DESCRIBE HOW THE DISTRIBUTION SYSTEMS WITHIN THE SERVICE AREAS WILL BE OPERATED, INCLUDING WHETHER THE PROPOSED TRANSACTION WILL CAUSE A CHANGE OF CONTROL

Following OEB approval of the transaction, NT Power intends to amalgamate MPUC and NT Power. NT Power confirms that upon closing of the transaction, there will be a change of control of the MPUC distribution system. The MPUC distribution assets will then be integrated with, and form part of, NT Power's existing Tay Area distribution system.

NT Power currently has existing assets serving many customers abutting the current MPUC service territory, making NT Power a natural consolidator with MPUC. As part of the proposed transaction, NT Power will retain the local knowledge of existing MPUC staff. This local knowledge, in combination with NT Power's Tay Area operations and staff, will allow NT Power to operate the distribution system in a manner which, as set out above, is expected to maintain or improve reliability. The line staff of Tay Area and MPUC have, pursuant to a sharing agreement, operated as a pool for afterhours response for eight years. This arrangement is currently supporting better reliability and quality of service for both NT Power and MPUC.

5. IMPACT OF PROPOSED TRANSACTION ON ECONOMIC EFFICIENCY AND COST EFFECTIVENESS IN THE DISTRIBUTION OF ELECTRICITY

The significant potential for economic efficiencies and cost effectiveness in the provision of electricity distribution service are precisely why NT Power is proposing to acquire MPUC. NT Power has identified many potential synergies resulting from (i) the combination of the operations of MPUC and NT Power; and (ii) an integrated approach to electricity distribution infrastructure investment across the communities that comprise NT Power and MPUC's current service territories.

More specifically, the Combined Utility would harmonize operational and administrative facilities in the current MPUC and Tay Area service areas. As NT Power is currently operating in the OEB's efficiency cohort 2 while MPUC is in cohort 4, NT Power expects that over time the cost structure of the MPUC service territory within the Combined Utility would move to be more in line with those distributors in cohort 2, resulting in cost savings.

The consolidation of NT Power and MPUC also results in natural synergies due to NT Power and MPUC's contiguous service territories and intertwined communities. The geographic advantage of contiguity allows for economies of scale to be realized at the field and operational levels through the eventual integration of MPUC's and NT Power's Tay Area local systems.

In the long-term, MPUC customers are expected to benefit from operational efficiencies expected by having the MPUC's assets integrated into NT Power's Tay Area distribution system. Scale efficiencies are expected in the areas of operating and maintaining the distribution system, planning capital replacement (primarily in the areas of vehicles and work equipment), and the overhead and management functions.

Moreover, NT Power will be able to:

- rationalize local space needs through the elimination or repurposing of duplicate facilities such as service and operating centres;
- more efficiently schedule operating and maintenance work and dispatch crews over a larger service area;
- more efficiently utilize work equipment (e.g., trucks and other tools), leading to lower capital replacement needs over time; and
- eliminate the service area boundary between MPUC and NT Power's Tay Area, which will allow for more rational and efficient planning and development of the distribution systems.

All of the above provide the potential to result in operating, capital and direct customer savings over time, which will provide long-term benefits to customers relative to the status quo.

On a sub-regional level, the combination of the two utilities' respective operations provides greater ability for better service to local communities. As previously noted, these synergies may also facilitate options for new power supply to reduce customer costs and enhance service reliability.

Specific additional efficiencies which are anticipated to drive cost savings that can be passed on to customers of the Combined Utility include:

- Safety – the safety of employees and the public is the highest priority within any LDC. The existing employee and public programs would be combined to maintain the highest standards[6] while gaining cost efficiencies in delivery of the combined programs;
- One integrated management team;
- One LDC board of directors (instead of two LDC board of directors which reflects the status quo);
- Efficiencies gained in relation to after-hours service staff;
- Integration of the MPUC and NT Power smart meter systems;
- Reduction in fleet and associated maintenance costs;

[6] NT Power has an excellent public safety record. One public safety metric is the measure of NT Power's level of compliance with Ontario Regulation 22/04 - Electrical Distribution Safety ("O. Reg22/04"). This regulation establishes objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed electricity distributors. Through audits and inspections, the Electrical Safety Authority has assessed NT Power to be compliant with O. Reg22/04 each year since the regulation came into effect in 2004.

Over 2015 & 2016, NT Power employees logged 158,981 hours on the job with no injuries. Over the five year period from 2012 to 2016, NT Power put in over four hundred thousand (403,048) hours with only a single incident necessitating lost time. Looking back over ten years (2007-2016), NT Power employees have collectively worked over eight hundred thousand hours (840,621) with only two minor incidents. Just as NT Power staff work hard to keep our distribution system safe, NT Power works hard at helping them do that safely. NT Power invests time and resources in rigorous workplace health and safety programs. NT Power is an active member of IHSA (Infrastructure Health and Safety Association) and has participated in the multi-year WSIB Safety Groups program. NT Power offers "lunch and learn" sessions to all employees dealing with different aspects of occupational safety and wellness. An internal program offers incentives and recognition for employees who maintain personal health and wellness sufficient to achieve certain milestones for work attendance. NT Power also offers other work-related health and safety programs as opportunities present themselves. For example, recently a voluntary hearing testing program was offered to all employees.

- Software licensing and maintenance costs particularly for the GIS and accounting systems;
- Professional fees – the Combined Utility would enjoy cost savings from having to prepare only one set of financial statements and would require only one audit. In addition, the Combined Utility would benefit from having to pay fewer general legal expenses;
- Regulatory – the Combined Utility would have only one set of regulatory filings;
- Consolidation of the Tay and Midland operations and administrative facilities (currently located 6 km apart) resulting in premises cost savings; and
- Capacity – NT Power can leverage its current distribution capacity and proximity to MPUC systems to provide immediate enhancements in distribution flexibility and redundancies.

Commitment to Innovation

NT Power is committed to encouraging technological innovation. With both the provincial and federal governments long term commitments to address climate change, the electricity sector must take on an important role as a crucial cornerstone to implementing policies in respect of climate change.

Innovation will be essential in knitting together distributed renewable energy, electrification of personal vehicles and transit systems as well as geothermal systems for heating and cooling homes and businesses into a durable fabric for the future. All of these components of policies addressing climate change will need to interact in an efficient and safe manner.

Two examples of where NT Power is involved with innovative initiatives are the following:

(i) Large Scale Distribution Connected Energy Storage: NT Power is working with Ameresco Canada on a 4 MW distribution connected battery energy storage project. Ameresco made a successful bid to the IESO in response to a request for proposals for this type of facility in 2016. The facility will be connected to NT Power's 44 kV distribution system.

(ii) Municipal Transit Electrification: In conjunction with Canadian Urban Transit Research and Innovation Consortium, York Region Transit ("YRT"), Siemens Canada and New Flyer Bus, NT Power will be installing a drive-through rapid charger for an all-electric bus on an existing YRT route in Newmarket. The pilot project is being funded through NRCan, the federal and provincial ministries of transportation, the bus and charger manufacturers as well as NT Power. With research support from NRCan, the pilot will be crucial in determining the requirements for a wide scale deployment of zero emission municipal transit systems.

