

Dennis M. O'Leary Direct: 416.865.4711 E-mail: doleary@airdberlis.com

July 30, 2018

DELIVERED BY RESS AND COURIER

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

Dear Ms. Walli:

Re: EB-2018-0236 - Veridian Connections Inc. and Whitby Hydro Electric Corporation – MAADs Application under Section 86 of the *Ontario Energy Board Act, 1998* and Related Relief

We are counsel to Veridian Connections Inc. ("Veridian LDC") and Whitby Hydro Electric Corporation ("Whitby LDC") the applicants in the above-noted matter (the "Applicants"). Please find attached for filing with the Ontario Energy Board ("OEB" or the "Board") the enclosed application for approval of the amalgamation of Veridian LDC and Whitby LDC to form a single local electricity distribution company with a name to be determined that will serve over 162,000 customers ("Application").

The Application is the culmination of many months of negotiations, public consultations and hard work. This Application has received the approval of the Applicants' respective shareholders and principals.

The Application follows the OEB's *Filing Requirements for Consolidation Applications* (the "**Filing Requirements**"), which are found at Schedule 2 to the OEB's January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the "**Handbook**"). The mapping of the Application's contents to the Filing Requirements is provided at Attachment A. The Application is also consistent with the OEB's March 26, 2015 *Report on Rate-Making Associated with Distributor Consolidation* (the "**Consolidation Policy**").

Relevance and Confidentiality:

The Application includes the supporting material required by the Filing Requirements and the Handbook including the "final legal documents to be used to implement the proposed transaction", as required by section 2.2.3 of the Filing Requirements. More specifically, the terms of the proposed amalgamation are governed by the Merger Participation Agreement ("**MPA**") which has been entered into by the Applicants, their parent corporations and the shareholders of those parent corporations. Certain aspects of the MPA and the schedules thereto do not require OEB approval and are therefore not relevant in assessing whether the transaction meets the Board's "no harm" test. As such, certain sections of the MPA and attachments to it have been redacted given that they are beyond the scope of this proceeding.

In other instances, the MPA and its schedules contain either personal information which is prohibited from disclosure under the *Freedom of Information and Protection of Privacy Act* ("**FIPPA**") or commercially sensitive information which, if disclosed, could prejudice the competitive position of the Applicants, negatively impact future contractual relations, and/or provide third parties with information which could be used to the commercial disadvantage of the Applicants and the proposed new amalgamated distributor ("**LDC Mergeco**").

In an effort to be as fully transparent as possible, the Applicants have taken a conservative approach to redactions. There are numerous sections and attachments to the MPA which have not been redacted and which are not relevant for the purposes of the "no harm" test and the Board's review of this Application. The fact that such sections have not been redacted does not constitute an admission that such sections are relevant. As well, many of the sections identified below as not being relevant are also commercially sensitive and would meet the Board's test for Confidential treatment under its *Rules of Practice and Procedure* ("**Rules**")and its *Practice Direction on Confidential Filings* ("**Practice Direction**"). As can be seen from the Application, the redactions are minimal and it is submitted clearly recognizable as being appropriate.

Those redactions made to the MPA because of relevance are:

- Section 1.1, defined terms relating to the targets of the parent corporations of the Applicants;
- Section 2.2 (13)(a) the threshold value for the special adjustment formula;
- Section 7.1 Municipal shareholder indemnification details;
- Schedule 1.1(a) Veridian Holdco Credit Agreements;
- Schedule 1.1(b) contracts relating to non-regulated affiliates;
- Schedule 2.2(9) sample adjustment calculations applicable to Merged Holdco (the proposed parent of LDC Mergeco);
- Schedule 2.4(1) (the Shareholder Agreement)
 - Section 1.1 definitions which relate to non-LDC affiliate transactions and annual limits;
 - Sections 12.1(c) and 13.7 rules for the modification of Promissory Notes and the Shareholder Agreement;
 - Schedule B promissory notes of Merged Holdco;
 - Schedule C Dividend policy of Merged Holdco;
- Schedule 5.3(4) Veridian Holdco options;
- Schedule 5.3(38) third parties to a joint venture;



- Schedule 5.3(40) third party consents: Veridian LDC
- Schedule 5.5(13) Whitby LDC non-regulated affiliates equipment leases;
- Schedule 5.5(18) Whitby LDC non-regulated affiliates material contracts;
- Schedule 5.5(40) third party consents: Whitby LDC.

Those redactions made because of FIPPA or because they are commercially sensitive are as described below. The Applicants hereby request confidential treatment of these sections of the Application pursuant to the Rules and Practice Direction for the reasons stated.

MPA: Section 1.1 certain defined terms, and 6.1(1)(a)(ii) and 6.2(1)(a)(ii) and Schedule 2.2 (9). Release of this information would provide third parties with information on certain values and limitations on the conduct of parties prior to closing which would provide third parties with information that could be used to the prejudice of the Applicants commercially in future.

Schedule 2.4(1) (the Shareholder Agreement) at Sections 1.1, 6.1, 6.4, 6.5, 8.1, 9.1, and 9.2 contain information that includes monetary limits, restrictions on certain actions in future and specific timelines and procedures which if released, could put the Applicants at a competitive disadvantage in future.

Personal information which is found at Schedule 5.3(33)(a) and Schedule 5.5(8) Part (2)(b) to the MPA has been redacted pursuant to the FIPPA.

Schedules 5.3(13), 5.5(11)(f) and 6.1(7) to the MPA have been redacted because such information would provide cost estimates and current remuneration being paid. This would negatively impact future contractual relations and the ability to secure fair market prices.

Schedules 5.3(16) and (29) and Schedules 5.5(16) and (29) contain details about the Applicants' insurance policies and claims made thereunder (including MEARIE claims) and litigation claims. Releasing such information would prejudice the ability of the Applicants to prosecute or defend such claims in future.

Schedules 5.3(32) and 5.5(32) have excluded the Veridian LDC and Whitby LDC employee plan policy numbers. The release of this information might provide an advantage to a potential competitor in future.

The Applicants are prepared to provide copies of the subject material to individuals who have executed and delivered the OEB's Form of Declaration and Undertaking ("**Undertaking**") regarding confidential material, subject to the Applicants' right to oppose any request for access to the confidential material. To the extent that any confidential material constitutes personal information, the Applicants will request that the OEB order that such material not be provided to any person, regardless of whether that person has signed the Undertaking.

AIRD BERLIS

All of the redactions are found in the MPA and its schedules. The Applicants are contemporaneously filing with the OEB two public versions of the Application and two unredacted copies of the MPA, which have been marked as "confidential" and the redacted sections highlighted. The Applicants are in the process of filing the Application on the Board's RESS.

Yours truly,

AIRD & BERLIS LLP

Dennis M. O'Leary

DMO/vf

cc: George Armstrong, Vice President, Corporate Services, Veridian Connections Inc. Susan Reffle, Vice President, Whitby Hydro Electric Corporation

33293160.2

AIRD BERLIS



55 Taunton Road East Ajax, Ontario L1T 3V3 Phone: (905) 427-9870 / 888-445-2881 www.veridian.on.ca



Whitby Hydro Electric Corporation 100 Taunton Road East Whitby, Ontario L1N 5R8 Phone: (905) 444-1983 www.whitbyhydro.on.ca

MAAD Application

EB-2018-0236

Filed: July 30, 2018

1. TABLE OF CONTENTS

1.	TABLE	OF CONTENTS I
2.	ADMIN	ISTRATIVE1
	2.1	Application Overview
	2.2	Name of Applicant 14
		2.2.1 Authorized Representative
	2.3	Name of Applicant 24
		2.3.1 Authorized Representative
	2.4	Counsel to the Applicants4
	2.5	Description of Transaction
	2.6	Certificates of Evidence5
3.	DESCRI	PTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION
	3.1	Description of Business5
		3.1.1 Veridian Connections Inc. ("Veridian LDC")5
		3.1.2 Whitby Hydro Electric Corp. ("Whitby LDC")
	3.2	Service Area12
		3.2.1 Veridian LDC Service Territory Overview
		3.2.2 Veridian LDC Service Territory Details
		3.2.3 Whitby LDC Service Territory Overview
		3.2.4 Whitby LDC Service Territory Details
	3.3	Customer Information
	3.4	Geographic Service Area14
	3.5	Corporate Relationship
	3.6	Net Metering15
4.	DESCRI	PTION OF THE PROPOSED TRANSACTION15
	4.1	Proposed Transaction15
	4.2	Leave Being Sought17
		4.2.1 The Requested Regulatory Approvals17
		4.2.2 Deferred Rebasing
	4.3	Consideration
	4.4	Legal Documents

TABLE OF CONTENTS (continued)

Page

	4.5	Resolut	ions	19
5.	IMPAC	T OF PRO	DPOSED TRANSACTION	19
	5.1		pjective 1 - Protect consumers with respect to prices and the adequacy, re ality of electricity service	
		5.1.1	Consumer Impacts	19
		5.1.2	Cost Structure Analysis	25
		5.1.3	OM&A Cost per Customer	27
		5.1.4	Change of Control	28
		5.1.5	System Operations	28
	5.2		e the maintenance of a financially viable electricity industry	32
		5.2.1	Efficiencies	32
		5.2.2	Incremental Costs	35
		5.2.3	Valuation	36
		5.2.4	Financial Viability	37
		5.2.5	Financing of the Transaction	37
		5.2.6	Financial Statements	
		5.2.7	Pro Forma Financial Statements	
6.	RATE C	ONSIDE	RATIONS FOR CONSOLIDATION APPLICATIONS	38
	6.1	Deferre	ed Rate Rebasing	
	6.2	Deferre	ed Rebasing Greater than Five Years	
	6.3	Increm	ental Capital Investments During the Deferral Period	42
7.	OTHER	RELATE	D MATTERS	43
	7.1	Implem	entation of New or the Extension of Existing Rate Riders	43
	7.2	Transfe	r of Rate Order	44
	7.3	Licence	Amendment and Cancellation	44
	7.4		al to Continue to Track Costs to Approved Deferral and Variance ts	44
	7.5	Accoun	ting Standards	44
	7.6	Deferra	Il Account – Changes in Accounting Policy	45
	7.7	Potenti	al Introduction of a Large User Rate Class for Whitby Rate Zone	46
	7.8	Applica	tion for Electricity Distribution Licence	46

TABLE OF CONTENTS (continued)

Page

8.	CONCLUSION	46
----	------------	----

LIST OF ATTACHMENTS

- A. Mapping of Application to Board's Handbook Filing Requirements
- B. LDC Mergeco Combined Service Area Map
- C. Certificates of Evidence
- D. Veridian LDC Distribution Licence (ED-2002-0503)
- E. Whitby LDC Distribution Licence (ED-2002-0571)
- F. Veridian Holdco Corporation Organization Chart
- G. Whitby Holdco Corporation Organization Chart
- H. Merged Holdco Post Merger Corporate Organization Chart
- I. Merger Participation Agreement dated July 10, 2018
- J. Municipal and Shareholder Approvals for the Proposed Transaction
- K. Veridian LDC 2016 Scorecard
- L. Whitby LDC 2016 Scorecard
- M. Navigant Report
- N. Grant Thornton Fairness Opinion
- O. Veridian LDC 2016 and 2017 Financial Statements
- P. Whitby LDC 2016 and 2017 Financial Statements
- Q. LDC Mergeco Pro Forma Financial Statement
- R. Listing of Existing Rate Riders
- S. Draft LDC Mergeco Distribution Licence Application

2. Administrative

2.1 Application Overview

This is an application ("**Application**") to the Ontario Energy Board ("**OEB**" or the "**Board**") for the approvals and ancillary relief necessary to effect the amalgamation of Veridian Connections Inc. ("**Veridian LDC**") and Whitby Hydro Electric Corporation ("**Whitby LDC**") (collectively referred to as the "**Applicants**" or the "**Parties**") to form one single electricity distributor, "**LDC Mergeco**". The amalgamation and related steps are referred to as the "**Proposed Transaction**".

This Application is the culmination of a merger evaluation process that began in April, 2016. The evaluation was initiated and undertaken by the parent companies of the Parties: Veridian Corporation ("**Veridian Holdco**") and Whitby Hydro Energy Corporation ("**Whitby Holdco**"). The evaluation process initially included Oshawa Power and Utilities Corporation ("**OPUC**") as a third potential merger partner. However, OPUC withdrew from the evaluation process in March, 2017.

The exploration and evaluation of the potential merger opportunity was prompted and guided by the findings of a number of public policy reviews that cite the benefits of consolidation in the electricity distribution sector. These benefits are articulated in the following excerpt from the introductory section at page 1 of the Board's January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the "**Handbook**"):

"The Commission on the Reform of Ontario's Public Services, the Distribution Sector Review Panel and the Premiers Advisory Council on Government Assets have all recommended a reduction in the number of local distribution companies in Ontario and have endorsed consolidation. According to these reports, consolidation can increase efficiency in the electricity distribution sector through the creation of economies of scale and/or contiguity. Consolidation permits a larger scale of operation with the result that customers can be served at a lower per customer cost. Consolidations that eliminate geographical boundaries between distribution areas result in a more efficient distribution system.

Consolidation also enables distributors to address challenges in an evolving electricity industry. This includes new technology requirements to meet customer expectations, changing dynamics in the electricity sector with the growth of distributed energy resources and to undertake asset renewal. Distributors will need considerable additional investment to meet these challenges and consolidation generally offers larger utilities better access to capital markets, with lower financing costs. Distributors are also expected to meet public policy goals relating to electricity conservation and demand management, implementation of a smart grid, and promotion of the use and generation of electricity from renewable energy sources. Delivering on these public policy goals will require innovation and internal capabilities that may be more cost effective for larger distributors to develop or retain."

Customers and other stakeholders of the Applicants were informed and engaged throughout the merger evaluation process. This was done through a variety of channels including community open houses, bill inserts, press releases and the maintenance of a 'Potential Merger Information Hub' on each of the Applicant's websites.

Stakeholders were further engaged by the shareholders of the Applicants' parent companies during the shareholder approvals process. The five involved municipal shareholders each held multiple municipal council meetings to consider the Proposed Transaction, thereby providing additional opportunities for public and customer input to the decision making process.

Following this extensive evaluation and community engagement process, the Proposed Transaction was approved by all five shareholders of Veridian Holdco and Whitby Holdco, being: The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering and The Corporation of the Town of Whitby.

If this Application is approved by the Board, the current shareholders of Veridian Holdco and Whitby Holdco will become the ultimate shareholders of LDC Mergeco. The targeted closing date of the Proposed Transaction is February 28, 2019.

This Application follows the Filing Requirements contained in the Handbook and adheres to the Board's March 26, 2015 Report on Rate-Making Associated with Distributor Consolidation (the "**Consolidation Policy**"). The Applicants submit that the evidence provided in this Application demonstrates that the Proposed Transaction meets the requirements of the Handbook's "no harm" test. The mapping of this Application's contents to the Handbook's Filing Requirements is provided at Attachment A.

The details of the approvals and additional Orders being sought through this Application are provided in Section 4.2 of this Application. Upon completion of the Proposed Transaction, LDC Mergeco will be wholly owned by a parent company created by the merger of Veridian Holdco and Whitby Holdco:

"Merged Holdco". This company will in turn be owned by the following Municipal Corporations with a voting share interest as follows:

- The Corporation of the Town of Ajax: 21.828%
- The Corporation of the City of Belleville: 9.044%
- The Corporation of the Municipality of Clarington: 9.248%
- The Corporation of the City of Pickering: 27.88%
- The Corporation of the Town of Whitby: 32%

The licenced service area of LDC Mergeco will be comprised of the current service areas of Veridian LDC and Whitby LDC. This will result in a large contiguous service area within the Regional Municipality of Durham. A combined service area map for LDC Mergeco is provided at Attachment B.

LDC Mergeco will adopt a new corporate name and brand which, over time, will supplant the current brand names of Veridian LDC and Whitby LDC.

The Applicants request a written hearing based on the following factors:

- As described herein, the Proposed Transaction will not have an adverse impact on ratepayers. Indeed the Proposed Transaction is expected to have a positive impact on the price, adequacy, reliability and quality of electricity service for the customers of Veridian LDC and Whitby LDC;
- The Proposed Transaction resulted from a comprehensive merger evaluation process which included a broad public information and consultation process;
- The Proposed Transaction and its benefits will be realized through a voluntary consolidation that is a non-cash transaction; and,
- The Proposed Transaction will deliver cost synergies and economy of scale benefits contemplated by the Ontario Distribution Sector Review Panel and promotes the objectives contained in the Board's Renewed Regulatory Framework.

