



April 27, 2018

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

Dear Ms. Walli:

RE: DRAFT REPORT OF THE BOARD: CORPORATE GOVERNANCE GUIDANCE FOR OEB RATE-REGULATED UTILITIES, BOARD FILE No.: EB- 2014-0255

This letter is in response to the draft report of the Ontario Energy Board ("OEB") on Corporate Governance Guidelines for OEB Rate-Regulated Utilities (the "**Draft Report**").

We have reviewed the Draft Report and agree with the main tenet that "*good governance is a significant contributor to excellence in utility performance and an important indicator of a utility's ability to achieve expected outcomes valued by customers*". We, and our rate-regulated utilities, Canadian Niagara Power Inc. and Algoma Power Inc., are committed to effective and responsive corporate governance. In this regard, we frequently and continually review our governance practices against market best practices to ensure we have:

- Board members that have the appropriate skills and experience
- Proper structures and frameworks to identify and analyze risks and opportunities
- Documented policies and practices

As noted in the Draft Report, and the previous report prepared by Elenchus, there is a broad range of literature on governance generally and many different business models in the utility space in Ontario. In this regard, FortisOntario's unique corporate and governance structure is a particular circumstance where a flexible approach enables good corporate governance practices, while adhering to the underlying regulatory policy rationale of the Draft Report.

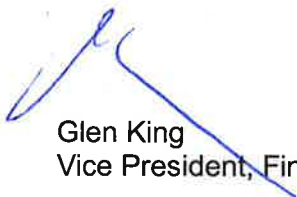
As you are aware, we are a subsidiary of Fortis Inc. ("**Fortis**"), a leader in the North American utility sector which has received commendations and awards for its governance practices. A fundamental principle of the Fortis governance model is to give substantial autonomy to its operating subsidiaries. While Fortis provides guidance and direction on strategy, business values and risk tolerance, and provides support for internal controls and processes, the FortisOntario board and management have substantial autonomy over their businesses.

This model is in keeping with a subsidiary's board's obligation to act honestly and in good faith with a view to the best interests of the corporation, which, does relate to the interests of the parent shareholder, among other stakeholders. This fiduciary duty, both in legal and practical terms, means that a subsidiary board cannot act completely autonomously from its parent. Local subsidiary boards and management play an essential role in Fortis' overall system of corporate governance, with the expectation that local boards and management having meaningful and responsive engagement with its customers, regulators and other stakeholders. This operating and governance model helps foster transparency and legitimacy to assure customers, the regulator and other local stakeholders that FortisOntario's focus is directed at the local consumer of utility services. Being a part of the Fortis family gives us access to resources and a platform to discuss and share best practices all which benefit FortisOntario's customers.

We support the OEB in striving towards improving corporate governance in the Ontario utility sector. We recognize the importance of ensuring appropriate decision-making is occurring in the best interest of the utility and its customers, and posit that our business and governance model, as briefly outlined above, ensures such decision making occurs at the appropriate level. As such, the OEB should ensure flexibility in its guidelines having regard to the different business models and approaches to governance.

If you have any questions in connection with the above matter, please do not hesitate to contact the undersigned at (905) 871-0330.

Yours truly,



Glen King
Vice President, Finance and Chief Financial Officer