6. INCREMENTAL COSTS THAT THE PARTIES TO THE PROPOSED TRANSACTION EXPECT TO INCUR AND HOW THE CONSOLIDATED ENTITY INTENDS TO FINANCE THESE COSTS

Incremental costs which NT Power expects as a result of the integration of MPUC include information technology, legal and professional services. NT Power is confident that it will be in a position to finance these costs using the savings which it expects to achieve given the anticipated efficiency gains and synergies arising from the proposed consolidation. These incremental costs will not be recovered through rates.

7. VALUATION OF ASSETS OR SHARES THAT WILL BE TRANSFERRED IN THE PROPOSED TRANSACTION

MPUC's 2015 OEB-approved rate base is $15,796,736 as per MPUC's audited December 31, 2015 financial statements (attached hereto at Schedule "G").

8. DETAILS AS TO WHY PURCHASE PRICE WILL NOT HAVE AN ADVERSE EFFECT ON THE FINANCIAL VIABILITY OF THE ACQUIRING UTILITY

NT Power has a healthy financial capacity, as demonstrated by its December 2016 financial statements, attached at Schedule "G".

As evidenced by its financial statements, NT Power has considerable leverage capacity, with a total third party debt over total capital ratio of 7% and total debt over total capital ratio of 32%.

9. DETAILS OF THE FINANCING OF THE PROPOSED TRANSACTION

The proposed transaction will be financed by 10% cash on hand at closing and 90% new term-debt from Toronto Dominion Bank.

10. FINANCIAL STATEMENTS

Please see Schedule “G” for NT Power and MPUC financial statements for the past two most recent years. Please also see Schedule “G” for pro-forma financial statements for the consolidated entity.

E. <u>RATE CONSIDERATIONS FOR CONSOLIDATION APPLICATIONS</u>

1. INDICATE A SPECIFIC DEFERRED RATE REBASING PERIOD THAT HAS BEEN CHOSEN

NT Power is proposing a deferred rate rebasing period of ten years. During this time, former MPUC customers will have their rates adjusted by the Price Cap IR adjustment mechanism, given that MPUC is currently on Price Cap IR.

2. EARNINGS SHARING MECHANISM

NT Power confirms that as required by the *Report of the Board: Rate-Making Associated with Distributor Consolidation* (March 26, 2016), it plans to implement an earnings sharing mechanism ("ESM") starting in year 6 of the deferred rebasing period. NT Power's plan for an ESM is set out below. As the proposed ESM is not identical to that set out by the Board in the Consolidation Report, NT Power requests Board approval of its proposed ESM.

Proposed ESM

NT Power's proposed ESM plan is as follows:

- NT Power requests that the Board approve a deferral and variance account in which NT Power will place 50% of any earnings above 300 basis points in years six through ten of the deferred rebasing period (the "**ESM Account**").

- At the end of year ten, any amounts in the ESM Account will be used in regards to any rate mitigation required at the time of re-basing of the Combined Utility. If rate mitigation is not required, any amounts in the ESM Account will be reimbursed to customers.

- NT Power proposes that the above-noted mitigation and reimbursement measures apply to <u>all the customers of the Combined Utility</u>. NT Power submits that in the circumstances of this transaction in which all the customers of the proposed Combined Utility are anticipated to benefit from consolidation, all customers should be considered for any required rate mitigation and/or benefit from any amounts that have accrued in the ESM Account.

For clarity, the above is the ESM plan that NT Power would like to implement should the Combined Utility have earnings above 300 basis points in years six to ten of the deferred rebasing period.

F. OTHER RELATED MATTERS

1. CONSERVATION AND DEMAND MANAGEMENT

The Applicants understand that the Board does not require information on Conservation and Demand Management ("**CDM**") as part of a section 86 application.[7] However, as conservation and demand management is one of the Board's objectives under section 1 of the OEB Act, the Applicants submit that it is acceptable to provide the short summary of CDM initiatives herein, particularly as the Applicants are aware that conservation and demand management can be a topic of interest.

NT Power, together with Greater Sudbury Utilities, North Bay Hydro Distribution, Northern Ontario Wires, PUC Distribution and St. Thomas Energy have filed a joint CDM plan (the "**Joint CDM Plan**") with the IESO. For effective and efficient program design and delivery, NT Power together with these LDCs have formed CustomerFirst, a company currently dedicated to the design and delivery of CDM programs to the respective customers of these LDCs. In addition to delivering all of the province-wide CDM programs, CustomerFirst has received Innovation Funds for a home energy audit and retrofit pilot targeting electrically heated homes and Collaboration Funds for energy managers. It has made a submission to the OEB for a Regulated Price Plan pilot with modified time-of-use pricing that will complement such home energy and retrofit pilot.

Under the 2010 to 2014 conservation framework, NT Power achieved 102% of its cumulative energy and 47% of its cumulative peak savings target. NT Power proposes to aggregate MPUC's CDM targets and funding into the existing Joint CDM Plan so that the customers of MPUC can realize the benefits of this progressive initiative. Working with CustomerFirst in the new conservation framework, NT Power achieved 272% of its 2015 and 115% of its 2016 annualized energy savings targets.

[7] See the Handbook, page 6.

2. REQUEST TO CONTINUE WITH / EXTEND EXISTING RATE RIDERS AND APPROVAL TO CONTINUE TO TRACK COSTS TO THE DEFERRAL AND VARIANCE ACCOUNTS CURRENTLY APPROVED

NT Power requests the Board's approval to extend the application of the rate riders currently granted to NT Power and MPUC pursuant to NT Power and MPUC's current rate tariffs, attached hereto at Schedule H.

NT Power requests the Board's approval to continue to track costs in the deferral and variance accounts currently approved by the Board for all Ontario LDCs as well as for both NT Power and MPUC.

3. CONFIRMATION THAT IFRS WILL CONTINUE TO BE USED

NT Power proposes to continue using IFRS as the accounting method for the Consolidated Utility.