2.2 Name of Applicant 1

Veridian Connections Inc. 55 Taunton Road East Ajax, ON L1T 3V3

2.2.1 Authorized Representative

George Armstrong

Vice President of Corporate Services Veridian Connections Inc. 55 Taunton Road East Ajax, ON L1T 3V3

Phone: 905-427-9870, ext. 2202 Email: garmstrong@veridian.on.ca

2.3 Name of Applicant 2

Whitby Hydro Electric Corporation 100 Taunton Road East, P.O. Box 59 Whitby, ON L1N 5R8

2.3.1 Authorized Representative

Susan Reffle Vice-President Whitby Hydro Electric Corporation 100 Taunton Road East, P.O. Box 59 Whitby, ON L1N 5R8

Phone: 905-444-1983 Email: sreffle@whitbyhydro.on.ca

2.4 Counsel to the Applicants

Mr. Dennis M. O'Leary

Aird & Berlis LLP Brookfield Place, 181 Bay Street, Suite 1800 Toronto, ON M5J 2T9

Phone: 416-863-1500 Email: <u>doleary@airdberlis.com</u>

2.5 Description of Transaction

FILING REQUIREMENT: BRIEF DESCRIPTION OF THE NATURE OF THE TRANSACTION FOR WHICH APPROVAL OF THE OEB IS SOUGHT BY THE APPLICANT OR APPLICANTS

The Proposed Transaction involves the amalgamation of Veridian Holdco and Whitby Holdco to form Merged Holdco. This will be immediately followed by the amalgamation of Veridian LDC and Whitby LDC to form LDC Mergeco. Subject to OEB approval, the Proposed Transaction is contemplated to close effective February 28, 2019.

For a more detailed description of the transaction, please see Section 4.1 below.

2.6 Certificates of Evidence

Please see Attachment C for the Certificates of Evidence from each of the Applicants.

3. Description of the Business of the Parties to the Transaction

3.1 Description of Business

FILING REQUIREMENT: 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.

3.1.1 Veridian Connections Inc. ("Veridian LDC")

Veridian LDC Geographic Description

Veridian LDC is licenced by the OEB pursuant to an electricity distribution licence (ED-2002-0503) and provides electricity distribution services in the City of Pickering, the Town of Ajax, the Municipality of Clarington, the Township of Uxbridge, the Town of Port Hope, the Township of Brock, the Township of Scugog, the City of Belleville and the Town of Gravenhurst.

Veridian LDC is a wholly-owned subsidiary of Veridian Holdco and is headquartered in Ajax, Ontario.

The nine communities in which Veridian LDC provides distribution services are located within southern Ontario. The most heavily populated communities are situated within the Greater Toronto Area and lie along the shore of Lake Ontario to the east of the City of Toronto. Veridian LDC's licensed service areas are aligned with municipal boundaries in the Town of Ajax and the City of Pickering with the exception of a few small segments of land which are identified in its licence (ED-2002-0503). These two communities are contiguous, and together contain more than one-half of Veridian LDC's customers. Veridian LDC's service areas in the balance of the communities in which it operates are non-contiguous.

Veridian Strategy

The mission of Veridian LDC and its affiliated companies is:

To provide reliable, efficient and sustainable energy services to our customers while delivering optimal return on investment to our shareholders and promoting economic growth in the communities we serve.

Veridian LDC and its affiliated companies' Vision Statement reads:

We will be unsurpassed in providing innovative energy solutions that are the cornerstone for creating the sustainable communities of tomorrow.

Veridian LDC and its affiliated companies' core values are:

- Integrity in dealing with customers, employees, shareholders and business partners
- Health and safety of employees and members of the public
- Growth and development of employees in a challenging, rewarding and innovative work environment
- Value creation for customers and shareholders
- Excellence in all aspects of our business

Veridian LDC and its affiliated companies focus on the following strategic themes to achieve their business goals:

- Customer Experience
- Infrastructure Renewal

- Operational Excellence
- Growth and Sustainability
- Safe, Engaged and Productive Workforce
- Pursuit of new business lines that increase shareholder and customer value

Veridian LDC earns its revenues through charges to its customers for the delivery of electricity through its electricity distribution system. Veridian LDC's rates are regulated and approved by the OEB.

In 2009, the Ontario government enacted the Green Energy Act ("**GEA**"); legislation that changed the role of distribution utilities in the areas of power generation, Conservation and Demand Management ("**CDM**") and the development of smart grid assets.

The GEA permits distributors to own and operate a portfolio of eligible renewable power generation assets. Related OEB regulatory and accounting guidelines require separate accounting for these generation operations within the distribution utility company.

Under these provisions, Veridian LDC has made small scale investments in rooftop solar-photovoltaic ("**PV**") generation assets and operations.

Veridian Ownership Structure and Affiliates

Veridian Holdco

Veridian LDC is wholly owned by Veridian Holdco. Veridian Holdco is 100% municipally owned by four shareholders:

- The Corporation of the City of Pickering (41.0%),
- The Corporation of the Town of Ajax (32.1%),
- The Corporation of the Municipality of Clarington (13.6%) and
- The Corporation of the City of Belleville (13.3%).

Veridian Holdco's primary business is the distribution of electricity. This is undertaken through its wholly-owned regulated subsidiary, Veridian LDC.

Ancillary businesses include Veridian Energy Inc. and Quinte Solar Generation Inc., both of which are unregulated subsidiaries wholly or partially owned by Veridian Holdco.

Veridian LDC

Veridian LDC was formed in the fall of 1999 through the merger of Ajax Hydro, Clarington Hydro and Pickering Hydro. Since that time, Veridian LDC has merged with or acquired the following utilities:

- acquired Uxbridge Hydro on June 1, 2000
- acquired Port Hope Hydro on May 1, 2001
- acquired Brock Hydro on July 1, 2001
- merged with the electrical distribution business of Belleville Utilities on October 1, 2001
- acquired Scugog Hydro Energy Corporation on July 1, 2005
- acquired Gravenhurst Hydro Electric Inc. on November 1, 2005

Veridian LDC services approximately 120,500 metered customers consisting of Residential and General Service commercial, industrial and institutional customers as well as a number of additional unmetered customers including streetlights and sentinel lights. Veridian LDC also has 300 embedded generation, Feed-In-Tariff (**"FIT**") and MicroFIT customers.

Veridian LDC owns a renewable solar generation project located at its head office in the Town of Ajax and holds a 39% ownership interest in a renewable solar generation project on the Claremont Community Centre in Pickering. Veridian LDC does not own or operate an OEB licensed generation facility. Veridian LDC provides CDM programs to customers in its service area, and currently has a joint CDM plan with Whitby LDC.

Veridian Energy Inc. ("VEI")

Historically VEI operated non-rate-regulated businesses such as water heater and equipment rentals as well as other energy-related services. VEI disposed of its non-regulated water heater and sentinel light operations in 2011. As a result, VEI became dormant in 2011 and has remained inactive since. VEI remains wholly owned by Veridian Holdco.

Quinte Solar Generation Inc. ("QSGI")

Veridian Holdco has a 70% ownership interest in QSGI. QSGI was incorporated for the purpose of investing in rooftop solar opportunities under the provincial government's various FIT programs. The Corporation of the City of Belleville owns 15% and Solera Sustainable Energies Company Limited owns the remaining 15% of QSGI. QSGI does not have any assets at this time and is maintained as a shell company for future solar investment opportunities.

Veridian LDC Distribution Rates

Veridian LDC last rebased its distribution rates effective May 1, 2014 (EB-2013-0174) under the Price Cap Incentive Rate ("**PCIR**") methodology. As approved by the Board, Veridian LDC has a rate base of approximately \$238.1M and a base revenue requirement of approximately \$53.9M.

Subsequently, Veridian LDC filed and received approval for four Incentive Rate Mechanism ("**IRM**") applications under the PCIR methodology:

- EB-2014-0117 for distribution rates effective May 1, 2015
- EB-2015-0106 for distribution rates effective May 1, 2016
- EB-2016-0107 for distribution rates effective May 1, 2017
- EB-2017-0078 for distribution rates effective May 1, 2018

3.1.2 Whitby Hydro Electric Corp. ("Whitby LDC")

Geographic Description

Whitby LDC is licenced by the Board pursuant to an electricity distribution licence (ED-2002-0571) under which it owns, operates and manages the assets associated with the distribution of electrical power to approximately 42,500 metered customers in the Town of Whitby. The Town of Whitby is located east of Toronto (east of Ajax, west of Oshawa and on the north shore of Lake Ontario) in the Region of Durham. It includes the communities of Ashburn, Brooklin, Myrtle and Myrtle Station.

Mission and Values

The mission of Whitby LDC and its affiliated companies (which are described below) is to increase value to the shareholder by being a leader in power distribution, service excellence, and entrepreneurial business activities, having high regard for Health and Safety, Employees, Customers and the Environment.

Whitby LDC and its affiliated companies' core values include:

- Integrity conduct business with high regard for ethical behavior, trust and respect for all
- Teamwork build strong partnerships and honour our commitments to achieve corporate and community goals
- Excellence perform at the highest level of service, commitment and safety
- Innovation create value to the shareholder and customers through strong business practices, strategic thinking, the use of technology and the expansion of competitive services

Whitby LDC and its affiliated companies' overall Vision is to become a leader within the Industry and Community by:

- Continuing to deliver electricity reliably and safely
- Enhancing our opportunities in entrepreneurial activities
- Honouring our commitments to being socially and environmentally responsible

Whitby LDC Ownership Structure and Affiliates

Whitby Holdco

Whitby Holdco is a holding company that is 100% owned by the Town of Whitby.

Whitby LDC

Whitby LDC is a wholly-owned subsidiary of Whitby Holdco. Whitby LDC operates the electricity distribution system in its licensed service area which covers the Town of Whitby with the exception of a

few small segments of land which are identified in its license (ED-2002-0571). Whitby LDC services approximately 42,500 metered customers including Residential and General Service commercial, industrial and institutional customers as well as a number of additional unmetered customers including streetlights and sentinel lights. Whitby LDC has a limited number of dedicated employees. The remainder of the employees are employed by and shared with its affiliate Whitby Hydro Energy Services Corporation (**"WHESC"**).

Whitby LDC also has 192 embedded generation FIT and MicroFIT customers and owns a renewable solar (FIT) project located at its head office in the Town of Whitby. Whitby LDC does not own or operate an OEB licensed generation facility. Whitby LDC also provides CDM programs to customers in its service area.

WHESC

WHESC is a wholly-owned subsidiary of Whitby Holdco. WHESC was created when the Ontario electricity market deregulated in 2000. WHESC assists customers from all over Ontario with their energy management and engineering project needs as well as generation, combined heat and power, storage and a range of distribution related services. Since its inception, WHESC has provided distribution and corporate services to Whitby LDC. While licenced to do so (under ES-2013-0257), WHESC does not provide unit sub-metering services.

Whitby LDC Distribution Rates

Whitby LDC last rebased its distribution rates in a 2010 rate application (EB-2009-0274) under the PCIR methodology and through settlement received approval for 2011 rates effective for January 1, 2011. Included in the approved settlement process was a rate base of approximately \$75.8M and a base revenue requirement of \$19.2M.

Since that time, Whitby LDC has filed and received approval for seven IRM applications:

- EB-2011-0206 for distribution rates effective January 1, 2012
- EB-2012-0177 for distribution rates effective January 1, 2013
- EB-2013-0181 for distribution rates effective January 1, 2014

- EB-2014-0124 for distribution rates effective January 1, 2015
- EB-2015-0113/0251 for distribution rates effective January 1, 2016
- EB-2016-0114 for distribution rates effective January 1, 2017
- EB-2017-0085/0292 for distribution rates effective January 1, 2018

During this timeframe, Whitby LDC has received approval from the OEB to defer its Cost of Service ("**COS**") application in 2015, 2016 and 2017. As part of the 2018 rate application, Whitby LDC moved to an annual IR index application ("**AIRI**") in accordance with the OEB's guidance.

In order to address a number of items outside of a COS proceeding, Whitby LDC also filed and received approval for an application for the disposition of Smart Meter costs (EB-2012-0479). As well, approvals were received through the IRM application process for additional items addressed as part of an IRM or stand-alone application. More specifically these are:

- EB-2015-0113/0251 Interim disposition for Account 1576
- EB-2016-0114 Interim disposition for Account 1576
- EB-2017-0085/0292 Stranded Meter disposition

Adjustment of distribution rates to incorporate Smart Meters Unbundling of Low Voltage recoveries from distribution rates and the establishment of Low Voltage rate riders Disposition of specific Group 2 account balances

3.2 Service Area

3.2.1 Veridian LDC Service Territory Overview

Veridian LDC is the fifth largest municipally owned electricity distributor in Ontario and delivers electricity to approximately 120,500 customers in the Cities of Pickering and Belleville, the Towns of Ajax, Port Hope and Gravenhurst, and the communities of Uxbridge, Bowmanville, Newcastle, Orono, Port Perry, Beaverton, Sunderland and Cannington.

3.2.2 Veridian LDC Service Territory Details

Veridian LDC's service territory is described in its electricity distribution licence (ED-2002-0503). A copy of the distribution licence is provided as Attachment D.

3.2.3 Whitby LDC Service Territory Overview

Whitby LDC is located east of Toronto in the Regional Municipality of Durham and delivers electricity to approximately 42,500 metered customers in the Town of Whitby. According to OEB 2016 yearbook data, Whitby LDC is the seventeenth largest municipally owned electricity distributor.

3.2.4 Whitby LDC Service Territory Details

Whitby LDC's service area covers the Town of Whitby with the exception of a few small segments of lands which are identified in its license (ED-2002-0571). A copy of its electricity distribution licence is provided as Attachment E.

3.3 Customer Information

Metered Customers:

Table 1 below shows the total number of metered customers served by the Applicants as of December 31, 2017.

Table 1: Customers/Connections by Rate Class

	Number of Customers/Connections					
Customer Class	Veridian LDC	Whitby LDC	Total			
Residential	110,330 ¹	39,890	150,220			
General Service <50 kW	9,036	2,238	11,274			
General Service 50 – 4,999 kW	1,088²	370	1,458			
Large Use >5MW	3	0	3			

¹ 1,572 of these customers belong to Veridian LDC's Seasonal Residential rate class

² 5 of these customers belong to Veridian LDC's General Service 3,000 to 4,999 kW (Intermediate) rate class

	Number of Customers/Connections				
Customer Class	Veridian LDC	Whitby LDC	Total		
Total Metered Customers	120,457	42,498	162,955		

Unmetered Customers

The following unmetered customers were also reported as of December 31, 2017:

- Veridian LDC's customers include 821 unmetered scattered load connections, 30,662 Street Lighting connections, and 439 Sentinel Lighting connections.
- Whitby LDC's customers include 372 unmetered scattered load connections, 11,902 Street Lights and 38 Sentinel lights.

Generation

Veridian LDC and Whitby LDC reported 300 and 192 FIT, MicroFIT and RESOP customers respectively for 2017.

3.4 Geographic Service Area

See section 3.1 above and the Applicant's distribution licenses included as Attachments D and E for a detailed description of the Parties' service territories. The proposed service territory of LDC Mergeco represents the combination of the above described Veridian LDC and Whitby LDC service territories as shown in Attachment B.

Accordingly, consistent with the nature of Veridian LDC's service territory, LDC Mergeco's service territory will remain partly non-contiguous. However, Whitby LDC's existing service territory is contiguous with Veridian LDC's Ajax and Pickering service territories, providing for a large contiguous service area within the Regional Municipality of Durham.

3.5 Corporate Relationship

See Attachment F for Veridian Holdco's corporate organization chart and Attachment G for Whitby Holdco's corporate organization chart. See section 3.1.1 and 3.1.2 above for a more complete description of each of the Applicants' affiliates.

Please refer to Attachment H for Merged Holdco's post-merger corporate organization chart.

3.6 Net Metering

Table 2 below shows the current net metering thresholds for the Parties

Table 2: Net Metering Thresholds

Distributor	kW Threshold
Veridian LDC	4,720.41
Whitby LDC	1,825.06
Total	6,545.47

The Applicants propose that the above threshold amounts be aggregated for the purposes of determining LDC Mergeco's net metering threshold. There are no special circumstances to warrant employing a different methodology for LDC Mergeco.

4. Description of the Proposed Transaction

4.1 **Proposed Transaction**

FILING REQUIREMENT: PROVIDE A DETAILED DESCRIPTION OF THE PROPOSED TRANSACTION.

This Application is the culmination of a merger evaluation process that began in April 2016. The evaluation was originally undertaken by the parent companies of the Parties, Veridian Holdco and Whitby Holdco and, initially, by OPUC which remained until March 2017 as a third potential merger partner. OPUC withdrew from the evaluation process in March 2017 but the remaining entities concluded that the proposed amalgamation remained in the best interest of the Parties and their ratepayers.

On July 10, 2018, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, The Corporation of the Town of Whitby, Veridian Corporation, Veridian Connections Inc., Whitby Hydro Energy Corporation and Whitby Hydro Electric Corporation entered into a Merger Participation Agreement ("MPA") for the purposes of forming a single regulated electricity distributor being LDC Mergeco.

Pursuant to the MPA, it is contemplated that Veridian Holdco and Whitby Holdco will amalgamate on the Closing Date and will continue with a name to be determined as Merged Holdco. Upon the amalgamation of Veridian Holdco and Whitby Holdco, Merged Holdco shall be owned by the following parties by the percentages set out below:

PARTY	EQUITY AND VOTING PERCENTAGE INTEREST
The Corporation of the Town of Ajax	21.828%
The Corporation of the City of Belleville	9.044%
The Corporation of the Municipality of Clarington	9.248%
The Corporation of the City of Pickering	27.880%
The Corporation of the Town of Whitby	32.000%
TOTAL:	100%

Under the MPA, immediately after the amalgamation of Veridian Holdco and Whitby Holdco to form Merged Holdco, Veridian LDC and Whitby LDC shall amalgamate and continue with a name to be determined as LDC Mergeco. The Proposed Transaction contemplates that LDC Mergeco will be wholly owned by Merged Holdco.

The Proposed Transaction is primarily a non-cash transaction, involving only the issuance of shares. The only consideration which may be necessary will occur in the event that a final valuation adjustment is required in which case one or several of the above noted Municipal Corporations will be entitled to redeem non-voting special shares of Merged Holdco. It is not anticipated that this valuation adjustment will involve a material amount and it will have no impact on the ownership of the voting shares of Merged Holdco.

The following are the steps to the Proposed Transaction:

- 1. Veridian Holdco and Whitby Holdco will amalgamate to form Merged Holdco which will be owned by the parties noted above in the percentages set out above.
- 2. Veridian LDC and Whitby LDC will amalgamate to form LDC Mergeco.

See Attachment H for the Corporate Organization Chart subsequent to the Proposed Transaction and Section 4.2.1 below for a list of the regulatory approvals and Orders sought in connection with the Proposed Transaction.

Subject to receiving the necessary regulatory approvals, the Parties contemplate the transaction closing effective February 28, 2019.

4.2 Leave Being Sought

<u>FILING REQUIREMENT</u>: 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.

4.2.1 The Requested Regulatory Approvals

The Requested Regulatory Approvals in support of the Proposed Transaction are as follows:

- (1) Leave for Merged Holdco to acquire control of Veridian Holdco and Whitby Holdco pursuant to Section 86(2)(b) of the *OEB Act*;
- (2) Leave for Veridian LDC to amalgamate with Whitby LDC to form LDC Mergeco pursuant to Section 86(1)(c) of the *OEB Act;*
- (3) Issuance of a distribution licence to LDC Mergeco pursuant to Section 60 of the OEB Act;
- (4) Leave for the transfer of the current and any future rate orders and rate riders of Veridian LDC and Whitby LDC to LDC Mergeco pursuant to section 18 of the *OEB Act*;
- (5) Approval for LDC Mergeco to continue to track costs to existing deferral and variance accounts;
- (6) Cancellation of the Distribution Licences of Veridian LDC (ED-2002-0503) and Whitby LDC (ED-2002-0571) upon the issuance of the Distribution Licence to LDC Mergeco; and
- (7) An Accounting Order establishing a deferral account to track any material differences between the revenue requirement calculated using pre-merger accounting policies and the revenue requirement calculated using post-merger accounting policies.

4.2.2 Deferred Rebasing

The Applicants have chosen to defer LDC Mergeco's rebasing for ten years from the date of closing of the transaction consistent with the Handbook and Consolidation Policy. For additional details, please see Section 6.1 below.

The Applicants confirm that an Earnings Sharing Mechanism ("**ESM**") will be established in accordance with the Handbook and Consolidation Policy for years six through ten. For additional details on the ESM proposal, please see Section 6.2 below.

4.3 Consideration

<u>FILING REQUIREMENT</u>: PROVIDE DETAILS OF THE CONSIDERATION (E.G. CASH, ASSETS, SHARES) TO BE GIVEN AND RECEIVED BY EACH OF THE PARTIES TO THE PROPOSED TRANSACTION.

As described in Section 4.1 above, the Proposed Transaction involves the amalgamation of Veridian Holdco and Whitby Holdco to form Merged Holdco which will wholly own LDC Mergeco. Ownership of the voting shares of Merged Holdco are set out in Section 4.1 above. Aside from the possible redemption of non-voting special shares of Merged Holdco as part of any final valuation adjustments on the closing of the transaction, which amounts the Parties do not believe will be material, the Proposed Transaction is a non-cash transaction.

4.4 Legal Documents

FILING REQUIREMENT: PROVIDE ALL FINAL LEGAL DOCUMENTS TO BE USED TO IMPLEMENT THE PROPOSED TRANSACTION.

A copy of the MPA which governs and contemplates all of the steps of the Proposed Transaction is provided at Attachment I. As the MPA contains: (1) personal information; (2) confidential information, as this term is understood pursuant to the Board's Practice Direction on Confidential Filings; and/or (3) is not relevant for the purposes of this MAAD's Application and the "No Harm" test, a redacted version of the MPA has been filed for inclusion on the public record. An unredacted version of the MPA is being filed with the Board together with a request by the Applicants for confidential treatment of the redacted sections in accordance with the Board Practice Direction on Confidential Filings.

4.5 Resolutions

<u>FILING REQUIREMENT</u>: 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.

All necessary approvals have been obtained. Copies of all relevant Board of Directors' and Municipal Councils' resolutions are included as Attachment J.

5. Impact of Proposed Transaction

5.1 OEB Objective 1 - Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service.

5.1.1 Consumer Impacts

FILING REQUIREMENT: INDICATE THE IMPACT THE PROPOSED TRANSACTION WILL HAVE ON CONSUMERS WITH RESPECT TO PRICES AND THE ADEQUACY, RELIABILITY AND QUALITY OF ELECTRICITY SERVICE.

A. Prices

The Board states in the Handbook that a comparison of current rates between consolidating partners is not evidence of lower cost of service for a proposed newly merged distributor. Further, it is a key expectation of the Renewed Regulatory Framework ("**RRFE**") that continuous improvement in productivity and cost performance by distributors occur, which can then be passed on to ratepayers through lower distribution rates. To demonstrate "no harm" to ratepayers with respect to price, an Applicant must evidence that it is reasonably expected that the underlying cost structure to serve customers after the consolidation of distributors will be no higher than it otherwise would have been.

The evidence in this Application confirms that the Proposed Transaction will result in annual OM&A cost savings of approximately \$6.6M by the year following the 10 year deferral period. These cost savings are further detailed in Section 5.2.1. Cost savings related to capital investments are not expected to be material and have therefore not been included within the analysis of the transaction.

As outlined in Section 5.2.2, incremental one-time transition and transaction costs are expected to be approximately \$6.7M. These transition and transaction costs will be funded through the annual OM&A savings generated. The Applicants do not propose recovery of these amounts from ratepayers.

Currently, Veridian LDC is on a PCIR rate-setting mechanism and Whitby LDC is on an AIRI rate-setting mechanism.

Absent a merger, Veridian LDC is scheduled to file a COS rate rebasing application for 2019 rates as per the normal five year cycle within the PCIR rate-setting framework. Veridian LDC's 2019 COS application would also include an Advanced Capital Module ("ACM") for a non-discretionary material transformer station investment in the Seaton TS that is expected to be in-service in 2020 and a potential investment in a service centre for the Belleville service area expected to be in-service in 2021.

As agreed in the Settlement Proposal filed in Whitby LDC's 2018 AIRI application (EB-2017-0085/EB-2017-0292) absent a merger, Whitby LDC would be required to "file a COS application as soon as reasonably practical". If such a filing were to occur, it is projected that it would result in rate increases greater than under the AIRI methodology, which would continue under the Proposed Transaction.

Under the proposed rate-making plan, LDC Mergeco will annually file a PCIR application for the previous Veridian LDC service area and an AIRI application for the previous Whitby LDC service area for the duration of the 10 year rebasing deferral period. The proposed rate making plan includes the provision of an Incremental Capital Module ("ICM"), applicable to the Veridian LDC service area only, for the non-discretionary Seaton TS and Belleville service centre capital investments referenced above.

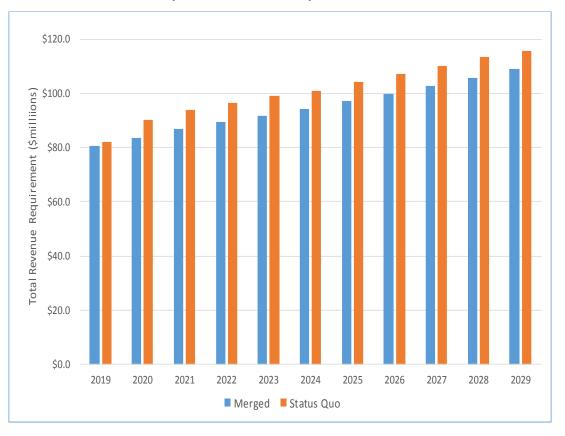
It is anticipated that at the end of the 10 year deferral period when rate rebasing will take place for both the Veridian LDC and Whitby LDC rate zones, distribution rates for these rate zones will be approximately 3% and 11% lower respectively than what would be the case under the status quo. The driver of this reduction is the decrease in the underlying cost structure of LDC Mergeco, which will be achieved during the rebasing deferral period as further detailed in section 5.2.1.

Additionally, distribution rates for both Veridian LDC and Whitby LDC during the 10 year rebasing deferral period are anticipated to be lower than they would otherwise have been, absent the merger. Veridian LDC rates are expected to be 0.8% lower on average and Whitby LDC rates are expected to be 6.7% lower, on average, over the 10 year deferral period as a result of the amalgamation.

Table 3 below shows the total distribution revenue requirement under the proposed transaction and under the status quo (without the merger) for the 10 year rebasing deferral period and the subsequent year.

The revenue requirement under the Proposed Transaction (the blue bars) reflects the PCIR and AIRI rate adjustments during the 10 year rebasing deferral period. A consolidated COS rates proceeding will take place in 2029, the first year following the deferral period. As Tables 3 & 4 demonstrate below, OM&A cost savings achieved through the transaction are then passed on to customers in the form of lower distribution rates.

The revenue requirement under the status quo (the orange bars) is the combined revenue requirement of Veridian LDC and Whitby LDC. These reflect COS rate rebasing in each of 2019, 2024 and 2029 and PCIR adjustments in the years 2020 to 2023 and 2025 to 2028.





Note: The PCIR and AIRI adjustments under Merged are based on the 2017 OEB-approved inflation factor minus the applicable X-factor of 0.3% for Veridian LDC and 0.6% for Whitby LDC. The large increase in total revenue requirement in 2020 is due to the inclusion of an ICM/ACM rate rider for Seaton TS for Veridian LDC under Merged and Status Quo respectively.

Table 4 below shows distribution revenue requirement per customer on a consolidated basis over the same period using the same assumptions.

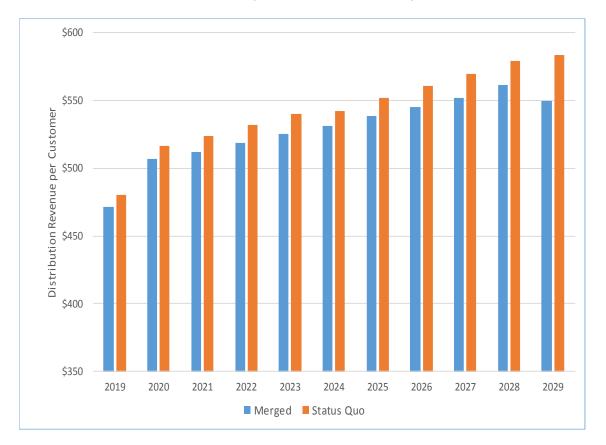


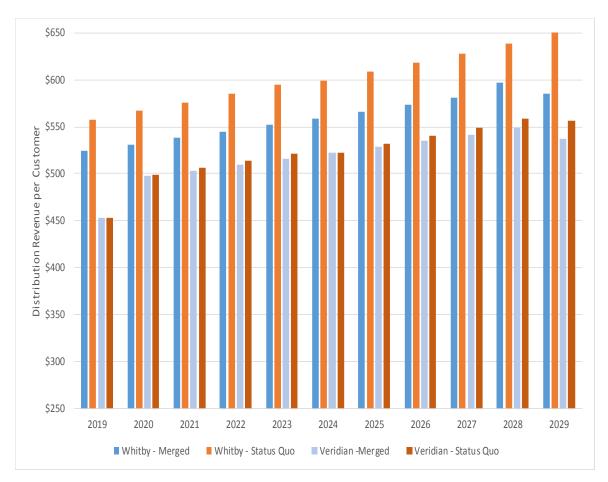
Table 4: Consolidated distribution revenue per customer – Under Proposed Transaction vs Status Quo

Note: The large increase in distribution revenue per customer in 2020 is due to the inclusion of an ICM/ACM rate rider for Seaton TS for Veridian LDC under Merged and Status Quo respectively.

During the deferral period, the consolidated distribution revenue requirement per customer will, on average, be 2% lower than it would have been under the status quo.

Subsequent to rate rebasing at the end of the 10 year deferral period, the forecast shows that the consolidated distribution revenue requirement per customer will, on average, be approximately 6% lower than it would have been in absence of the merger.

As stated previously, under the Proposed Transaction, a sustainable reduction to the underlying cost structure of LDC Mergeco will be achieved through annual OM&A cost reductions of approximately \$6.6M or 11% lower costs as compared to the status quo. These structural cost reductions are then passed through to customers at rebasing after the deferral period.





Note: The large increase in distribution revenue per customer in 2020 for Veridian LDC is due to the inclusion of an ICM/ACM rate rider for Seaton TS under Merged and Status Quo.

Table 5 above shows distribution revenue per customer for each of Whitby LDC and Veridian LDC under the Merged and status quo scenarios. This table demonstrates that the distribution revenue per customer in each of the Veridian and Whitby service areas will be lower as a result of the merger than under the status quo. This confirms a benefit to ratepayers in both service areas.

B. Adequacy, Reliability and Quality of Service

The Board states in the Handbook that its review of "no harm" in respect of the adequacy, reliability and quality of service will be informed by the distributors' metrics as filed with the OEB, and its annual scorecard performance. In the Board's report on system reliability measures and expectations it notes that continuous improvement is demonstrated when performance increases without an increase in cost or where an LDC can maintain the same level of performance at a reduced cost. It further states that

continuous improvement for both reliability and service quality performance is expected of a consolidated entity.

The 2016 Scorecards for Veridian LDC and Whitby LDC have been provided at Attachments K and L. Both scorecards show high rankings and trends in customer service and reliability. Currently, both LDCs are strong service providers and excel across the different industry service metrics. The Proposed Transaction creates an opportunity to improve these levels even more for the benefit of ratepayers.

Ensuring levels of customer service and reliability after the merger that either meet or exceed existing customer service levels for both LDCs was identified early in the process as a key objective for the Proposed Transaction.

Through the transition process, complementary strengths across the organizations will be identified to be combined for adoption of best practices and leverage of best systems such as:

- 24/7 control room extended to Whitby service area
- Access to greater resources when responding to major outage events
- Adoption of best practices from each LDC to support asset management planning
- Consistent customer experience for businesses, developers and contractors who operate in service areas of both LDCs
- Customers will benefit from combined technical resources and economies of scale to support:
 - Distribution system monitoring and reporting
 - Ability to deploy technological advances such as smart grid and emerging technologies (storage, etc.)
 - Risk management and mitigation of threats related to cyber security

Thorough reviews of operational best practices of both organizations will be a key focus of transition planning and implementation with a view to maintaining or improving overall service levels.

In preparation for possible COS applications, Veridian LDC and Whitby LDC made progress towards the development of standalone Distribution System Plans ("**DSP**"). Veridian LDC filed its first DSP as part of its 2014 COS application and was working on an update. Whitby LDC has not yet filed a DSP but was in the process. During the transition and initial operation of LDC Mergeco, efforts will be undertaken to

develop a consolidated asset planning and prioritization process with the intention to file a consolidated DSP within 18 to 24 months of the Proposed Transaction closing date.

Table 6 below shows the five year historical reliability metrics for Veridian LDC and Whitby LDC from the 2016 OEB Distributor Scorecard and 2017 reliability metrics as reported to the OEB.

Table 6: Historical reliability metrics

From 2016 OEB Distributor Scorecard								
	2012	2013	2014	2015	2016	Target	2017	
SAIDI - System Average Interruption Duration Index								
Veridian	1.19	1.45	1.97	1.62	1.24	1.43	1.07	
Whitby	0.96	0.93	1.89	1.4	0.99	1.14	0.69	
SAIFI - System Average Interruption Frequency Index								
Veridian	2.07	2.09	1.72	2.13	1.29	1.81	1.07	
Whitby	1.29	0.87	2.32	1.65	1.23	1.35	1.23	

5.1.2 Cost Structure Analysis

<u>FILING REQUIREMENT</u>: 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.

The Proposed Transaction will result in lower OM&A costs under LDC Mergeco than under the status quo scenario.

Table 7 below provides a comparison of OM&A costs of LDC Mergeco with that of Veridian LDC and Whitby LDC under the status quo.