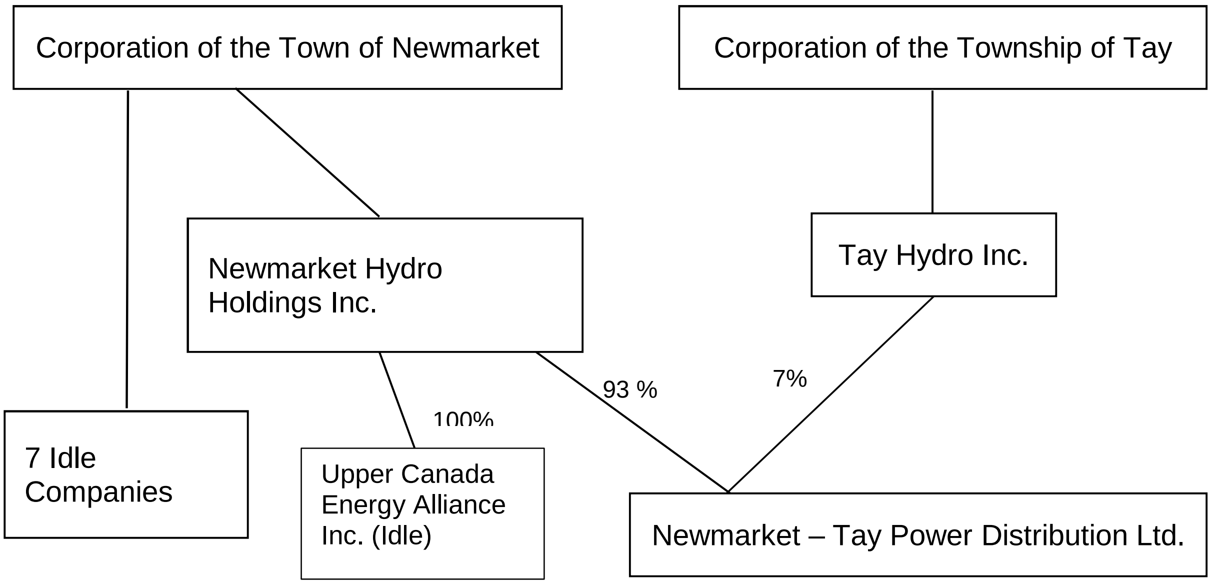
List of Schedules

Schedule	Content
A	Corporate charts which show the relationship between (i) NT Power and affiliates and (ii) MPUC and affiliates
B	Maps of the NT Power and MPUC service areas
C	NT Power's distribution licence
D	MPUC's distribution licence
E	Share Purchase Agreement
F	Copies of resolutions authorizing transaction made by Newmarket, Tay, Midland and NT Power
G	NT Power and MPUC financial statements
H	NT Power and MPUC's current rate tariffs

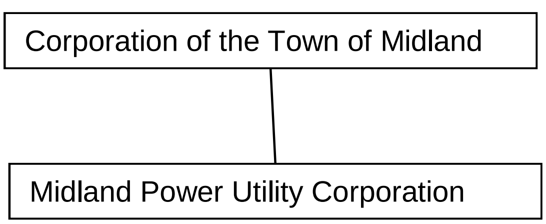
SCHEDULE “A”

Schedule "A" – Corporate Charts

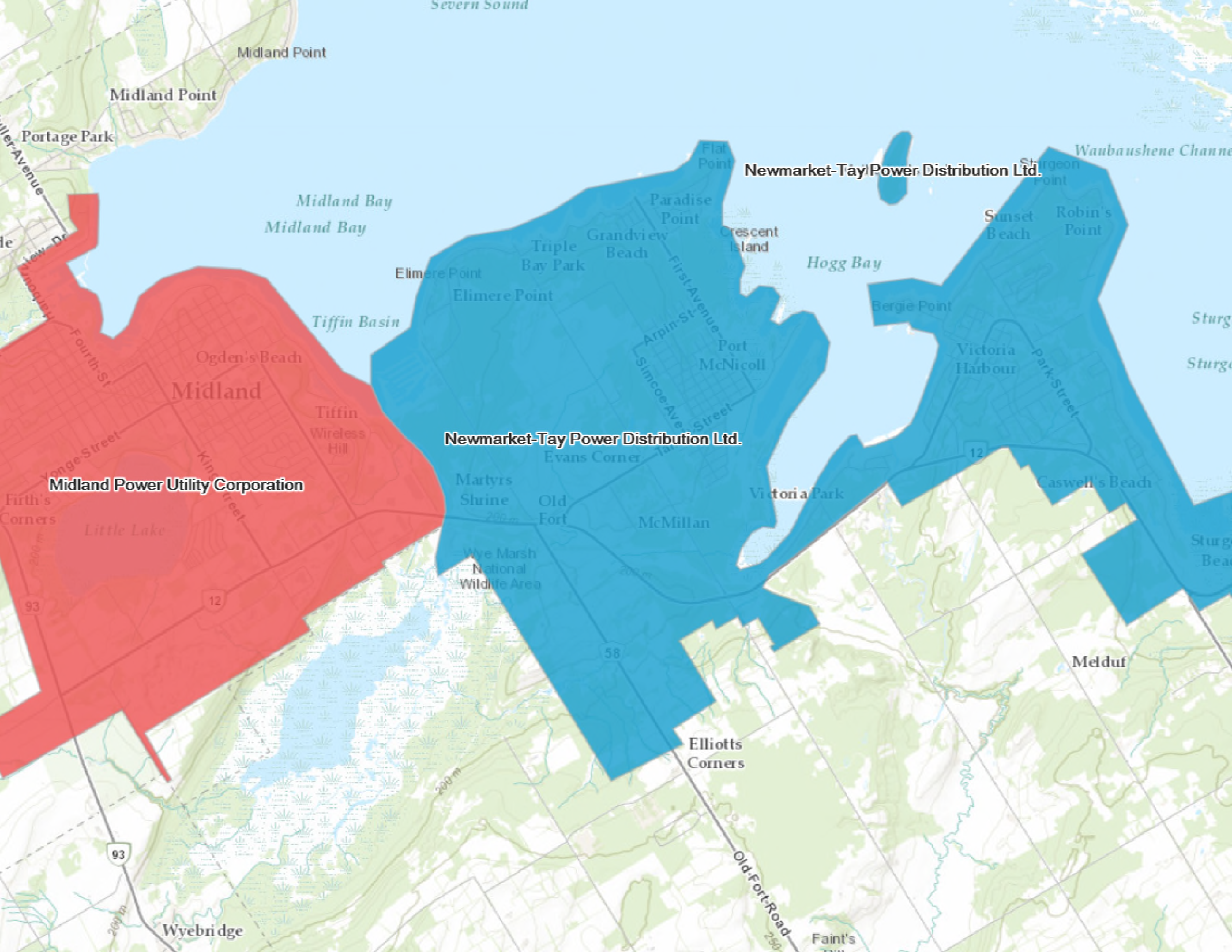
Corporate Chart of NT Power:



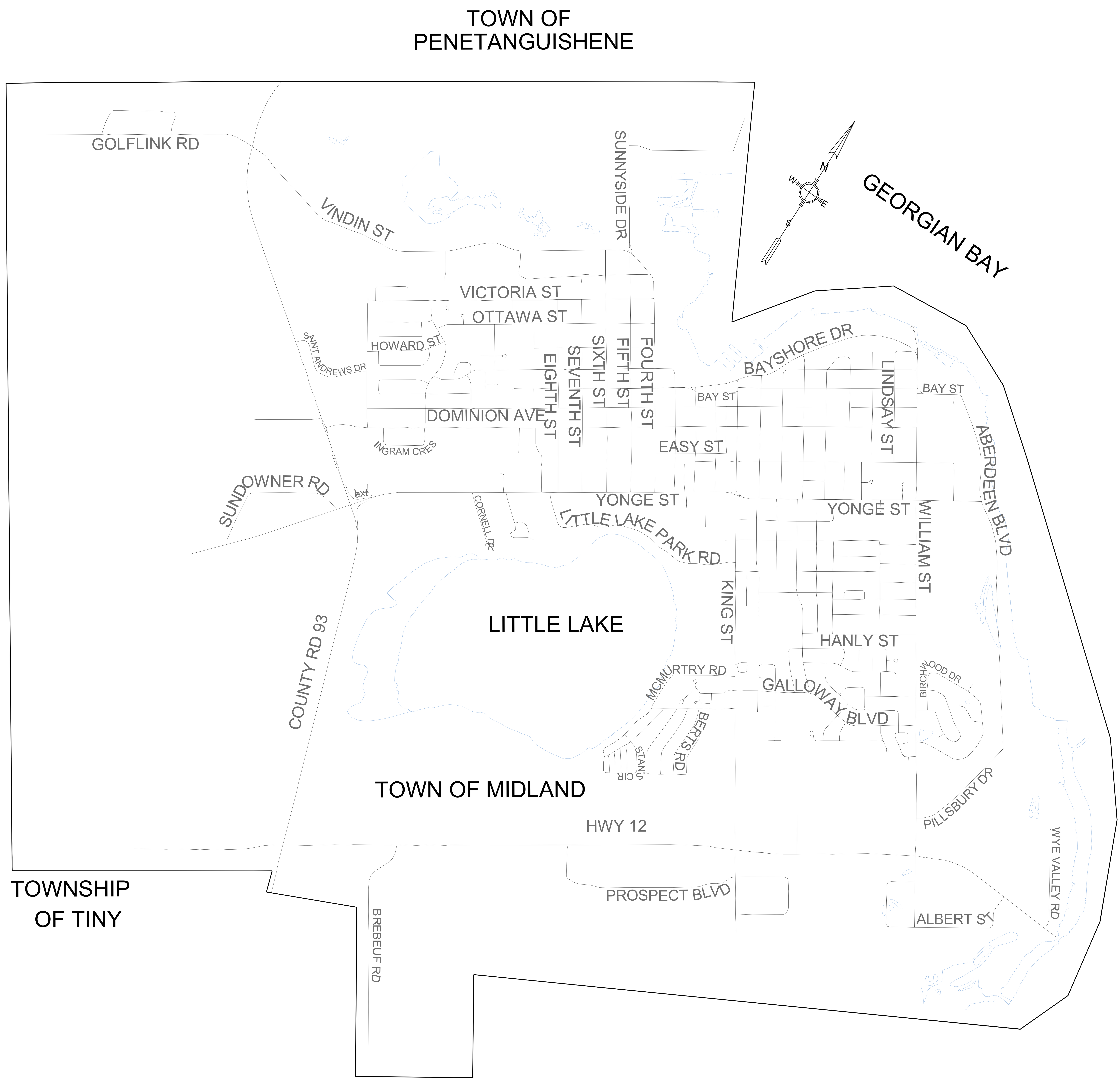
Corporate Chart of MPUC:



SCHEDULE “B”

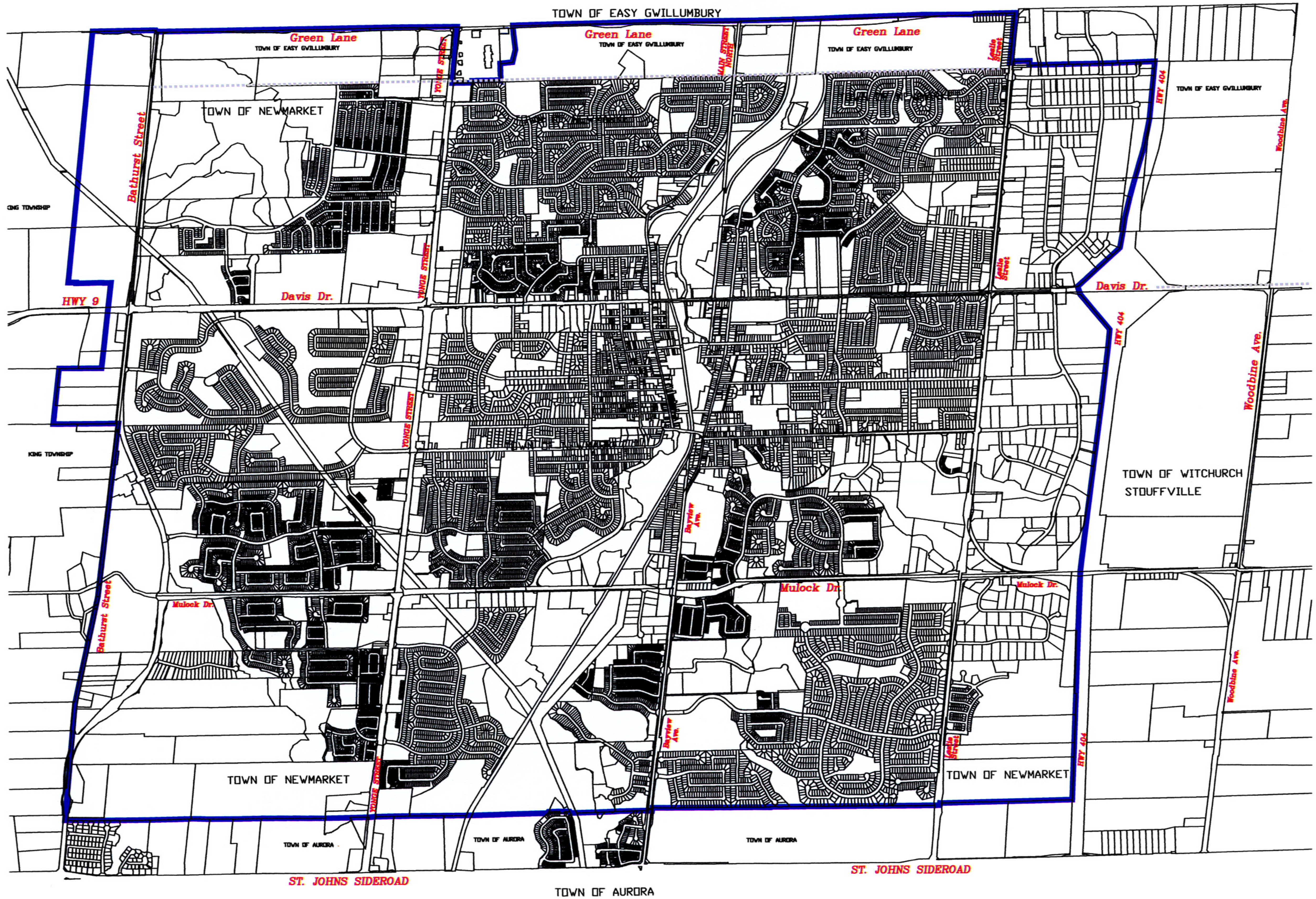

Severn Sound
Midland Point
Midland Point
Portage Park
Midland Bay
Midland Bay
Tiffin Basin
Ogden's Beach
Midland
Tiffin
Wireless Hill
Midland Power Utility Corporation
Firth's Corners
Little Lake
Fourth-St
Yonge-Street
King-Street
Newmarket-Tay Power Distribution Ltd.
Newmarket-Tay Power Distribution Ltd.
Flat Point
Paradise Point
Grandview Beach
Triple Bay Park
Elimere Point
Elimere Point
Crescent Island
Hogg Bay
First-Avenue
Arpin-St
Simcoe-Ave
Port McNicoll
Evans Corner
Martyrs Shrine
Old Fort
McMillan
Wye Marsh National Wildlife Area
Victoria Park
Bergie Point
Sturgeon Point
Sunset Beach
Robin's Point
Waubaushene Channel
Victoria Harbour
Park-Street
Caswell's Beach
Melduf
Elliotts Corners
Old-Fort-Road
Faint's
Wyebridge
12
12
58
93
93