Table 7: OM&A Comparison

OM&A in \$000's								
	2017	2018	2019	2020	2021	2022	2023	
Veridian	27,564	30,368	31,848	32,922	34,009	34,862	35,682	
Whitby	12,229	14,178	14,504	14,903	15,313	15,727	16,143	
Total OM&A - Status Quo	39,793	44,547	46,352	47,826	49,322	50,589	51,825	
OM&A Cost Savings			(115)	(2,246)	(4,735)	(5,424)	(5,528)	
OM&A Transition Costs			3,988	2,691	-	-	-	
Total OM&A - MergeCo LDC	39,793	44,547	50,225	48,271	44,587	45,165	46,297	
		2024	2025	2026	2027	2028	2029	
Veridian		36,672	37,607	38,566	39,549	40,558	41,592	
Whitby		16,571	17,010	17,461	17,924	18,399	18,886	
Total OM&A - Status Quo		53,243	54,617	56,027	57,473	58,957	60,479	
OM&A Cost Savings		(5,633)	(6,093)	(6,209)	(6,327)	(6,447)	(6,632)	

47,611

Note: 2017 are actuals, 2018-2029 are forecast

OM&A Transition Costs Total OM&A - MergeCo LDC

As noted previously in section 2.1, the merger evaluation process began in April 2016. At that time, forecast OM&A costs for 2017 under the status quo were \$42.9M, which is \$3.1M or 7.7% higher than the actual 2017 OM&A costs of \$39.8M. As the merger evaluation progressed and took longer than expected to complete, some of the OM&A savings forecast to occur within the post-merger period were realized in 2017.

48,524

49,818

51,146

52,510

53,847

In anticipation of the merger, both utilities prudently identified initiatives that should be deferred until post-merger so that they could be undertaken more cost effectively on a combined basis. These included the deferral of process and system reviews and strategic planning sessions. A significant contributor to lower 2017 OM&A costs were earlier than anticipated staff retirements, delays in filling many resulting vacancies given the Proposed Transaction and deferrals of additional staffing previously identified as required in the absence of the merger. More specifically, through the merger evaluation process, the Applicants identified a significant number of likely staff retirements within the next 2 to 7 years. In an effort to avoid redundancies in staffing post-merger, some vacancies created by unanticipated staff retirements during 2017 were not filled and others were filled on a term contract basis. Absent the Proposed Transaction, these short term cost savings would not be sustainable and

replacement staff would be required to maintain back office, administrative and managerial functions at the earlier staffing levels of the two utilities. Additionally, the incremental staffing requirements absent the merger would need to be hired, increasing costs under the status quo scenario.

As noted previously, cost savings related to capital investments are not expected to be material and have not been included within the analysis of the transaction. As a result, forecast annual capital investments under the proposed transaction are forecast to be the same as under the status quo and are shown in Table 8 below.

Table 8: Annual Net Capital Investment

Annual Net Capital Investment in \$000's										
	2017 2018 2019 2020 2021 2022 2023									
Veridian	26,285	27,246	24,341	67,964	21,818	22,315	22,745			
Whitby	8,546	13,000	10,282	7,737	8 <i>,</i> 028	10,992	8,425			
Total Capex -										
MergeCo LDC	34,831	40,245	34,623	75,701	29,846	33,307	31,170			

	2024	2025	2026	2027	2028	2029
Veridian	23,183	23,629	24,084	24,548	25 <i>,</i> 020	25 <i>,</i> 502
Whitby	8,702	10,909	8,966	11,906	9,774	9,868
Total Capex -						
MergeCo LDC	31,885	34,538	33,050	36,453	34,794	35,370

Note: The large increase in 2020 is due to the in-service addition of Seaton Transformer Station

This being said, the Applicants anticipate that the increased purchasing power of LDC Mergeco and the consolidation of inventories will result in capital cost savings which will ultimately benefit ratepayers.

5.1.3 OM&A Cost per Customer

<u>FILING REQUIREMENT</u>: 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.

The table below provides the 5 year historical OM&A details for Veridian LDC and Whitby LDC. Data for 2013-2016 is sourced from the annual OEB Yearbook of Electricity Distributors.

Data for 2017 is from each distributor's OEB annual information filings.

		Veridian	Whitby					
	OM&A	Customors	Customers OM&		OM&A	Customers	C	A&M
	(\$000's)	Customers			(\$000's)	customers	per	
2017	27,564	120,457	\$	228.83	12,229	42,498	\$	287.75
2016	27,446	119,533	\$	229.61	11,861	42,178	\$	281.21
2015	26,422	118,481	\$	223.01	11,407	41,798	\$	272.90
2014	26,203	117,494	\$	223.02	10,593	41,488	\$	255.33
2013	25,742	116,285	\$	221.37	10,971	41,200	\$	266.29

Table 9: Historical OM&A Cost and Cost per Customer

5.1.4 Change of Control

<u>FILING REQUIREMENT</u>: 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.

Under the Proposed Transaction, LDC Mergeco will be wholly owned by Merged Holdco. This entity will in turn be owned by the five Municipal Corporations by the percentage amounts set out above at Section 4.1. Please also see the post-merger organizational chart at Attachment H.

5.1.5 System Operations

FILING REQUIREMENT: DESCRIBE HOW THE DISTRIBUTION OR TRANSMISSION SYSTEMS WITHIN THE SERVICE AREAS WILL BE OPERATED.

Early in the merger evaluation process, the Applicants identified core principles and merger objectives for the Proposed Transaction. These include:

- To Provide Value to Customers through increased efficiencies and strong customer service
- To preserve local focus
- To continue to be highly responsive to the needs of customers
- Create opportunities for innovation for the benefit of customers

- Fair treatment for employees
- Responsible and sound governance
- Diversification and growth
- Continued contribution to the economic development, social and environmental needs of the communities served

To achieve these objectives, the Applicants recognize that there must be a focus on optimizing operational processes, on ensuring sufficient levels of skilled employees and on providing services in a manner that is responsive to customers' interests and preferences.

Operation & Administration Centres

Maintaining a local presence and providing current or improved service levels is a key objective of the Proposed Transaction. To support this goal, all existing operations centres of Whitby LDC and Veridian LDC will be maintained. This will provide continuity of access and service for customers and is expected to enhance response times for outages and emergencies in some areas.

The service area of Whitby LDC is contiguous with the Ajax/Pickering service area of Veridian LDC. Together this contiguous area in the Region of Durham will comprise approximately 70% of LDC Mergeco's customers. The availability of the resources from the operations centres of the two predecessor utilities within this largely urban area will be a resulting benefit for customers in these service areas. It is expected that the combining of these resources will have a positive impact on response times and service quality indicators.

The continuation of existing operations centres in other service areas will support existing levels of customer service for those customers.

Additionally, LDC Mergeco plans to maintain the administration centres of both Veridian LDC and Whitby LDC. An initial facilities review indicates that neither administration centre is sufficiently sized to accommodate the administrative functions of LDC Mergeco.

System Control Centre

The Applicants plan LDC Mergeco to transition to the use and operation of a single centralized 7/24 control room.

Employees

LDC Mergeco will continue to focus on key areas of employee engagement and productivity that exist within each of Whitby LDC and Veridian LDC. These include ensuring a safe, healthy and respectful workplace, employee development, effective communications and a focus on customers.

As stated in Section 3.1.2 in the description of Whitby LDC and its affiliate WHESC, the majority of WHESC employees currently provide services to Whitby LDC. The Proposed Transaction plans for the transfer of these employees from WHESC to LDC Mergeco.

As stated previously and outlined in more detail in Section 5.2.1, staff reductions to achieve cost savings will be accomplished primarily through attrition. Through transition planning, processes to ensure retention of institutional and specialized knowledge will be in place to ensure that the consolidation of back office activities are sufficiently resourced with well trained, knowledgeable staff. Relocation of operations staff will be minimized given the plan to maintain all existing operations centres.

Through the detailed process of transition planning, the location of each major administrative function will be evaluated. The current head office locations of Whitby LDC and Veridian LDC are located close to one another and staff impacts from any work relocations are expected to be minimal.

Customer Service Offerings

A strong culture of customer service will continue under the proposed transaction. LDC Mergeco will continue to offer customers the robust, innovative, convenient and value-added services that customers want and have come to expect.

LDC Mergeco will place its customers' requirements central in its operational plans and in its efforts in adopting best practices and achieving efficiencies while maintaining or improving existing service levels.

There will be continued focus on bill accuracy, first call resolution, responsiveness to customers' needs and concerns and efficiency and integrity in its dealings with customers.

LDC Mergeco will set performance targets for customer service that will be informed by customer surveys and customer feedback, OEB mandated service levels as well as industry and best practice benchmarking data.

Information and Operation Technology (IT/OT)

IT and OT objectives for LDC Mergeco include:

- Cost effective, consolidated, secure IT and OT platforms to advance operational efficiency and deliver required services to staff and customers
- Integration of enterprise security to address cyber security risks informed by best practices including the OEB's *Ontario Cyber Security Framework*.

These objectives will ensure and provide support for all business, regulatory, communication and emerging technological requirements of LDC Mergeco. Initial initiatives in this area will involve the consolidation of Customer Information Systems ("**CIS**") and Financial Information Systems ("**FIS**").

Whitby LDC and Veridian LDC currently use the same technology solutions for CIS and FIS. This fact will minimize the effort and cost of combining to use common platforms. Additionally, less staff training will be required than had different systems been in use.

Through the transition phases, evaluation of network platforms will be completed. It is anticipated that efficiencies will be realized through the transition to a single network platform and through the sharing of hardware and software platforms.

It is also expected that the costs of fully implementing all of the required components of the Ontario Cyber Security Framework will be lower under the Proposed Transaction through the sharing of costs under a single entity for initiatives such as policy and procedure development, staff training programs, specialized cyber security software and third party monitoring and auditing.

Conservation and Demand Management (CDM)

Whitby LDC and Veridian LDC are parties to a joint CDM Plan with the IESO. This joint plan has allowed the Applicants to surpass their mid-term targets, having achieved 56% and 53% respectively as of December 31st, 2017.

The Applicants will maintain and improve service levels in the delivery of CDM programs by consolidating processes and systems for program administration. By leveraging existing relationships, efficiencies in program delivery will be achieved and the best practices of each Applicant will be adopted to ensure the best service delivery of CDM programs for customers. As required under its Energy Conservation Agreement with the IESO, LDC Mergeco will file an updated CDM Plan with the IESO within 120 days of the closing of the merger transaction.

5.2 OEB Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry

5.2.1 Efficiencies

FILING REQUIREMENT: 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 ASPECTS OF UTILITY OPERATIONS WHERE THE APPLICANT EXPECTS SUSTAINED OPERATIONAL EFFICIENCIES, BOTH QUANTITATIVE AND QUALITATIVE

Synergy Forecast

The total forecasted OM&A savings from the merger of Veridian LDC and Whitby LDC over the ten-year rebasing deferral period approximates \$48.8M. These savings are expected to be both sustainable and will not impact operational effectiveness. OM&A savings will continue after the 10 year deferral period and are forecasted to provide LDC Mergeco customers with almost \$6.6M in annual savings. This will result in lower distribution rates as compared to the status quo.

Table 10: OM&A Cost Synergies

1.		al.	1
- 10	\ ()(1117	•
- 111	ιu	IU :	<u> </u>
			1

	2	018	2019	2020	2	021	2022	2023		2024	2025	2026	2027	2028	Total
OM&A Labour Costs Synergies	\$		\$-	\$ 1,601	\$	3,530	\$ 3,642	\$ 3,70	6	\$ 3,769	\$ 4,182	\$ 4,251	\$ 4,320	\$ 4,389	\$ 33,390
OM&A Non-labour Costs Synergies	\$		\$ 115	\$ 646	\$	1,205	\$ 1,782	\$ 1,82	3	\$ 1,864	\$ 1,911	\$ 1,957	\$ 2,007	\$ 2,058	\$15,367
Total OM&A Synergies	\$	•	\$ 115	\$ 2,246	\$	4,735	\$ 5,424	\$ 5,52	8	\$ 5,633	\$ 6,093	\$ 6,209	\$ 6,327	\$ 6,447	\$48,756
Transition Costs	\$		\$ 3,988	\$ 2,691	\$	•	\$-	\$-		\$-	\$ -	\$ -	\$ -	\$-	\$ 6,679
Net Synergies	\$		\$ (3,873)	\$ (445)	\$	4,735	\$ 5,424	\$ 5,52	8	\$ 5,633	\$ 6,093	\$ 6,209	\$ 6,327	\$ 6,447	\$42,076

It is anticipated that OM&A cost savings will be realized to a large extent from labour cost reductions through staff attrition, some of which has already occurred as noted earlier at section 5.1. A review of the demographic profile of Veridian LDC and Whitby LDC staff suggest that a significant number of employees at both utilities are expected to retire during the 10 year rebasing deferral period. These natural staff attritions will help allow LDC Mergeco to generate labour synergies of approximately \$33.4M.

The Proposed Transaction is also forecast to generate non-labour OM&A savings of approximately \$15.4M over the 10 year deferral period. Further details about these savings are described below.

In order to determine the synergies that can be generated by the Proposed Transaction from a staffing perspective, both applicants undertook a "bottoms up" assessment to determine what human resources will be needed by LDC Mergeco to provide the same or better levels of customer service and with a view to further operational efficiencies. This was then followed by a review of the employee records of current Veridian LDC and Whitby LDC staff to determine which employees were expected to retire during the 10 year rebasing deferral period. The results of this review indicate that during the years 2019 through 2028, 109 employees at the time of the review representing approximately 38% of current staff were expected to retire. This exercise has allowed the Applicants to conclude that a significant portion of the reduction in LDC Mergeco's staffing requirements relative to the current staffing levels at Veridian LDC and Whitby LDC can be reached through natural attrition. The current demographic

profile of current staff therefore represents an opportunity to generate synergies on largely a voluntary basis.

The majority of staffing reductions are associated with senior leadership, management, back office and contract positions. In respect of contract positions, given the delay in proceeding with the merger and the resulting reluctance to fill vacancies which occurred in 2017, in some instances, the vacant position has been filled by a contract position. To ensure the continued delivery of high quality service, the rationalization of front line staff will likely be minimal.

The Applicants further forecast the generation of OM&A cost savings in the following areas:

- Elimination of duplicate/overlapping third party administrative services such as legal, auditing, banking and consulting services;
- Cost reductions through consolidating key systems such a CIS, FIS, call centre/phone systems and IT networks;
- Distribution system operation and maintenance savings: achieved through review and adoption of each utility's best practices; and
- Reduction in corporate governance costs due to the replacement of the Veridian LDC and Whitby LDC boards of directors with a single LDC Mergeco board of directors.

The Applicants retained Navigant Consulting Limited ("**Navigant**") to undertake an independent third party review of the Applicants' forecast synergies following amalgamation. Navigant confirms in its report which is attached at Attachment M that the synergy forecasts are reasonable and that such savings will not come at the expense of customer service and LDC Mergeco's performance standards.

5.2.2 Incremental Costs

FILING REQUIREMENT: 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.

The Applicants will necessarily incur transactional (legal, accounting and regulatory) costs and transitional (harmonization, standardization etc.) costs associated with the Proposed Transaction. Each of these costs, which are described in greater detail below, will be financed through the synergies generated as a result of the amalgamation. These costs will not be included in LDC Mergeco's revenue requirement and will not be funded by ratepayers.

(i) Transactional Costs

These transactional costs are primarily made up of the following:

- Third party financial, regulatory and legal advisory services; and,
- Independent expert valuation services.

(ii) Transitional Incremental Costs

The Applicants forecast that they will incur OM&A incremental transitional costs primarily made up of the following:

- Brand harmonization development of a new name and associated changes to operating and physical assets (letterhead, facilities, fleet, logos, etc.).
- Communication costs development and execution of customer and other stakeholder communications at various stages of transition and merger launch.
- Workforce training costs associated with retraining employees on new systems, processes and policies.
- IT costs costs associated with system integrations and standardization

- Contract termination fees possible costs associated with terminating redundant contracts.
- Transition planning and execution third party and additional staff costs related to drafting, managing and implementing the transition plan, including alignment of financial and regulatory reporting, engineering and human resources processes.
- Human resource costs costs associated with staff reductions not achieved through natural attrition.

The estimate of transactional and transitional costs that will be incurred by LDC Mergeco is approximately \$6.7 M.

5.2.3 Valuation

<u>FILING REQUIREMENT</u>: PROVIDE A VALUATION OF ANY ASSETS OR SHARES THAT WILL BE TRANSFERRED IN THE PROPOSED TRANSACTION. DESCRIBE HOW THIS VALUE WAS DETERMINED.

The value of each of the Applicants was completed on a stand-alone basis using a discounted cash flow approach or an adjusted net cash flow approach, as appropriate given the nature of the entity. Veridian LDC's valuation was determined by Deloitte LLP ("**Deloitte**") and Whitby LDC's valuation was completed by Henley International Inc. ("**Henley**").

Both valuations were based on the Enterprise Valuation approach ("**EV**") which accounts for both debt and cash assets.

The Deloitte and Henley valuation models were reviewed by Grant Thornton LLP ("**GT**") to ensure the forecasts and assumptions used in their respective valuations were reasonable and appropriate. GT issued a fairness opinion confirming this, a copy of which is found at Attachment N.

The Proposed Transaction is predominantly a non-cash transaction involving only the issuance of shares. As noted earlier at section 4.1, when a final valuation is undertaken at closing, one or several of the Municipal Corporation owners of Merged Holdco may be entitled under the circumstances prescribed in the MPA to redeem certain non-voting special shares of Merged Holdco. The Applicants do not anticipate that any redemption will involve a material amount.

5.2.4 Financial Viability

<u>FILING REQUIREMENT</u>: 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.

The Proposed Transaction is a non-cash merger and as such there is no adverse effect on the financial viability of the Applicants.

5.2.5 Financing of the Transaction

FILING REQUIREMENT: PROVIDE DETAILS OF THE FINANCING OF THE PROPOSED TRANSACTION.

The Proposed Transaction involves the issuance of shares in Merged Holdco. Financing is not required.

5.2.6 Financial Statements

<u>FILING REQUIREMENT</u>: PROVIDE FINANCIAL STATEMENTS (INCLUDING BALANCE SHEET, INCOME STATEMENT, AND CASH FLOW STATEMENT) OF THE PARTIES TO THE PROPOSED TRANSACTION FOR THE PAST TWO MOST RECENT YEARS.

See Attachment O for the 2016 and 2017 financial statements of Veridian LDC and Attachment P for the 2016 and 2017 financial statements of Whitby LDC.

5.2.7 Pro Forma Financial Statements

FILING REQUIREMENT: 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.

See Attachment Q for 2019 Pro Forma Financial Statements for LDC Mergeco, on a combined basis, following the completion of the Proposed Transaction.

6. Rate Considerations for Consolidation Applications

6.1 Deferred Rate Rebasing

FILING REQUIREMENT: INDICATE A SPECIFIC DEFERRED RATE REBASING PERIOD THAT HAS BEEN CHOSEN.

Whitby LDC last filed a COS rate application in 2010 which resulted in rates effective January 1, 2011. For 2018 rates, Whitby LDC elected to file its rate application using the AIRI methodology. Given that merger discussions were actively advancing and given the prospect of the Applicants seeking a 10 year rebasing deferral in accordance with the Handbook, Whitby LDC advised the OEB that it would be in the best interests of customers, stakeholders and the Board if Whitby LDC addressed a number of rate related items through a 2018 stand-alone application. This would ensure that such issues were addressed in a more appropriate forum and in a timely manner.

Whitby LDC therefore filed an application for 2018 Rates (EB-2017-0085) and a separate application for several other matters (EB-2017-0292) as outlined in section 3.1.2, which the Board combined into one proceeding. As part of a Settlement Agreement reached with Board Staff in this proceeding, as approved by the Board, Whitby LDC agreed that it would file an application to rebase distribution rates as soon as practicable in the event that the proposed merger was not the subject of a MAAD's application by the end of 2018. This settlement was premised on the understanding that in the event that a MAAD's application was filed in 2018, the Whitby LDC rate zone would have its rates set by the AIRI methodology during the 10 year rebasing deferral period. The Application is therefore consistent with the Settlement Agreement.

Veridian LDC is currently on the PCIR methodology. Absent the Proposed Transaction, it was scheduled to file a COS application for 2019. Veridian LDC has advised the Board through the rate application survey that a 2019 COS rate application would be delayed if approval for the Proposed Transaction is not received. Veridian has also advised the Board of its proposal to file a 2019 PCIR application in September 2018 by a letter dated July 13, 2018.

The Applicants note that the Board's Consolidation Policy states the following:

"Consolidating distributor(s) may elect to defer rebasing for a period of up to 10 years after the closing of the transaction" (Consolidation Policy, page 4)

The Applicants further note the Consolidation Policy was summarized by the Board in its EB-2016-0025 Decision approving the Alectra MAAD's application as follows:

"The 2015 Report [i.e. the Consolidation Policy] permits consolidating distributors to defer rebasing for up to ten years from the closing of the transaction. The extent of the deferred rebasing period is at the option of the distributor and no supporting evidence is required to justify the selection of the deferred rebasing period. Consolidating entities, must, however, select a definitive timeframe for the deferred rebasing period." (EB-2016-0025 Decision pg. 6).

The Applicants propose deferring rate rebasing of LDC Mergeco for a period of 10 years from the closing date of the transaction which is targeted as February 28, 2019. Under the Proposed Transaction, the Applicants would maintain two separate rate zones for customers in each of the current Whitby LDC and Veridian LDC service areas until rebasing. At that time, the Applicants may propose a rate zone harmonization plan to the extent appropriate.

6.2 Deferred Rebasing Greater than Five Years

FILING REQUIREMENT: INDICATE A SPECIFIC DEFERRED RATE REBASING PERIOD THAT HAS BEEN CHOSEN. FOR DEFERRED REBASING PERIODS GREATER THAN FIVE YEARS: CONFIRM THAT THE ESM WILL BE AS REQUIRED BY THE CONSOLIDATION POLICY AND THE HANDBOOK. IF THE APPLICANT'S PROPOSED ESM IS 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.

The Applicants confirm that the ESM proposed in this Application is consistent with the Consolidation Policy which states:

"Consolidation entities may also apply for an extended rate rebasing deferral period of up to 10 years. For the extended period (i.e. – the period between year 5 and year 10), the OEB will require the consolidating entity to implement an earnings sharing mechanism. The earnings sharing split shall be a 50:50 sharing with customers where the return on equity for the consolidated distributor is greater than 300 basis points above the allowed rate of return for the consolidated distributor." (Consolidation Policy, pg. 4) In accordance with the Consolidation Policy, the Applicants propose that earnings in excess of 300 basis points above the Board's established regulatory return on equity ("**ROE**") for the consolidated entity for the years 6 through 10 post merger will be shared on a 50:50 basis between LDC Mergeco and its ratepayers.

For year 6, the regulated ROE will be calculated once the audited financial results for the year are available on a timeline consistent with the Board's RRR reporting requirements. This will take place in year 7. The ratepayer's share of any excess earnings will then be credited to a newly proposed deferral account for clearance at the next IRM application filing. For example, if LDC Mergeco earned more than 300 basis points above the regulated ROE in year 6 post-merger, it would record 50% of the excess balance in the proposed deferral account, which would be disposed of for each rate zone as follows:

- Whitby LDC rate zone (Jan 1st rate year): over a 12 month period commencing on Jan 1st of year 8
- Veridian LDC rate zone (May 1 rate year): over a 12 month period commencing on May 1st of year 8

The table below provides timeline examples of how the ESM will operate.

Description	Year 6		Ye	ar 7			Year 9			
Description	2024	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1
LDC Mergeco	Financial Results		2024 Audited Financials							
			2024 RRR Filing							
				2026 IRM Submission						
Whitby LDC Rate Zone					2026 IRM Decision					
						ESM Rate R				
Veridian LDC Rate Zone					2026 IRM Submission					
						2026 IRM Decision				
							ESM Rate Ri	der Period (N	lay 1, 2026 - A	Apr 30, 2027

Table 6-1: ESM Timeline

The Applicants propose calculating the ESM consistent with the Board's current established regulated ROE model applied for regulatory purposes under the Board's RRR (2.1.5.6), as it exists now. This is an important consideration as it is the baseline used for the business case undertaken in support of the Proposed Transaction. Under this methodology, regulated ROE is calculated by dividing the current year's Adjusted Regulatory Net Income by Deemed Equity.

The Applicants expect that the computation of Adjusted Regulatory Net Income will continue to exclude revenue and expenses that are not otherwise included for regulatory purposes. For the purpose of clarity, such exclusions include but are not limited to:

- The impact of regulatory assets/liabilities including the lost revenue adjustment mechanism ("LRAM")
- Changes in taxes/PILs to which Account 1592 applies, which will be shared through that account rather than through earnings sharing
- Donations
- CDM earnings

6.3 Incremental Capital Investments During the Deferral Period

The Consolidation Policy also considers the incremental capital needs of a merged entity during the deferral period.

"The Incremental Capital Module ("ICM") will now be available to consolidating entities during the rate rebasing period. (Consolidation Policy, pg. 7)

The Board also stated:

"The OEB believes that the clarification set out in the September 18th Report establishes that a distributor may now apply for an ICM that includes normal and expected capital investments. This clarification of policy should address the need of those distributors who may not consider entering into a MAADs transaction due to concerns over the ability to finance capital investments." (Consolidation Policy, pg. 9)

Veridian LDC and Whitby LDC are currently operating under the PCIR and AIRI methodologies respectively. The Consolidation Policy identifies that a combined entity that is operating under either of these plans may propose recovery by means of an ICM which meets the tests of materiality, need and prudence.

At the time of this Application, Veridian LDC has identified ICM requirements during the deferral period. These capital investments include but are not limited to supporting the forecasted electricity demands in north Pickering by means of a new transformer station (Seaton MTS) and capital investments required to meet the future needs of the Belleville Operations Centre.

As set out in the Handbook and referenced in the Board's Decision in EB-2016-0025, rate-setting following a consolidation will not be addressed in an application for approval of a consolidation transaction unless there is a rate proposal that is an integral aspect of the consolidation. The Applicants submit that there is no need to address an ICM in this MAADs proceeding but believe it is appropriate to identify these capital requirements at this time as they are likely to be the subject of an ICM during the proposed deferral period. It is the Applicants intention to follow the OEB's requirements regarding an ICM by a merged entity and this includes:

"In regards to making an application for an ICM, the materiality thresholds for purposes of the ICM policy shall be calculated based on the individual distributor's accounts, i.e. depreciation expense, and not the consolidated entity's." (Consolidation Policy, pg. 10)

7. Other Related Matters

<u>FILING REQUIREMENT</u>: APPLICANTS HAVE, IN PREVIOUS CONSOLIDATION APPLICATIONS, MADE THE FOLLOWING ADDITIONAL REQUESTS TO THE OEB WHICH HAVE FORMED PART OF THE OEB'S DETERMINATION OF A CONSOLIDATION APPLICATION:

- A. IMPLEMENTATION OF NEW OR THE EXTENSION OF EXISTING RATE RIDERS
- B. TRANSFER OF RATE ORDER AND LICENCE
- C. LICENCE AMENDMENT AND CANCELLATION
- D. APPROVAL TO CONTINUE TO TRACK COSTS TO THE DEFERRAL AND VARIANCE ACCOUNTS CURRENTLY APPROVED BY THE OEB
- E. APPROVAL TO USE DIFFERENT ACCOUNTING STANDARDS FOR THE FINANCIAL REPORTING FOLLOWING THE CLOSING OF THE PROPOSED TRANSACTION

APPLICANTS ARE REQUIRED TO PROVIDE JUSTIFICATION FOR THESE TYPES OF REQUESTS AND FOR ANY OTHER REQUESTS FOR WHICH A DETERMINATION IS BEING SOUGHT FROM THE OEB AS PART OF A CONSOLIDATION APPLICATION.

7.1 Implementation of New or the Extension of Existing Rate Riders

The Applicants are not proposing any new or changes to existing rate riders as a result of the Proposed Transaction. Please see Attachment R for the list of existing rate riders which the Applicants seek leave to transfer to LDC Mergeco and continue in each of the Veridian and Whitby rate zones.

Primarily, these rate riders were established in order to dispose of balances in specified deferral and variance accounts and will expire on dates determined in the Order(s) of the Board which established the riders. It is proposed that the rate riders be disposed of as originally intended. No extensions of these rate riders are proposed.

The Applicants note that Veridian LDC and/or Whitby LDC will file applications for rate adjustments for 2019 prior to a decision being made by the Board in this proceeding. In the event that such applications include new rate riders or the expiration of existing rate riders, the Applicants may update this Application as appropriate to note such changes and to seek any additional necessary relief.

7.2 Transfer of Rate Order

The Applicants seek an Order from the Board transferring the existing rate Orders (and any future rate Orders received prior to the Board's approval for this Application) of Veridian LDC (EB-2017-0078) and Whitby LDC (EB-2017-0085/0292) to LDC Mergeco. Please also see Section 4.2.

7.3 Licence Amendment and Cancellation

The Applicants seek an Order from the Board upon the issuance of a distribution licence to LDC Mergeco and the transfer of rate Orders as noted above cancelling the distribution licences of Veridian LDC (EB-2002-0503) and Whitby LDC (EB-2002-0571). Please also see Section 4.2.

7.4 Approval to Continue to Track Costs to Approved Deferral and Variance Accounts

Veridian LDC and Whitby LDC currently track certain costs to Group 1 and Group 2 deferral and variance accounts ("**DVAs**") approved by the Board. These DVAs are of a typical nature.

LDC Mergeco requests leave to continue to track costs to the existing deferral and variance accounts currently approved by the OEB. Disposition of Group 1 and Group 2 DVAs will be sought in a future rate application. With respect to Group 1 variance accounts, subject to systems migrations and a subsequent assessment by the IESO, it will later be determined when the IESO settlement process for Veridian LDC and Whitby LDC can be merged. At such time, consideration of impacts will be addressed for future Group 1 variance account follow such a change.

7.5 Accounting Standards

The Applicants filed their last COS applications under the following accounting policies:

 Veridian LDC - incorporated the regulatory accounting changes to depreciation expense and capitalization policies as permitted by the Board under Canadian GAAP (2012) and mandated by the Board (2013) Whitby LDC – incorporated regulatory accounting under Canadian GAAP prior to the regulatory changes to depreciation expense and capitalization policies permitted by the Board under Canadian GAAP (2012) and mandated by the Board (2013)

As a result, Whitby LDC continues to record the impact of differences between the regulatory accounting changes and Canadian GAAP in Account 1576. In previous applications, Whitby LDC demonstrated its commitment to monitor the balances in Account 1576 and to initiate a return of these funds to customers through an interim disposition rate rider. In addition, Whitby LDC informally advised Board Staff of its intention to file an application for the final disposition of Account 1576 if a COS application was not likely to occur within a reasonable period of time.

Under the Proposed Transaction, it is LDC Mergeco's intent to file a COS rate application after a ten year deferral period. In order to: 1) assist in aligning Whitby LDC rates on a more consistent manner with other LDCs in the province including Veridian LDC; 2) avoid the inefficiencies of longer term tracking of differences related to the regulatory accounting changes in Account 1576; and, 3) provide a more expeditious settling of Account 1576 impacts to customers, it is Whitby LDC's current intent to submit a stand-alone application for the final disposition of Account 1576 prior to the close of the Proposed Transaction. It is anticipated that such an application will be brought forward prior to the end of 2018.

7.6 Deferral Account – Changes in Accounting Policy

The Applicants have adopted International Financial Reporting Standards ("**IFRS**") and acknowledge that as required by IFRS, LDC Mergeco will be required to conform its accounting policies to that of the identified acquirer, Veridian LDC, as part of the merger transaction. The Applicants note that a deferral account will be required to capture the impact of post-merger accounting policy changes (see section 4.2.1), specifically; any material differences between the revenue requirement calculated using the premerger accounting policies and the revenue requirement calculated using the new accounting policy. It is anticipated that these differences will be tracked, monitored and disposed of periodically on an interim basis prior to LDC Mergeco filing a COS application following the 10 year deferral.

7.7 Potential Introduction of a Large User Rate Class for Whitby Rate Zone

Whitby LDC does not currently have any >5 MW demand customers in its service territory and has not previously required the establishment of a Large User rate class. For general service metered customers, Whitby LDC has two approved rate classes: 1) less than 50 kW demand and 2) between 50 – 4,999 kW demand. During the 10 year rebasing deferral period, Whitby LDC anticipates that one of its customers may reach an average demand of greater than 4,999 kW. The Applicants note that the establishment of a Large User rate class would normally be undertaken as part of a COS application which in the case of LDC Mergeco will not occur until 2029.

The Applicants however further note that this scenario may occur at any electricity distributor regardless of whether it is a merged entity operating in a rebasing deferral period or simply a regular licenced distributor operating under a 5 year IRM. Given that the need for a Large User rate class in the Whitby service area is not immediately required, and given the wording of the Handbook which indicates that a MAAD's application is not an appropriate forum for issues of rate design and rate making, the Applicants submit that this issue need not be addressed in this Application. LDC Mergeco intends to monitor the customer and will review the matter with the OEB at an appropriate future time once sufficient historical data is available to address all required matters.

7.8 Application for Electricity Distribution Licence

A draft version of an application for an Electricity Distribution Licence for LDC Mergeco is appended as Attachment S. If the Proposed Transaction is approved, an updated, final version of this Application will be filed with the OEB.