MIDLAND POWER UTILITY CORPORATION




METHODIST ISLAND
PORT MCNICOLL
VICTORIA HARBOUR
WAUBAUSHENE
WAUBAUSHENE CHANNEL
OGDENS BEACH ROAD
TRIPLE BAY ROAD
PARK STREET
PINE ST
HIGHWAY 12
OLD FORT ROAD (COUNTY ROAD 58)
N

Newmarket-Tay Power Distribution Ltd.
Newmarket Service Area as of April 4, 2008



SCHEDULE “C”

Electricity Distribution Licence

ED-2007-0624

Newmarket-Tay Power Distribution Ltd.

Valid Until

August 23, 2027

Original Signed By

____

Brian Hewson
Vice President, Consumer Protection and Industry Performance
Ontario Energy Board

Date of Issuance: August 24, 2007
Date of Last Amendment: June 15, 2017

Ontario Energy Board	Commission de l'énergie de l'Ontario
P.O. Box 2319	C.P. 2319
2300 Yonge Street	2300, rue Yonge
27th Floor	27e étage
Toronto ON M4P 1E4	Toronto ON M4P 1E4

LIST OF AMENDMENTS

Board File No.	Date of Amendment
EB-2007-0782	April 4, 2008
EB-2010-0216	November 12, 2010
EB-2011-0019	May 26, 2011
EB-2014-0324	December 18, 2014
EB-2016-0015	January 28, 2016
EB-2017-0105	March 31, 2017
EB-2017-0203	June 15, 2017

Table of Contents **Page No.**

1 Definitions

In this Licence:

"**Accounting Procedures Handbook**" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

"**Act**" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"**Affiliate Relationships Code for Electricity Distributors and Transmitters**" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"**Conservation and Demand Management**" and "**CDM**" means distribution activities and programs to reduce electricity consumption and peak provincial electricity demand;

"**Conservation and Demand Management Code for Electricity Distributors**" means the code approved by the Board which, among other things, establishes the rules and obligations surrounding Board approved programs to help distributors meet their CDM Targets;

"**distribution services**" means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

"**Distribution System Code**" means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

"**Electricity Act**" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"**IESO**" means the Independent Electricity System Operator;

"**Licensee**" means Newmarket-Tay Power Distribution Ltd.

"**Market Rules**" means the rules made under section 32 of the Electricity Act;

"**Net Annual Peak Demand Energy Savings Target**" means the reduction in a distributor's peak electricity demand persisting at the end of the four-year period (i.e. December 31, 2014) that coincides with the provincial peak electricity demand that is associated with the implementation of CDM Programs;

"**Net Cumulative Energy Savings Target**" means the total amount of reduction in electricity consumption associated with the implementation of CDM Programs between 2011-2014;

"**OPA**" means the Ontario Power Authority;

"**Performance Standards**" means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

"**Provincial Brand**" means any mark or logo that the Province has used or is using, created or to be created by or on behalf of the Province, and which will be identified to the Board by the Ministry as a provincial mark or logo for its conservation programs;

"**Rate Order**" means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

"**regulation** "means a regulation made under the Act or the Electricity Act;

"**Retail Settlement Code**" means the code approved by the Board which, among other things, establishes a distributor's obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

"**service area**" with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

"**Standard Supply Service Code**" means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

"**wholesaler**" means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2 Interpretation

2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:

a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;

b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and

c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

4 Obligation to Comply with Legislation, Regulations and Market Rules

4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.

4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Comply with Codes

5.1 The Licensee shall at all times comply with the following Codes (collectively the “Codes”) approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:

a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;

b) the Distribution System Code;

c) the Retail Settlement Code; and

d) the Standard Supply Service Code.

5.2 The Licensee shall:

a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

6 Obligation to Provide Non-discriminatory Access

6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee’s distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

7 Obligation to Connect

7.1 The Licensee shall connect a building to its distribution system if:

a) the building lies along any of the lines of the distributor’s distribution system; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.2 The Licensee shall make an offer to connect a building to its distribution system if:

a) the building is within the Licensee's service area as described in Schedule 1; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

8 Obligation to Sell Electricity

8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board.

9 Obligation to Maintain System Integrity

9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

10 Market Power Mitigation Rebates

10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

11 Distribution Rates

11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

12 Separation of Business Activities

12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

13 Expansion of Distribution System

13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.

13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

14 Provision of Information to the Board

14.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.

14.2 Without limiting the generality of paragraph 14.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

15 Restrictions on Provision of Information

15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.

15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:

a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;

b) for billing, settlement or market operations purposes;

c) for law enforcement purposes; or

d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.

15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.

15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.

15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

16 Customer Complaint and Dispute Resolution

16.1 The Licensee shall:

a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;

b) publish information which will make its customers aware of and help them to use its dispute resolution process;

c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;

d) give or send free of charge a copy of the process to any person who reasonably requests it; and

e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

17 Term of Licence

17.1 This Licence shall take effect on August 24, 2007 and expire on August 23, 2027. The term of this Licence may be extended by the Board.

18 Fees and Assessments

18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

19 Communication

19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

19.2 All official communication relating to this Licence shall be in writing.

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

a) when delivered in person to the addressee by hand, by registered mail or by courier;

b) ten (10) business days after the date of posting if the communication is sent by regular mail; and

c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

20 Copies of the Licence

20.1 The Licensee shall:

a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

21 Conservation and Demand Management

21.1 2011-2014 Conservation and Demand Management Framework

21.1.1 The Licensee shall achieve reductions in electricity consumption and reductions in peak provincial electricity demand through the delivery of CDM programs. The Licensee shall meet its 2014 Net Annual Peak Demand Savings Target of 8.760 MW, and its 2011-2014 Net Cumulative Energy Savings Target of 33.050 GWh (collectively the “CDM Targets”), over a four-year period beginning January 1, 2011.

21.1.2 The Licensee shall meet its CDM Targets through:

a) the delivery of Board approved CDM Programs delivered in the Licensee’s service area (“Board-Approved CDM Programs”);

b) the delivery of CDM Programs that are made available by the OPA to distributors in the Licensee’s service area under contract with the OPA (“OPA-Contracted Province-Wide CDM Programs”); or

c) a combination of a) and b).