8. Conclusion

The Applicants believe that this Application clearly demonstrates that the Proposed Transaction will not only result in no harm to ratepayers, it will result in material benefits to ratepayers through the generation of synergies which will be structural and lasting. Ratepayers will also benefit from a reduction in rates over the rebasing deferral period as a result of the Proposed Transaction as opposed to the status quo scenario which would otherwise have involved several COS rate applications. The Applicants also believe that circumstances are currently appropriate to proceed with the Proposed Transaction given the demographics of the current work forces, the similarities in corporate cultures which prioritize high quality service to their customers and the material extent to which the two utilities are already working together cooperatively and productively. The Proposed Transaction is also appropriate because of the similarity of certain operating systems (CIS and FIS) of the two utilities and the contiguous nature of the service area that would span the municipalities of Pickering, Ajax and Whitby.

The Proposed Transaction accomplishes the objectives of consolidation as articulated by the Commission on the Reform of Ontario's Public Services, the Distribution Sector Review Panel and the Premiers Advisory Council on Government Assets. Each recommended a reduction in the number of local distribution companies in Ontario and have endorsed consolidation under the belief that consolidation will achieve efficiencies and generate benefits for ratepayers. This Application demonstrates that these expected results will be achieved. Accordingly, for the reasons stated above, approval for the Proposed Transaction from the Board is sought.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment A Filed: July 30, 2018

ATTACHMENT A MAPPING OF APPLICATION TO BOARD'S HANDBOOK FILING REQUIREMENTS

ndbook ference	Filing Requirement	Applicatior Reference
	The Index	Kelerence
	The Application	
	Administrative	
	Legal name of the applicant or applicants	2.2 and 2.3
	Details of the authorized representative of the applicant/s, including the name, phone and fax numbers, and email and delivery	
	addresses	2.2.1 and 2.3.1
	Legal name of the other party or parties to the transaction, if not an applicant	2.4
	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	2.4
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	2.5
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.	3.1
	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.	3.2
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	3.3
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	3.4
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their	
	respective affiliates.	3.5
	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. The OEB will, in the absence of exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Applicants must indicate if	
	there are any special circumstances that may warrant the OEB using a different methodology to determine the net metering threshold	
	for the new or remaining utility.	3.6
2.2.3	Description of the Proposed Transaction	510
	Provide a detailed description of the proposed transaction.	4.1
	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.	4.2
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed	
	transaction.	4.3
	Provide all final legal documents to be used to implement the proposed transaction.	4.4
	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.	4.5
2.2.4	Impact of the Proposed Transaction	5.4
	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	5.1
	of electricity service.	5.1.1
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post	5.1.1
	transaction and in the absence of the transaction.	5.1.2
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	5.1.3
	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.	5.1.4
	Describe how the distribution or transmission systems within the service areas will be operated.	5.1.5
	Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity	
	industr	5.2
	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 aspects of utility operations where the applicant expects sustained operational	5.2.1
	efficiencies (both quantitative and qualitative)	5.2.1
	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.	5.2.2
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was	
	determined.	5.2.3
	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.	5.2.4
	Provide details of the financing of the proposed transaction.	5.2.5
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed	
	transaction for the past two most recent years.	5.2.6
	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.	5.2.7
2.2.5	Rate considerations for consolidation applications	6.1
	Indicate a specific deferred rate rebasing period that has been chosen. For deferred rebasing periods greater than five years:	6.1 6.2
	Confirm that the ESM will be as required by the 2015 Report and the Handbook	6.2
	If the applicant's proposed ESM is different from the ESM set out in the 2015 Report, the applicant must provide evidence to	5.2
	demonstrate the benefit to the customers of the acquired distributor	6.2
2.2.6	Other Related Matters	
0	Implementation of new or the extension of existing rate riders	7.1
	Transfer of rate order and licence	7.2
	Licence amendment and cancellation	7.3
	Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	7.4
	Approval to use different accounting standards for financial reporting following the closing of the proposed transaction	7.5
	Deferral account - changes in capitalization policy	7.6
	Potential introduction of a large user rate class for Whitby rate zone	7.7
	Application for Electricity Distribution Licence	7.8

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment B Filed: July 30, 2018

ATTACHMENT B LDC MERGECO COMBINED SERVICE AREA MAP



EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment C Filed: July 30, 2018

ATTACHMENT C CERTIFICATES OF EVIDENCE

Certification of Evidence

The undersigned, President and Chief Executive Officer of Veridian Connections Inc., in my capacity as an officer of that corporation without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in the Application is accurate, consistent and complete.

m.c. Angenee

Michael Angemeer President and Chief Executive Officer Veridian Connections Inc.

Certification of Evidence

The undersigned, President and Chief Executive Officer of Whitby Hydro Electric Corporation, in my capacity as an officer of that corporation without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in the Application is accurate, consistent and complete.

inclu

Yohn Sanderson President and Chief Executive Officer Whitby Hydro Electric Corporation

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment D Filed: July 30, 2018

ATTACHMENT D VERIDIAN LDC DISTRIBUTION LICENCE (ED-2002-0503)



Electricity Distribution Licence

ED-2002-0503

Veridian Connections Inc.

Valid Until

November 17, 2023

Original Signed By

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

Date of Issuance: November 18, 2003 Date of Last Amendment: February 22, 2018

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

LIST OF AMENDMENTS

Board File No.

Date of Amendment

EB-2003-0031 EB-2005-0480 EB-2006-0023 EB-2007-0060 EB-2007-0967 EB-2008-0383 EB-2009-0351 EB-2010-0216 EB-2011-0007 EB-2011-0132 EB-2014-0324 EB-2015-0130 EB-2016-0015 EB-2016-0293 EB-2017-0101 EB-2017-0010 and EB-2017-0124 EB-2017-0211 and EB-2017-0230 EB-2017-0302 EB-2017-0318 EB-2018-0378

December 15, 2004 October 18, 2005 June 9, 2006 November 15, 2007 April 10, 2008 March 11, 2009 October 29, 2009 November 12, 2010 March 29, 2011 August 24, 2011 December 18, 2014 June 11, 2015 January 28, 2016 October 27, 2016 March 31, 2017 April 20, 2017 August 31, 2017 October 26, 2017 February 8, 2018 February 22, 2018

	Table of Contents	Page Nos.
1	Definitions	1
2	Interpretation	2
3	Authorization	2
4	Obligation to Comply with Legislation, Regulations and Market Rules	3
5	Obligation to Comply with Codes	3
6	Obligation to Provide Non-discriminatory Access	3
7	Obligation to Connect	3
8	Obligation to Sell Electricity	4
9	Obligation to Maintain System Integrity	4
10	Market Power Mitigation Rebates	4
11	Distribution Rates	4
12	Separation of Business Activities	4
13	Expansion of Distribution System	5
14	Provision of Information to the Board	5
15	Restrictions on Provision of Information	5
16	Customer Complaint and Dispute Resolution	6
17	Term of Licence	6
18	Fees and Assessments	6
19	Communication	6
20	Copies of the Licence	8
21	Conservation and Demand Management	8

22	Pole Attac	hments	.9
23	Winter Dis	connection, Reconnection and Load Control Devices	0
SCHE	DULE 1	DEFINITION OF DISTRIBUTION SERVICE AREA	12
SCHE	DULE 2	PROVISION OF STANDARD SUPPLY SERVICE	3
SCHE	DULE 3	LIST OF CODE EXEMPTIONS	4
APPE	NDIX A	MARKET POWER MITIGATION REBATES	15

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 Veridian Connections Inc.;

"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;

Veridian Connections Inc. Electricity Distribution Licence ED-2002-0503

"**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;

Veridian Connections Inc. Electricity Distribution Licence ED-2002-0503

- 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.
- 14.3 The Licensee shall:
 - a) immediately notify the Board in writing of the notice; and
 - b) provide a plan to the Board as soon as possible, but no later than ten (10) days after the receipt of the notice, as to how the affected distribution services will be maintained in compliance with the terms of this licence.

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 18, 2003 and expire on November 17, 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.

Veridian Connections Inc.

Veridian Connections Inc. Electricity Distribution Licence ED-2002-0503 All written communication is to be regarded as having been given by the sender and received by the addressee: 19.3

- 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 29.050 MW, and its 2011-2014 Net Cumulative Energy Savings Target of 115.740 GWh (collectively the "CDM Targets"), over a fouryear 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 cobranded 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 Disconnection, Reconnection and Load Control Devices

- 23.1 Subject to paragraph 23.4, the Licensee shall not, during a Disconnection Ban Period:
 - 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 control 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 during a Disconnection Ban Period in accordance with all applicable regulatory requirements, including the required disconnection notice, or (ii) installing a load control device in respect of an occupied residential property during a Disconnection Ban Period, in each case if at the unsolicited request of the customer given in writing for that Disconnection Ban Period.

- 23.2 Subject to paragraph 23.4,
 - (a) for the 2017/2018 Disconnection Ban Period, if the Licensee had disconnected a residential property on or before November 2, 2017 solely on the grounds of non-payment, the Licensee shall reconnect that property, if an occupied residential property, as soon as possible, and shall do the same in respect of any such property that may be disconnected by Licensee between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection; and
 - (b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any residential property that had been disconnected solely on the grounds of non-payment is, if an occupied residential property, reconnected as at the commencement of the Disconnection Ban Period. 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 in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice.

- 23.3 Subject to paragraph 23.4,
 - (a) for the 2017/2018 Disconnection Ban Period, if the Licensee had installed a load control device in respect of an occupied residential property on or before November 2, 2017 either for nonpayment or at the customer's request, the Licensee shall remove that device and restore full service to the property as soon as possible, and shall do the same in respect of any load control device installed in respect of any such property between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any charge that might otherwise apply in respect of such removal; and
 - (b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any load control device installed in respect of an occupied residential property either for non-payment or at the customer's request is removed and full service is restored to the property as at the

Veridian Connections Inc.

Electricity Distribution Licence ED-2002-0503

commencement of the Disconnection Ban Period. 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 control device in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice; or (ii) prevent the Licensee from installing or maintaining a load control device if the customer makes an unsolicited request in writing for the Licensee to do so for that Disconnection Ban Period and has not rescinded that request.

- 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 a Disconnection Ban Period.
- 23.6 For the purposes of paragraphs 23.1 to 23.5:

"Disconnection Ban Period" means the period commencing at 12:00 am on November 15th in one year and ending at 11:59 pm on April 30th in the following year;

"load control device" has the meaning given to it in the Distribution System Code; 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; andb) 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 control device having been installed in respect of the property outside of a Disconnection Ban Period.
- 23.7 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.

See Appendix B for Service Area listing.

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.

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 requirement to implement time-of-use pricing as of the mandatory date for RPP 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 December 31, 2011.
- 2. The Licensee is exempt from the requirement to implement time-of-use pricing as of the mandatory date for approximately 7,821 hard to reach RPP 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 December 31, 2011.

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 1 Definition of Distribution Service Area of Appendix B Veridian Connections Inc.

	Page 1 of 41
Index	
Service Area Descriptions	Page
AJAX/PICKERING SERVICE AREA	2
BELLEVILLE SERVICE AREA	6
BROCK – BEAVERTON SERVICE AREA	9
BROCK – CANNINGTON SERVICE AREA	12
BROCK – SUNDERLAND SERVICE AREA	14
CLARINGTON – BOWMANVILLE SERVICE AREA	16
CLARINGTON – NEWCASTLE SERVICE AREA	18
CLARINGTON – ORONO SERVICE AREA	20
GRAVENHURST SERVICE AREA	21
PORT HOPE SERVICE AREA	23
SCUGOG SERVICE AREA	24
UXBRIDGE SERVICE AREA	27

Reference Maps

30
31
32
33
34
35
36
37
38
39
40
41

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

Page 2 of 41

AJAX/PICKERING SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 30 of this document.

WESTERN BOUNDARY

- 1. Point #1 is located at the mouth of the Rouge River. The boundary proceeds in a north-westerly direction along the Rouge River to where it intersects with the straight-line projection of the York-Durham Town Line.
- 1A. Point # 1A located at the intersection of the Rouge River and the straight-line projection of the York-Durham Town Line. The boundary continues north to point # 2 with the exception of the excursions noted in the tables below. Veridian points 1B to 1H are seven excursions taking in the six registered parcels of land and one streetlight installation as detailed in the following table. These seven excursions are to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Markham	Legal Description
1B	7917 Major Mackenzie Drive E	Lot 20, Con. 10, Markham, as in MA80925
1C	9992 York-Durham Town Line	Lot 20, Con. 10, Markham, as in MA80925
1D	11410 York-Durham Town Line	Lot 29, Con. 10, Markham; Lot 30, Con. 10, Markham
1E	11584 York-Durham Town Line	Pt. Lot 31, Con. 10, Markham, Pt. 1, 65R- 20217
1F	11290 York-Durham Town Line	Lot 29, Con. 10, Markham, Lot 30, Con. 10, Markham
1G	11350 York-Durham Town Line	Lot 29, Con. 10, Markham, Lot 30, Con. 10, Markham
1H	Streetlight at Major Mackenzie Drive East and York-Durham Town Line	Not applicable

Veridian points 1J to 1K are two excursions taking in the two registered parcels of land as detailed in the following table. These two excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, City of Pickering	Legal Description
1J	5293 York-Durham Town Line	Pt. Lot 35, Con 9 Pickering, Pt. 1, 40R-18594
1K	5295 York-Durham Town Line	Pt. Lot 35, Con 9 Pickering, Pt. 1, 40R-18594

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

Page 3 of 41

NORTHERN BOUNDARY

2. Point # 2 is located at the intersection of the York-Durham Town Line and the Uxbridge Pickering Town Line also known as the 10th Concession Road Allowance. The boundary turns easterly and follows in a straight line along this Town Line/Road Allowance to Point #3 with the exception of the excursions noted in the tables below. Veridian points 2A to 2H are eight excursions taking in the eight registered parcels of land as detailed in the following table. These eight excursions are to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, City of Pickering	Legal Description
2A	132 Uxbridge Pickering Town Line	Part Lot 1, Con. 1 Uxbridge, Pts. 1, 2 & 3, 40R-11119
2B	152 Uxbridge Pickering Town Line	Part Lot 1, Con. 1 Uxbridge as in D526884
2C	160 Uxbridge Pickering Town Line	Part Lot 1, Con. 1 Uxbridge as in D94345
2D	168 Uxbridge Pickering Town Line	Part Lot 1, Con. 1 Uxbridge, as in D528307
2E	174 Uxbridge Pickering Town Line	Part Lots 1 & 2,Con. Uxbridge, as in D160902
2F	176 Uxbridge Pickering Town Line	Pt. Lots 1 & 2, Con 1 Uxbridge, Pts. 1 & 2, 40R-5246
2G	190 Uxbridge Pickering Town Line	Pt. Lots 1, 2, 3, 4 & 5, Con. 1, Uxbridge, Pt. 1, 40R-5742
2H	192 Uxbridge Pickering Town Line	Pt. Lots 1, 2, 3, 4 & 5, Con. 1, Uxbridge, Pt. 1, 40R-5742

Veridian points 2J to 2Q are 8 excursions taking in the 8 registered parcels of land as detailed in the following table. These seven excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, City of Pickering	Legal Description
2J	1775 Uxbridge Pickering Town Line	Pt. Lot 18, Con 9 Pickering, as in D468835
2К	1935 Uxbridge Pickering Town Line	Pt. Lot 18, Con 9 Pickering, as in D468835
2L	1995 Uxbridge Pickering Town Line	Pt. Lots 15 & 16, Con 9 Pickering, Pts. 1, 2, 4 & 5, 40R-24662

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

2M	2045 Uxbridge Pickering Town Line	Pt. Lot 15, Con. 9 Pickering
2N	2195 Uxbridge Pickering Town Line	Pt. Lot 14, Con 9 Pickering as in D203854
20	2265 Uxbridge Pickering Town Line	Pt. of N Pt. Lot 13, Con 9, Pickering as in D430754
2P	2455 Uxbridge Pickering Town Line	Pt. Lot 11, Con 9 Pickering, as in D415868
2Q	5495 Westney Road	Pt. Lot 10, Con 9 Pickering, Pt. 1, 40R-8662

EASTERN BOUNDARY

3. Point # 3 is located at the intersection of Uxbridge Pickering / Town Line and Lakeridge Road. The boundary turns southerly and follows Lakeridge Road to Point #11, with the exception of seven excursions taking in the six registered parcels of land as detailed in the following table: These seven excursions are to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Whitby	Legal Description
4	8875 Lakeridge Road	Concession 8, Part Lot 34, 35 and Concessior 9, Part Lot 35 and Part of Road Allowance Now RP 40R13254, Part 1 205.57AC
5	8405 Lakeridge Road	Concession 8, Part Lot 34, 35 Now RP 40R7371, Part 1, 56.50AC
6	8195 Lakeridge Road	Concession 8, Part Lot 34, 35.55AC
7	6605 Lakeridge Road	Concession 6, Part Lot 35, 9.47AC
8 and 9	605 Lakeridge Road South	Broken Front Concession, Part Lot 35, Now RP 40R7831, Part 1 Regulator 0.04AC 32.81FR 49.21D
10	715 Halls Road	Broken Front Concession, Part Lot 34, 2.00AC

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

Page 5 of 41

Veridian points 3A to 3E are five excursions taking in the 4 registered parcels of land and one billboard as detailed in the following table. These five excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, City of Pickering	Legal Description
3A	5450 Lakeridge Road	Pt. Lot 1, Con 9 Pickering; Pt. N1/2 Lot A, Con. 9, Pickering, as in D464935.
3B	5420 Lakeridge Road	Pt. Lot 1, Con 9 Pickering; Pt. N1/2 Lot A, Con. 9, Pickering, as in D464935.
3C	5240 Lakeridge Road	Pt. Lot 1, Con 9 Pickering; Pt. N1/2 Lot A, Con. 9, Pickering, Pts. 1 & 3, 40R-8746
3D	5150 Lakeridge Road	Pt. S1/2 Lot A, Con 9, Pickering, Pt. 1, 40R- 5620
3E	Billboard N of 5240 Lakeridge Road	Not applicable

SOUTHERN BOUNDARY

4. Point # 11 is at Lakeridge Road and Lake Ontario. The boundary turns westerly following the Lake Ontario frontage to Point #1.

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

Page 6 of 41

BELLEVILLE SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 31 of this document.

WESTERN BOUNDARY

- 1. The western boundary of the existing Belleville Service Area starts at point #1 which is located at the Bay of Quinte, 0.1 km west of Avondale Road. The boundary continues parallel to Avondale Road to point #2, with the exception of an additional contiguous parcel extending to the west of Belleville, County of Hastings (476 Dundas Street West Hastings County Manor).
- 2. Point #2 is located 0.1 km south of Harder Drive at the north-west corner of 180 Avondale Road. The boundary turns east following the north lot line of 180 and 179 Avondale Road and the south lot line of 67 Harder Drive to point #3.
- 3. Point #3 is located at the south-east corner of 67 Harder Drive. The boundary then turns north following the west lot line of 44 Glen Road to point #4.
- 4. Point #4 is located at the north-west corner of 44 Glen Road. The boundary then turns east following the north lot line of 44 and 45 Glen Road and 200 Wright Avenue to point #5.
- 5. Point #5 is located at the north-east corner of 200 Wright Avenue. The boundary then turns north following the west and north lot lines of 36 Harder Drive and the east lot lines of 62, 64, 66, 68, 72, 76 Kensington Crescent and the west lot lines of 2 and 4 Haslett Court to point #6.
- 6. Point #6 is located at the north-west corner of 4 Haslett Court. The boundary turns east following the north lot lines of 4, 6, 8 Haslett Court and 8, 10, 12 Wilmot Court to point #7.
- Point #7 is located at the north-east corner of 12 Wilmot Court. The boundary then turns north following the west lot lines of 19, 21, 23 Benson Court, plus west lot lines of 29, 31, 33, 35, 37, 39, 41, 43, 45 Sherwood Court, plus the west lot lines of 29, 31, 33, 35, 37, 39, 41, 43, 45 Bogart Crescent to Point #8.
- 8. Point #8 is located at the north-west corner of 45 Bogart Crescent. The boundary then turns east following the north lot lines of 47, 49, 51, 53, 55, 57, 59, 61, 63, 65, 67, 69 Bogart Crescent, crosses Palmer Road and continues east for approximately 0.19km to point #9.
- 9. Point #9 is located approximately 0.19 km east of Palmer Road. The boundary then turns north at this point following the west lot line of 40 Wilson Avenue and the west lot line of 39 Pepper Avenue for approximately 0.23 km to point #10.
- 10. Point #10 is located at the south-east corner of 4 Lake Court. The boundary then turns west, following the south lot lines of 4, 6, 8 Lake Court for approximately 0.05 km to point #11.
- 11. Point #11 is located at the south-west corner of 8 Lake Court. The boundary then turns north following the west lot lines of 10, 12, 14 Lake Court and 337 Moira Street West for approximately 0.16 km to point #12.

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

Page 7 of 41

- 12. Point #12 is located at the south lot line of 9 Jeanette Place. The boundary then turns west following the south lot line of 9 and 11 Jeanette Place and 8, 10, 12 Dixie Place for approximately 0.14 km to point #13.
- 13. Point #13 is located at the south-west corner of 12 Dixie Place. Included in the service area is an excursion which includes the parcel of land at 458 Moira Street W. The boundary then turns north following the west lot lines of 12, 14 and 16 Dixie Place, 135 and 136 Progress Avenue, 291 and 290 College Street West, 16, 18, 20, 22, 24, 26, 28, 30, 32 Beverley Crescent and 1 Robert Drive; then the west lot lines of 129, 126, 124, 122, 120, 118, 116, 114, 112, 110, 108, 106, 104, 102, 100, 98, 96, 94, 92, 90, 88, 86, 84, 82, 80, 78 Tracey Park Drive and 2, 4, 6, 8, 10 Queensboro Court, and north to point #14, located approximately 0.7 km west of Sidney Street at the north edge of Bell Boulevard.
- 14. Point #14 is located approximately 0.7 km west of Sidney Street at the north edge of Bell Boulevard. The boundary then turns west following the north edge of Bell Boulevard for approximately 0.39 km to point # 15.
- 15. Point # 15 is located at the south-west corner of a parcel of property addressed as 380 Bell Boulevard and known as Part Lot 32-36, Concession 2 in the City of Quinte West, Hastings County Plan 21-R-24570 parts 1 & 3. The boundary follows the western edge of this parcel of land north to the south edge of Highway # 401 to point # 16.

NORTHERN BOUNDARY

16. Point #16 is located approximately 1.0 km west of Sidney Street at Highway # 401. The boundary turns east following the southern boundary of Highway #401 road allowance for approximately 6.7 km to point #17.

EASTERN BOUNDARY

Point #17 is located on the eastern limit of Lot 15, Concession II, former Thurlow Township, at the southerly limit of the Highway #401. The boundary turns south and runs approximately 4.44 km to point #18. Veridian points 17A to 17D are four excursions taking in the 4 registered parcels of land as detailed in the following table. These four excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, City of Belleville	Legal Description
17A	326 Airport Parkway W	Pt. Lot 15, Con 2 Thurlow, as in QR271589
17B	374 Airport Parkway W	Pt. Lot 15, Con 2 Thurlow, as in QR98635
17C	382 Airport Parkway W	Pt. Lot 15, Con 2 Thurlow, Pt. 1, 21R-11952
17D	150 Antrim Road	Pt. Lots 15 & 16, Con 1, Pts 2 & 3, 21R-1209

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

Page 8 of 41

- 18. Point # 18 is located on the easterly limit of Lot 15, Broken Front Concession, former Thurlow Township, at the northerly limit of Highway #2 (Dundas Street East). The boundary turns west and runs approximately 0.68 km to point #19.
- 19. Point #19 is located on the northerly limit of Highway #2 (Dundas Street East) approximately 0.68km west of point #18. The boundary then turns south and follows the east lot line of 665 Dundas Street East (East Half Lot 13, Broken Front Concession, former Thurlow Township) and runs approximately 0.28 km south to point #20.

SOUTHERN BOUNDARY

20. Point #20 is located on the north shore of the Bay of Quinte at the south-east corner of 665 Dundas Street East. This point is approximately 1.55 km west of Elmwood Drive. The boundary follows the north shore of the Bay of Quinte westward to point #1.

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

Page 9 of 41

BROCK – BEAVERTON SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 32 of this document.

WESTERN BOUNDARY

- 1. The western boundary starts at point # 1, which is located at the intersection of the railway and Concession 5. The boundary follows the railway to point # 2.
- 2. Point # 2 is 1.5 km from point # 1 along the railway. The boundary turns west, parallel to Main Street West to point # 3.
- 3. Point # 3 is located on Nine Mile Road, 0.35 km from Main Street West. The boundary continues along Nine Mile Road to point # 4.
- 4. Point # 4 is located on Nine Mile Road, 0.16 km from Main Street West. The boundary turns west parallel to Main Street West to point # 5.
- 5. Point # 5 is located 0.13 km from point # 4. The boundary turns north parallel to Nine Mile Road to point # 6.
- 6. Point # 6 is located 0.11 km from point # 5. The boundary turns west parallel to Main Street West to point # 7.
- 7. Point # 7 is located 0.2 km from point # 6. The boundary turns north parallel to Nine Mile Road to point # 8.
- 8. Point # 8 is located 0.07 km from point # 7. The boundary turns and follows Lake Simcoe to point # 9.
- 9. Point # 9 is located 0.05 km from Harbour Park Crescent. The boundary follows the harbour jetty to point # 10.
- 10. Point # 10 is located 0.28 km from point # 9. The boundary turns north parallel to the Lake Simcoe Shore to point # 11.
- 11. Point # 11 is located 0.11 km from point # 10. The boundary turns east to point # 12.
- 12. Point # 12 is located 0.03 km from the end of Wellington Street on the Lake Simcoe Shore. The boundary follows the lake to point # 13.

NORTHERN BOUNDARY

13. Point # 13 is located on the lakeshore at the continuation of Victoria Street. The boundary turns east to the intersection of Victoria and Morrison Ave. The boundary turns north to follow Morrison Ave. to point # 14.

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

Page 10 of 41

- 14. Point # 14 is located at the intersection of 9th Street and Morrison Ave. The boundary turns to the east and follows the road allowance for 9th Street to point # 15.
- 15. Point # 15 is located at the railway on the continuation of the road allowance from 9th Street. The boundary turns north to follow the railway to point # 16.
- 16. Point # 16 is located 0.19 km along the railway from point # 15. The boundary turns north and runs approximately 220m along the railway to Point # 17.
- 17. Point # 17 turns east and runs approximately 467m along the north property line of Pollock Avenue to point # 18.
- 18. Point # 18 turns north along Street 'B' for approximately 255m to point # 19.
- 19. Point # 19 turns west and runs approximately 119m along the south boundary of Block 56 (Park) to point # 20.
- 20. Point # 20 turns north and runs approximately 159m along the west boundary of Block 56 (Park) to point # 21.
- 21. Point # 21 turns east and runs approximately 120m along the north boundary of Block 56 (Park) to point # 22.
- 22. Point # 22 turns south and runs approximately 128m along the east boundary of Block 56 (Park) to point # 23.
- 23. Point # 23 turns east and runs approximately 20m along the north boundary of Block 55 (future development Block) to point # 24.
- 24. Point # 24 turns south and runs approximately 50m along the east boundary of Block 55 (future development block) to point # 25 located on the south side of Street 'F'.
- 25. Point # 25 turns west and runs approximately 31m along Street 'F' to point # 26.
- 26. Point # 26 turns south and runs approximately 219m along Street 'B' to point # 27.
- 27. Point # 27 turns east to point # 28, which is located 0.08 km from Mara Road.
- 28. Point # 28 turns parallel to Mara Road and runs to point # 29.
- 29. Point # 29 is located where the boundary intersects the river. The boundary turns east to follow the river to point # 30.

EASTERN BOUNDARY

30. Point # 30 is located 0.76 km from Main Street East. The boundary turns south parallel to James Street to point # 31.

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

Page 11 of 41

- 31. Point # 31 is located 0.32 km from James Street and 0.26 km from Main Street. The boundary turns east, parallel to Main Street, to point A.
 - A. Point A is located 0.24 km from point # 31. The boundary turns south parallel to James Street to point B.
 - B. Point B is located 0.33 km south of point A. The boundary turns southwest to point C.
 - C. Point C is located at the river 0.42 km from point B. The boundary turns southwest to point D.
 - D. Point D is located 0.43 km from Madill on Simcoe Street. The boundary continues southwest to point E.
 - E. Point E is located 0.1 km from point D. The boundary turns south to point F.

SOUTHERN BOUNDARY

F. Point F is located 0.5 km south of point E. The boundary turns west along the road allowance for Concession 5 to point # 1.

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

Page 12 of 41

BROCK – CANNINGTON SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 33 of this document.

WESTERN BOUNDARY

- 1. The western boundary of Cannington starts at point # 1. Point # 1 is located 0.26 km east of Sideline 18A and 0.65 km south of point # 2 (on Cameron Street West).
- 2. Point # 2 is located 0.35 km west of Albert Street on Cameron Street West. The boundary continues north to point # 3.
- 3. Point # 3 is located 0.07 km north of point # 2. The boundary turns east parallel to Cameron Street West to point # 4.
- 4. Point # 4 is located 0.33 km east of point # 3. The boundary turns north parallel to Country Lane to point # 5.

NORTHERN BOUNDARY

- 5. Point # 5 is located 0.5 km north of point # 4 at the Beaver River. The boundary follows the river east to point # 6.
- 6. Point # 6 is located 0.1 km north of Riverlea Road and 0.25 km west of Laidlaw Street North. The boundary turns north parallel to Laidlaw Street North to point # 7.
- 7. Point # 7 is located 0.31 km north of point # 6. The boundary turns east parallel to Cameron Street East to point # 8.

EASTERN BOUNDARY

- 8. Point # 8 is located 1.34 km east of Laidlaw Street. The boundary turns south parallel to Laidlaw Street North to point # 9.
- 9. Point # 9 is located 0.56 km south of point # 8. The boundary turns east parallel to Cameron Street East to point # 10.
- 10. Point # 10 is located 0.16 km east of point # 9. The boundary turns south to point # 11.
- 11. Point # 11 is located 1.0 km west of Regional Road # 2 on Cameron Street East. The boundary continues south to point # 12.
- 12. Point # 12 is located 0.05 km south of Cameron Street and 0.03 km west of point # 11. The boundary turns west parallel to Cameron Street East to point # 13.
- 13. Point # 13 is located 0.42 km west of point # 12. The boundary turns south parallel to Peace Street to point # 14.

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

Page 13 of 41

- 14. Point # 14 is located 0.68 km south of point # 13. The boundary turns southwest to point # 15.
- 15. Point # 15 is located 0.86 km south of Cameron Street East and 0.72 km east of Laidlaw Street South. The boundary turns south parallel to Laidlaw Street South to point # 16.

SOUTHERN BOUNDARY

- 16. Point # 16 is located 0.12 km south of point # 15. The boundary turns west parallel to Cameron Street East to point # 17.
- 17. Point # 17 is located 0.89 km west of point # 16. The boundary turns north parallel to Laidlaw Street South to point # 18.
- 18. Point # 18 is located 0.54 km north of point # 17. The boundary turns west parallel to Cameron Street West to point # 19.
- 19. Point # 19 is located 0.38 km west of point # 18. The boundary turns southwest to point # 20.
- 20. Point # 20 is located 0.51 km south of Cameron Street West and 0.46 km east of Sideline 18A. The boundary turns south, parallel to Sideline 18A, to point A. A. Point A is located 0.16 km south of point # 20. The boundary turns west to point # 1.

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

Page 14 of 41

BROCK – SUNDERLAND SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 34 of this document.

WESTERN BOUNDARY

- 1. Point # 1 is located 0.34 km south of River Street and 0.4 km west of Albert Street. The boundary continues north to point # 2.
- 2. Point # 2 is located 0.14 km west of Rynard Street, on River Street. The boundary turns west to point # 3.
- 3. Point # 3 is located 0.08 km west of point # 2 on the north side of River Street. The boundary turns north to point # 4.
- 4. Point # 4 is located 0.29 km north of point # 3. The boundary turns east to point # 5.
- 5. Point # 5 is 0.05 km east of point # 4. The boundary turns north to point # 6.
- 6. Point # 6 is located 0.03 km north of point # 5. The boundary turns east to point # 7.
- 7. Point # 7 is located 0.02 km east of point # 6. The boundary turns north to point # 8.

NORTHERN BOUNDARY

- 8. Point # 8 is located 0.15 km north of point # 7. The boundary turns east to point # 9.
- 9. Point # 9 is located 0.41 km east of point # 8. The boundary turns south to point # 10.
- 10. Point # 10 is located 0.07 km south of point # 9. The boundary turns east to point # 11.
- 11. Point # 11 is located 0.69 km east of point # 10. The boundary turns south to point # 12.

EASTERN BOUNDARY

- 12. Point # 12 is 0.17 km east of Hwy # 12 on Concession 6. The boundary turns east on Concession 6 to point # 13.
- 13. Point # 13 is 0.33 km east of point # 7 on Concession 6. The boundary turns south to point # 14.
- 14. Point # 14 is 0.13 km south of point # 13. The boundary turns west to point # 15, parallel to Concession 6.
- 15. Point # 15 is 0.48 km west of point # 14. The boundary turns south to point # 16, and parallel to Hwy # 12.