21.1.3 The Licensee shall make its best efforts to deliver a mix of CDM Programs to all consumer types in the Licensee’s service area.

21.1.4 The Licensee shall comply with the rules mandated by the Board’s Conservation and Demand Management Code for Electricity Distributors.

21.1.5 The Licensee shall utilize the common Provincial brand, once available, with all Board-Approved CDM Programs, OPA-Contracted Province-Wide Programs, and in conjunction with or co-branded with the Licensee’s own brand or marks.

21.2 2015-2020 Conservation and Demand Management Framework

21.2.1 The Licensee shall, between January 1, 2015 and December 31, 2020, make CDM programs, available to customers in its licensed service area and shall, as far as is appropriate and reasonable having regard to the composition of its customer base, do so in relation to each customer segment in its service area ("CDM Requirement").

21.2.2 The CDM programs referred to in item 21.2.1 above shall be designed to achieve reductions in electricity consumption.

21.2.3 The Licensee shall meet its CDM Requirement by:

a) making Province-Wide Distributor CDM Programs, funded by the Ontario Power Authority (the "OPA"), available to customers in its licensed service area;

b) making Local Distributor CDM Programs, funded by the OPA, available to customers in its licensed service area; or

c) a combination of a) and b).

21.2.4 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to other licensed electricity distributors upon request.

21.2.5 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to any other person upon request.

21.2.6 The Licensee shall report to the OPA the results of the CDM programs in accordance with the requirements of the licensee's "CDM-related" contract with the OPA.

22 Pole Attachments

22.1 The Licensee shall provide access to its distribution poles to all Canadian carriers, as defined by the Telecommunications Act, and to all cable companies that operate in the Province of Ontario. For each attachment, with the exception of wireless attachments, the Licensee shall charge the rate approved by the Board and included in the Licensee's tariff.

22.2 The Licensee shall:

a) annually report the net revenue, and the calculations used to determine that net revenue, earned from allowing wireless attachments to its poles. Net revenues will be accumulated in a deferral account approved by the Board;

b) credit that net revenue against its revenue requirement subject to Board approval in rate proceedings; and

c) provide access for wireless attachments to its poles on commercial terms normally found in a competitive market.

23 Winter 2016/17 Disconnection, Reconnection and Load Limiter Devices

23.1 Subject to paragraph 23.4, the Licensee shall not, during the period commencing February 24, 2017 and ending at 11:59 pm on April 30, 2017:

a) disconnect an occupied residential property solely on the grounds of non-payment;

b) issue a disconnection notice in respect of an occupied residential property solely on the grounds of non-payment; or

c) install a load limiter device in respect of an occupied residential property solely on the grounds of non-payment.

Nothing in this paragraph shall preclude the Licensee from (i) disconnecting an occupied residential property in accordance with all applicable regulatory requirements, including the required disconnection notice; or (ii) installing a load limiter device in respect of an occupied residential property, in each case if at the unsolicited request of the customer given in writing on or after February 24, 2017.

23.2 Subject to paragraph 23.4, if the Licensee had disconnected a residential property on or before February 23, 2017 solely on the grounds of non-payment, the Licensee shall reconnect that property, if an occupied residential property, as soon as possible. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection.

Nothing in this paragraph shall require the Licensee to reconnect an occupied residential property if the customer gives unsolicited notice to the Licensee not to do so in writing on or after February 24, 2017.

23.3 Subject to paragraph 23.4, if the Licensee had installed a load limiter device in respect of an occupied residential property on or before February 23, 2017 either for non-payment or at the customer's request, the Licensee shall remove that device and restore full service to the property as soon as possible. The Licensee shall waive any charge that might otherwise apply in respect of such removal.

Nothing in this paragraph shall (i) require the Licensee to remove a load limiter device if the customer gives unsolicited notice to the Licensee not to do so in writing on or after February 24, 2017; or (ii) prevent the Licensee from installing or maintaining a load limiter device at the unsolicited request of customer given in writing on or after February 24, 2017.

23.4 Nothing in paragraphs 23.1 to 23.3 shall:

a) prevent the Licensee from taking such action in respect of an occupied residential property as may be required to comply with any applicable and generally acceptable safety requirements or standards; or

b) require the Licensee to act in a manner contrary to any applicable and generally accepted safety requirements or standards.

23.5 The Licensee shall waive any collection of account charge that could otherwise be charged in relation to an occupied residential property during the period referred to in paragraph 23.1.

23.6 The Licensee shall provide the Board with periodic reports on its progress in complying with paragraphs 23.2 and 23.3. The first such report shall be filed with the Board no later than March 3, 2017, and reports shall be provided every 7 calendar days thereafter until such time as no further action remains to be taken by the Licensee under those paragraphs.

23.7 For the purposes of paragraphs 23.1 to 23.4:

"load limiter device" means a device that will allow a customer to run a small number of electrical items in his or her premises at any given time, and if the customer exceeds the limit of the load limiter, then the device will interrupt the power until it is reset; and "occupied residential property" means an account with the Licensee:

a) that falls within the residential rate classification as specified in the Licensee's Rate Order; and
b) that is:

   i) inhabited; or
   ii) in an uninhabited condition as a result of the property having been disconnected by the Licensee or of a load limiter device having been installed in respect of the property on or before February 23, 2017.

23.8 Paragraphs 23.1 to 23.5 apply despite any provision of the Distribution System Code to the contrary.

SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1. The Town of Newmarket as of January 1, 1979.

2. Part of the Town of East Gwillimbury, extending from Bathurst Street in the west, to Leslie Street in the east, from the northern boundary of the Town of Newmarket in the south, to the south side of Green Lane Drive in the north, with the following exception:

    - the area of land, being composed of Part of Lot 100, Concession 1, East of Yonge Street, more particularly described as Parts 1-13 on Reference Plan 65R-22350, also known as the Silver City Plaza.

3. Part of the Township of King extending from the southern boundary of Lot 34 Concession 2 in the south, to Miller Sideroad in the north, west of Bathurst Street comprised of the areas of land described as:

    - 450 meters of Lot 34 Concession 2 west of Bathurst Street
    - 150 meters of Lot 35 and the southern half of Lot 1 Concession 2 west of Bathurst Street
    - 450 meters of northern half of Lot 1 concession 2 west of Bathurst Street
    - 450 meters of Lots 2, 3, 4 and 5 Concession 2 west of Bathurst Street

4. The area of Tay Township extending from the Wye River in the west to Waubaushene Channel in the east, from Georgian Bay in the north to Highway 12 in the south and including Methodist Island, with the following exceptions:

    - 15205 Highway 12
    - 15207 Highway 12
    - 15217 Highway 12
    - 15221 Highway 12
    - 15313 Highway 12
    - 15321 Highway 12
    - 15425 Highway 12

5. Those portions of Tay Township south of Highway 12 described as the area of all lots as they exist at the time of issuance of this Licence:

    - fronting on Highway 12 from the Wye River easterly to the east end of Trestle Road at Highway 12.
    - fronting on County Road 58 southerly to the southern lot line of Part Lot 11 Concession 4.
    - on the south side of Trestle Road and fronting on Rumney Road from Highway 12 southerly to the southern lot line of Part Lot 12, Concession 4.
    - fronting on Highway 12 easterly from Vents Beach Road to Sandhill Road including all lots fronting on Frazer Lane.
    - fronting on Rosemount Road from Highway 12 southerly to the southern lot line of Part Lot 4, Concession 9 and including all lots fronting on Beckett’s Side Road to Gratrix Road and all lots fronting on Connors Court.

- fronting on Sandhill Road and Highway 12 south to the junction of Highway 12 and the Highway 400 south on ramp.

SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

1. The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

SCHEDULE 3 LIST OF CODE EXEMPTIONS

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

1. The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

2. The Licensee is exempt from the requirements of section 6.5.4 of the Distribution System Code until December 31, 2009 in relation to the eight load transfer customers located at:

   (a) 15205 Highway 12, Tay
   (b) 15207 Highway 12, Tay
   (c) 15217 Highway 12, Tay
   (d) 15221 Highway 12, Tay
   (e) 15313 Highway 12, Tay
   (f) 15321 Highway 12, Tay
   (g) 15425 Highway 12, Tay
   (h) Highway 12 Trestle Park, Tay

3. The Licensee is exempt from the requirement to implement time-of-use pricing as of the mandatory date for its General Service under 50 kW customers with eligible time-of-use meters as required under the Standard Supply Service Code for Electricity Distributors. The mandatory time-of-use pricing date exemption expires on November 30, 2011.

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APPENDIX A

MARKET POWER MITIGATION REBATES

1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998.*

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor’s service area where a service transaction request as defined in the Retail Settlement Code has been implemented;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

ONTARIO POWER GENERATION INC. REBATES

For the payments that relate to the period from May 1, 2006 to April 30, 2009, the rules set out below shall apply.

1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

SCHEDULE “D”

Electricity Distribution Licence

ED-2002-0541

Midland Power Utility Corporation

Valid Until

November 25, 2023

Original signed by

____

Brian Hewson
Vice President, Consumer Protection and Industry Performance
Ontario Energy Board

Date of Issuance: November 26, 2003
Date of Last Amendment: April 27, 2017

Ontario Energy Board	Commission de l'énergie de l'Ontario
P.O. Box 2319	C.P. 2319
2300 Yonge Street	2300, rue Yonge
27th Floor	27e étage
Toronto ON M4P 1E4	Toronto ON M4P 1E4

LIST OF AMENDMENTS

Board File No.	Date of Amendment
EB-2010-0216	November 12, 2010
EB-2014-0324	December 18, 2014
EB-2016-0015	January 28, 2016
EB-2017-0101	March 31, 2017
EB-2017-0019	April 27, 2017

Table of Contents **Page No.**

1 Definitions

In this Licence:

"**Accounting Procedures Handbook**" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

"**Act**" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"**Affiliate Relationships Code for Electricity Distributors and Transmitters**" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"**Conservation and Demand Management**" and "**CDM**" means distribution activities and programs to reduce electricity consumption and peak provincial electricity demand;

"**Conservation and Demand Management Code for Electricity Distributors**" means the code approved by the Board which, among other things, establishes the rules and obligations surrounding Board approved programs to help distributors meet their CDM Targets;

"**distribution services**" means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

"**Distribution System Code**" means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

"**Electricity Act**" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"**IESO**" means the Independent Electricity System Operator;

"**Licensee**" means Midland Power Utility Corporation

"**Market Rules**" means the rules made under section 32 of the Electricity Act;

"**Net Annual Peak Demand Energy Savings Target**" means the reduction in a distributor's peak electricity demand persisting at the end of the four-year period (i.e. December 31, 2014) that coincides with the provincial peak electricity demand that is associated with the implementation of CDM Programs;

"**Net Cumulative Energy Savings Target**" means the total amount of reduction in electricity consumption associated with the implementation of CDM Programs between 2011-2014;

"**OPA**" means the Ontario Power Authority;

“**Performance Standards**” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“**Provincial Brand**” means any mark or logo that the Province has used or is using, created or to be created by or on behalf of the Province, and which will be identified to the Board by the Ministry as a provincial mark or logo for its conservation programs;

“**Rate Order**” means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

“**regulation”** means a regulation made under the Act or the Electricity Act;

“**Retail Settlement Code**” means the code approved by the Board which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

“**service area**” with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“**Standard Supply Service Code**” means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

“**wholesaler**” means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2 Interpretation

2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:

a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;

b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and

c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

4 Obligation to Comply with Legislation, Regulations and Market Rules

4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.

4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Comply with Codes

5.1 The Licensee shall at all times comply with the following Codes (collectively the “Codes”) approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:

a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;

b) the Distribution System Code;

c) the Retail Settlement Code; and

d) the Standard Supply Service Code.

5.2 The Licensee shall:

a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

6 Obligation to Provide Non-discriminatory Access

6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee’s distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

7 Obligation to Connect

7.1 The Licensee shall connect a building to its distribution system if:

a) the building lies along any of the lines of the distributor’s distribution system; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.2 The Licensee shall make an offer to connect a building to its distribution system if:

a) the building is within the Licensee's service area as described in Schedule 1; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

8 Obligation to Sell Electricity

8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board.

9 Obligation to Maintain System Integrity

9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

10 Market Power Mitigation Rebates

10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

11 Distribution Rates

11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

12 Separation of Business Activities

12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

13 Expansion of Distribution System

13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.

13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

14 Provision of Information to the Board

14.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.

14.2 Without limiting the generality of paragraph 14.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

15 Restrictions on Provision of Information

15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.

15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:

a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;

b) for billing, settlement or market operations purposes;

c) for law enforcement purposes; or

d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.

15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.

15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.

15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

16 Customer Complaint and Dispute Resolution

16.1 The Licensee shall:

a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;

b) publish information which will make its customers aware of and help them to use its dispute resolution process;

c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;

d) give or send free of charge a copy of the process to any person who reasonably requests it; and

e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

17 Term of Licence

17.1 This Licence shall take effect on November 26, 2003 and expire on November 25, 2023. The term of this Licence may be extended by the Board.

18 Fees and Assessments

18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

19 Communication

19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

19.2 All official communication relating to this Licence shall be in writing.

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

a) when delivered in person to the addressee by hand, by registered mail or by courier;

b) ten (10) business days after the date of posting if the communication is sent by regular mail; and

c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

20 Copies of the Licence

20.1 The Licensee shall:

a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

21 Conservation and Demand Management

21.1 2011-2014 Conservation and Demand Management Framework

21.1.1 The Licensee shall achieve reductions in electricity consumption and reductions in peak provincial electricity demand through the delivery of CDM programs. The Licensee shall meet its 2014 Net Annual Peak Demand Savings Target of 2.390 MW, and its 2011-2014 Net Cumulative Energy Savings Target of 10.820 GWh (collectively the “CDM Targets”), over a four-year period beginning January 1, 2011.

21.1.2 The Licensee shall meet its CDM Targets through:

a) the delivery of Board approved CDM Programs delivered in the Licensee’s service area (“Board-Approved CDM Programs”);

b) the delivery of CDM Programs that are made available by the OPA to distributors in the Licensee’s service area under contract with the OPA (“OPA-Contracted Province-Wide CDM Programs”); or

c) a combination of a) and b).

21.1.3 The Licensee shall make its best efforts to deliver a mix of CDM Programs to all consumer types in the Licensee’s service area.

21.1.4 The Licensee shall comply with the rules mandated by the Board’s Conservation and Demand Management Code for Electricity Distributors.

21.1.5 The Licensee shall utilize the common Provincial brand, once available, with all Board-Approved CDM Programs, OPA-Contracted Province-Wide Programs, and in conjunction with or co-branded with the Licensee’s own brand or marks.

21.2 2015-2020 Conservation and Demand Management Framework

21.2.1 The Licensee shall, between January 1, 2015 and December 31, 2020, make CDM programs, available to customers in its licensed service area and shall, as far as is appropriate and reasonable having regard to the composition of its customer base, do so in relation to each customer segment in its service area ("CDM Requirement").

21.2.2 The CDM programs referred to in item 21.2.1 above shall be designed to achieve reductions in electricity consumption.

21.2.3 The Licensee shall meet its CDM Requirement by:

a) making Province-Wide Distributor CDM Programs, funded by the Ontario Power Authority (the "OPA"), available to customers in its licensed service area;

b) making Local Distributor CDM Programs, funded by the OPA, available to customers in its licensed service area; or

c) a combination of a) and b).

21.2.4 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to other licensed electricity distributors upon request.

21.2.5 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to any other person upon request.

21.2.6 The Licensee shall report to the OPA the results of the CDM programs in accordance with the requirements of the licensee's "CDM-related" contract with the OPA.

22 Pole Attachments

22.1 The Licensee shall provide access to its distribution poles to all Canadian carriers, as defined by the Telecommunications Act, and to all cable companies that operate in the Province of Ontario. For each attachment, with the exception of wireless attachments, the Licensee shall charge the rate approved by the Board and included in the Licensee's tariff.

22.2 The Licensee shall:

a) annually report the net revenue, and the calculations used to determine that net revenue, earned from allowing wireless attachments to its poles. Net revenues will be accumulated in a deferral account approved by the Board;

b) credit that net revenue against its revenue requirement subject to Board approval in rate proceedings; and

c) provide access for wireless attachments to its poles on commercial terms normally found in a competitive market.

23 Winter 2016/17 Disconnection, Reconnection and Load Limiter Devices

23.1 Subject to paragraph 23.4, the Licensee shall not, during the period commencing February 24, 2017 and ending at 11:59 pm on April 30, 2017:

a) disconnect an occupied residential property solely on the grounds of non-payment;

b) issue a disconnection notice in respect of an occupied residential property solely on the grounds of non-payment; or

c) install a load limiter device in respect of an occupied residential property solely on the grounds of non-payment.

Nothing in this paragraph shall preclude the Licensee from (i) disconnecting an occupied residential property in accordance with all applicable regulatory requirements, including the required disconnection notice; or (ii) installing a load limiter device in respect of an occupied residential property, in each case if at the unsolicited request of the customer given in writing on or after February 24, 2017.

23.2 Subject to paragraph 23.4, if the Licensee had disconnected a residential property on or before February 23, 2017 solely on the grounds of non-payment, the Licensee shall reconnect that property, if an occupied residential property, as soon as possible. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection.

Nothing in this paragraph shall require the Licensee to reconnect an occupied residential property if the customer gives unsolicited notice to the Licensee not to do so in writing on or after February 24, 2017.

23.3 Subject to paragraph 23.4, if the Licensee had installed a load limiter device in respect of an occupied residential property on or before February 23, 2017 either for non-payment or at the customer's request, the Licensee shall remove that device and restore full service to the property as soon as possible. The Licensee shall waive any charge that might otherwise apply in respect of such removal.

Nothing in this paragraph shall (i) require the Licensee to remove a load limiter device if the customer gives unsolicited notice to the Licensee not to do so in writing on or after February 24, 2017; or (ii) prevent the Licensee from installing or maintaining a load limiter device at the unsolicited request of customer given in writing on or after February 24, 2017.

23.4 Nothing in paragraphs 23.1 to 23.3 shall:

a) prevent the Licensee from taking such action in respect of an occupied residential property as may be required to comply with any applicable and generally acceptable safety requirements or standards; or

b) require the Licensee to act in a manner contrary to any applicable and generally accepted safety requirements or standards.

23.5 The Licensee shall waive any collection of account charge that could otherwise be charged in relation to an occupied residential property during the period referred to in paragraph 23.1.

23.6 The Licensee shall provide the Board with periodic reports on its progress in complying with paragraphs 23.2 and 23.3. The first such report shall be filed with the Board no later than March 3, 2017, and reports shall be provided every 7 calendar days thereafter until such time as no further action remains to be taken by the Licensee under those paragraphs.

23.7 For the purposes of paragraphs 23.1 to 23.4:

"load limiter device" means a device that will allow a customer to run a small number of electrical items in his or her premises at any given time, and if the customer exceeds the limit of the load limiter, then the device will interrupt the power until it is reset; and "occupied residential property" means an account with the Licensee:

a) that falls within the residential rate classification as specified in the Licensee's Rate Order; and
b) that is:

    i) inhabited; or
    ii) in an uninhabited condition as a result of the property having been disconnected by the Licensee or of a load limiter device having been installed in respect of the property on or before February 23, 2017.

23.8 Paragraphs 23.1 to 23.5 apply despite any provision of the Distribution System Code to the contrary.

SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1. The Town of Midland as of December 31, 1997.
    a. Excluding the customers located at the following physical addresses:
        i. 9792 Highway 93, Midland, Ontario, L4R 4L9
        ii. 9782 Highway 93, Midland, Ontario, L4R 4L9
        iii. 253 Fuller Avenue, Midland, Ontario, L4R 5H6
        iv. 1 Balm Beach Road, Midland, Ontario L4R 4K4

2. The Township of Tiny as at March 31, 1999.
    a. Including the customer located at the following physical address:
        i. 1014 Brebeuf Road, Tiny, Ontario, L4R 4K4

SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

1. The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

SCHEDULE 3 LIST OF CODE EXEMPTIONS

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

1. The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

APPENDIX A

MARKET POWER MITIGATION REBATES

3. **Definitions and Interpretations**

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

4. **Information Given to IESO**

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998.*

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor’s service area where a service transaction request as defined in the Retail Settlement Code has been implemented;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

ONTARIO POWER GENERATION INC. REBATES

For the payments that relate to the period from May 1, 2006 to April 30, 2009, the rules set out below shall apply.

1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor’s service area where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

“ONTARIO POWER GENERATION INC. rebate”

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.