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

Page 15 of 41

SOUTHERN BOUNDARY

- 16. Point # 16 is 0.6 km south of point # 15. The boundary turns west to point # 17.
- 17. Point # 17 is 0.02 km north of Thompson Road on Albert Street South. The boundary turns north to point # 18.
- 18. Point # 18 is on Albert Street South, 0.30 km north of point # 17. The boundary turns southwest to point # 19, running along the northern property lines of the residential lots that front the north side of Rennie Street.
- 19. Point # 19 is 0.19 km southwest of point # 18 and is located at the north-west corner of the most westerly of the residential lots that front the north side of Rennie Street. The boundary turns south and runs along the western flank of the property, extending across Rennie Street to point # 20.
- 20. Point # 20 is 0.04 km south of point # 19 and is located on the south side of Rennie Street. The boundary turns west and runs to point # 21, following Rennie Street and then the southern flank of the most southerly residential lot that fronts the west side of Rennie Street.
- 21. Point # 21 is 0.08 km west of point # 16 and is located at the south-west corner of the most southerly residential lot that fronts the west side of Rennie Street. The boundary turns northwest and runs in an uneven line to point # 22, following the western property lines of the residential lots that front the west side of Rennie Street.
- 22. Point # 22 is 0.07 km northwest of point # 21 and is located on the western property line of a residential lot that fronts the west side of Rennie Street. The boundary turns west and runs to point # 1.

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

Page 16 of 41

CLARINGTON – BOWMANVILLE SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 35 of this document.

WESTERN BOUNDARY

- 1. The boundary starts at point # 1, on Lake Ontario and follow Waverly Road to point # 2.
- 2. Point # 2 is 0.17 km south of Hwy # 401 on Waverly Road. The boundary turns west for 0.5 km to point # 3.
- 3. Point # 3 is 0.05 km south of South Service Road on the extension of Martin Road. The boundary turns north following the extension of Martin Road to the intersection of Martin Road and Hwy # 57 to point # 4.
- 4. The boundary follows Hwy # 57 north to point # 5 at the intersection of Hwy # 57 and Concession Road # 3.

NORTHERN BOUNDARY

5. The boundary turns east to point # 6 following Concession Road # 3.

EASTERN BOUNDARY

- 6. Point # 6 is 0.4 km west of Lambs Road on Concession Road # 3. The boundary turns south for 1.05 km to point # 7, and runs parallel to Lambs Road.
- 7. Point # 7 turns east for 0.4km until it meets Lambs Road at point # 8.
- 8. Point # 8 turns south and runs along Lambs Road for 0.3 km to point # 9.
- 9. Point # 9 turns east and runs along the northern property line of 2273 Lambs Road for 100m until it reaches the northeast corner of said property at Point # 10.
- 10. Point # 10 turns south and runs along the eastern property line of 2273 Lambs Road for 70m until it reaches the southeast corner of said property at Point # 11.
- 11. Point # 11 turns west and runs along the southern property line of 2273 Lambs Road for 100 m to Point # 12.
- 12. Point # 12 turns south and runs along Lambs Road for 0.7 km to Point # 13, at the intersection of Lambs Road and Concession Street East.
- 13. Point # 13 turns west for 0.4 km to Point # 14.
- 14. Point # 14 turns south for 3.5 km to Point # 15, parallel to Lambs Road.

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

Page 17 of 41

- 15. Point # 15 turns east following the property line on Yacht Club Drive for approximately 155m to Point # 16.
- 16. Point 16 turns south following the property line on Yacht Club Drive for approximately 280m to Point # 17.

SOUTHERN BOUNDARY

17. Point # 17 is 0.4 km west of South Service Road. The boundary follows Lake Ontario to point # 1.

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

Page 18 of 41

CLARINGTON – NEWCASTLE SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 36 of this document.

WESTERN BOUNDARY

- 1. The boundary starts at point # 1 where the continuation of Toronto Street would meet Lake Ontario. The boundary heads north along the road allowance of Toronto Street to point # 2, 1 km west of Mill Street at Hwy # 401.
- 2. The boundary continues north from this point and follows the road allowance of Rudell Road to point # 3, where Rudell Road terminates north of Given Road, with the exception of an additional contiguous parcel extending to the west of this line approximately opposite Hart Blvd. known as Lot 31, Concession 1 in the former Township of Clarke in Clarington, Part 1, Plan 40R-2074 (St. Francis Elementary School),
- 3. The boundary continues north from point # 3 to point # 4 north of Hwy # 115.

NORTHERN BOUNDARY

4. Point # 4 is immediately south of the railway track and just northwest of Hwy # 115. The boundary follows the south side of the railway track to point 5. Veridian point 4A is one excursion taking in the registered parcel of land as detailed in the following table. This excursion is to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Newcastle	Legal Description
4A	2521 Bellwood Drive	Pt. Lot 30, Con 2 Clarke, as in D471130

- 5. Point # 5 is located at the intersection of the east side of Hwy # 115 and the south side of the railway. The boundary proceeds east following the south side of the railway to point # 6.
- 6. Point # 6 is located 0.09 km west of Manvers Road on the south side of the railway. The boundary turns north to point # 7, parallel to Manvers Road.
- 7. Point # 7 is located 0.3 km north of point # 6 and 0.09 km west of Manvers Road. The boundary turns east to point # 8.
- 8. Point # 8 is located 0.09 km east of Manvers Road and 0.3 km north of point # 9. The boundary turns south, parallel to Manvers Road.
- 9. Point # 9 is located 0.07 km east of Manvers Road on the south side of the railway. The boundary turns east along the south side of the railway to point # 10.
- 10. Point # 10 is located 0.11 km west of Arthur Street on the south side of the railway. The boundary turns north parallel to Arthur Street to point # 11.
- 11. Point # 11 is located 0.3 km north of point # 10 and 0.09 km west of Arthur Street. The boundary turns east at this point to point # 12.

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

Page 19 of 41

- 12. Point # 12 is located 0.09 km east of Arthur Street and 0.3 km north of point # 13. The boundary turns south parallel to Arthur Street to point # 13.
- 13. Point # 13 is located 0.07 km east of Arthur Street on the south side of the railway. The boundary turns east at this point along the south side of the railway to point # 14.

EASTERN BOUNDARY

14. Point # 14 is located at the intersection of the railway and Hwy # 2, on the west side of the railway. The boundary follows the road allowance for Farrow Ave. to point # 15 at Hwy # 401. This excursion is to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Newcastle	Legal Description
14A	3742 Hwy 2, Clarke Township	Not available

15. Point # 15 is located at the intersection of Farrow Ave and Hwy # 401. The boundary continues south to point # 16 following the road allowance for Riley Road.

SOUTHERN BOUNDARY

16. Point # 16 is located at the continuation of Riley Road and Lake Ontario. The boundary turns west following the Lake Ontario shore to point # 1.

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

Page 20 of 41

CLARINGTON – ORONO SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 37 of this document.

WESTERN BOUNDARY

- 1. Point #1 is located 0.2 km west of Main Street following the extension of the road allowance of Sommerville Drive. The boundary continues north to point # 2.
- 2. Point # 2 is located on Princess Street, 0.09 km west of Leigh Street. The boundary continues north to point # 3.
- 3. Point # 3 is located 0.09 km north of Princess Street and 0.1 km west of Leigh Street. The boundary continues north to point # 4.
- 4. Point # 4 is located 0.4 km west of Main Street on Station Street. The boundary continues north to point # 5.
- 5. Point # 5 is located 0.29 km north of the Mill Street and Main Street intersection and 0.18 km west of Main Street. The boundary continues north to point # 6.
- 6. Point # 6 is located 0.88 km north of the Mill Street and Main Street intersection and 0.18 km west of Main Street.

NORTHERN BOUNDARY

- 7. The boundary continues east from point # 6 through the north lot line of 5771 Main Street to point # 7. Point # 7 is located on Mill Lane, 0.17 km north of the intersection of Mill Lane and Mill Street. The boundary continues east to point # 8.
- 8. Point # 8 is located on Mill Street, 0.15 km north of the intersection of Mill Street and Mill Lane. The boundary continues east following the west property line of the Mill Street road allowance to point # 9.

EASTERN BOUNDARY

9. Point # 9 is located at the intersection of Mill Street and Hwy # 115. The boundary turns south along the west property line of Hwy # 115 to point # 10.

SOUTHERN BOUNDARY

10. Point # 10 is located at the end of Sommerville Drive at the west boundary of the road allowance for Hwy # 35/115. The boundary turns west from this point and follows the road allowance for Sommerville Drive to point # 1.

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

Page 21 of 41

GRAVENHURST SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 38 of this document.

Beginning at the most northeast corner of the Town of Gravenhurst (the northeast corner of Muskoka County Conc. IX Lot 1), in a clockwise direction, the franchise area limits are an irregular polygon the bounds of which are described as a line:

EASTERN BOUNDARY

The meets and bounds generally begin at the north-east corner of the Town of Gravenhurst but exclude Lot 1, Conc. IX and Lot 1, Conc VIII Muskoka.

 Beginning at the intersection of the boundary between Lots 1 and 2, Conc. IX Muskoka and the north Muskoka County line, proceeding southerly along the boundary between Lots 1 & 2 (generally parallel to the eastern limit of the Town of Gravenhurst, or the Town of Bracebridge Town Line, being the Muskoka/Draper County Line) to point # 1A at the southeast corner of Lot 1, Conc. VIII, Muskoka;

At Point #1A turning westerly along the Conc. VIII/Conc. VII boundary and then following an irregular line along the west and south edges of Registered properties known as 1181 and 1188 Campbell's Road, Gravenhurst to Point # 1B at the intersection with the easterly limit of the Town of Gravenhurst;

At Point #1B turning southerly along the easterly limit of the Town of Gravenhurst to the point where the Town Line turns sharply east (southeast corner of Lot 1, Conc. I, Muskoka County 1 Lot 1);

1.B continuing straight through the preceding point (and not following the Town line) in a straight line southerly along the boundary between the Counties of Ryde and Morrison to the north/south midpoint of Lot 1, Conc. X, Morrison;

SOUTHERN BOUNDARY

- 2. turning sharply west and continuing in a straight line bisecting Conc. X, Morrison, into north/south halves through Lots 1-13 and into Range East, Morrison, to a point on the boundary between Range West and Range East, Morrison;
- 3. there making a slight bend northerly and continuing westerly along a line again bisecting Conc. X through Lots 18-25, Conc. X, Morrison to a point immediately west of the boundary between Lots 25 and 26, Conc. X, Morrison;
- 4. turning sharply northerly along a line just west of the boundary between Lots 25 and 26, through Conc. X to a point midway (north/south) in Conc. Xii, Morrison;

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

Page 22 of 41

WESTERN BOUNDARY

- 5. there turning westerly and proceeding along a line approximately bisecting Conc. XII, Morrison, to a point on the boundary between Lots 34 and 35, Morrison;
- 6. turning sharply northerly along the boundary between Lots 34 and 35, Morrison to a point on the Morrison County boundary with Muskoka County;
- 7. turning sharply westerly and continuing on the south side of the boundary to the intersection of Morrison, Wood, and Muskoka Counties;
- 8. there turning northerly and following a line along the east side of the boundary between Wood and Muskoka Counties to a point midway in Conc. XVI, Wood;
- 9. there turning westerly and following a line bisecting Conc. XVI, Wood through Lots H to A to the boundary between Lot A and Lot 1, Conc. XVI, Wood;
- 10. there turning sharply northerly along a line following the west side of that boundary to the intersection with the allowance between Conc. XV and XVI, Wood;
- 11. turning sharply westerly along the center of that allowance to a point at the boundary between Lots 3 & 4, Wood;
- 12. turning sharply northerly along the boundary between Lots 3 & 4, Wood to the boundary between Conc. XII and XIII;
- 13. there turning sharply westerly and following the boundary between Conc. XII and XIII, Wood to the westerly limit of Lot 8, Wood County, also known as the westerly limit of the Town of Gravenhurst;
- 14. there turning sharply northerly and following the westerly limit of Lot 8, Wood finishing at the intersection of the easterly limit of Lot 9 Wood and Muskoka Road 169;
- 15. then turning sharply east and following the southerly limit of Lot 35 Con 14 Muskoka (2246 Muskoka Road 169) to the shore of Lake Muskoka, Point # 16.

NORTHERN BOUNDARY

16. then turning sharply north, then east to strike out across Lake Muskoka following the Gravenhurst/Bracebridge Town Line being an irregular open water route meeting the eastern shore at the northwest corner of Muskoka County Conc. Ix Lot 14, and then a straight line easterly along the line between Conc. IX and X, Muskoka County, returning to the northeast corner of the Town of Muskoka.

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

Page 23 of 41

PORT HOPE SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 39 of this document.

WESTERN BOUNDARY

- 1. The western boundary of the existing Port Hope Service Area starts from point # 1, 1.37 km west of Victoria Street at Lake Ontario.
- 2. The boundary continues north to point # 2 located at 0.63 km west of Toronto Road on Marsh Road. The boundary continues north to point # 3.

NORTHERN BOUNDARY

3. Point # 3 is located 0.2 km west of Toronto Road at Hwy # 401. The boundary turns east to point # 4.

EASTERN BOUNDARY

4. Point # 4 is located at the intersection of Hamilton Road and Hwy # 401. The boundary turns south following the road allowance for Hamilton Road to point # 5. Veridian point 4A is one excursion taking in the registered parcel of land as detailed in the following table. This excursion is to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Port Hope	Legal Description
4A		Part Lot 35, Con 1, Hamilton, As in HN7842 except CB53694 south of Service Road

SOUTHERN BOUNDARY

5. Point # 5 is located on the extension of Hamilton Road where it intersects Lake Ontario. The boundary turns west, following the lakeshore to point # 1.

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

Page 24 of 41

SCUGOG SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 40 of this document.

Beginning at the most northwest corner of the Veridian's Franchise Service Area, in a clockwise direction, the franchise area limits are an irregular polygon the bounds of which are described as a line:

NORTHERN BOUNDARY

- 1. Proceeding generally east along Reach Street to the intersection of Simcoe Street where it meets Coulter Street.
- 2. Continuing along Coulter Street easterly to 44.11531^oN by 78.93664^oW approximately in the middle of Lake Scugog

EASTERN BOUNDARY

3. Turning shapely south and continuing down the Lake to 44.10069°N by 78.92997°W SOUTHERN BOUNDARY

SOUTHERN BOUNDARY

- 4. Turning sharply west running parallel with Scugog Street before meeting with Applewood Crescent and continuing west to 44.09829°N latitude by 78.94213°W.
- 5. There turning to a south south-westerly direction before intersecting with Simcoe Street at Vanedward Drive.
- 6. There making a sharp turn west for approximately one hundred meters before turning gently south south-westerly again.
- 7. There meeting with the south east corner of Earl S Cuddy Blvd. heading in a westerly direction for about two hundred meters, then turning slightly to a west south-westerly direction.
- 8. Continuing to Union Avenue, still heading slightly to a south-westerly direction going east on Victoria Street past Union Avenue.
- 9. There making a slight bend back to westerly direction at the intersection of Ash Street continuing west to Old Scugog Road.
- 10. There it continues west to Maple Street. Veridian points 10A to 10E are five excursions taking in the 5 registered parcels of land as detailed in the following table. These five excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Port Perry (Scugog)	Legal Description
10A	581 Victoria Street	Lot 46, Plan H50021
10B	583 Victoria Street	Lot 45, Plan H50021

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

Page 25 of 41

10C	585 Victoria Street	Lot 44, Plan H50021	
10D	631 Victoria Street	Lot 130, Plan H50021	
10E	635 Victoria Street	Lot 129, Plan H50021	

11. Turning sharply north and continuing north on Maple Street to Alma Street. Veridian points 11A to 10D are four excursions taking in the 4 registered parcels of land as detailed in the following table. These four excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Port Perry (Scugog)	Legal Description
11A	117 Maple Street	Lot 131, Plan H50021
11B	111 Maple Street	Lot 132, Plan H50021
11C	105 Maple Street	Lot 133, Plan H50021
11D	99 Maple Street	Lot 134, Plan H50021

- 12. Continuing in a straight-line north to Scugog Street.
- 13. Turning sharply to the west and continuing to the intersection of Queen Street. Veridian point 13A is one excursion taking in the registered parcel of land as detailed in the following table. This excursion is to be included in Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Port Perry (Scugog)	Legal Description
13A		Pt. Lots 16 & 17, Con 6 Reach, Pts. 2 & 4, 40R-24422

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

Page 26 of 41

WESTERN BOUNDARY

- 14. Turning sharply north and continuing to 44.10160°N by 78.96246°W
- 15. Turning slightly east north-easterly to the intersection of Old Scugog Road and McDonald Street.
- 16. Turning sharply north and continuing to the intersection of Old Scugog Road and Reach Road returning to the northwest boundary.

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

Page 27 of 41

UXBRIDGE SERVICE AREA

The alpha-numeric point numbers below refer to the reference map provided on page 41 of this document.

WESTERN BOUNDARY

- 1. The western boundary of the existing Uxbridge Service Area starts at point # 1, which is located 0.65 km south of Brock Street West and is in line with the east property line of Center Road. The boundary continues north to point # 2.
- 2. Point # 2 is located on the northeast corner of 22 South Beech Street. The boundary turns west along the south property lines of 280 and 282 Brock Street West to point # 3.
- 3. Point # 3 is located on the southeast corner of 282 Brock Street West. The boundary turns north along the west property line of 282 Brock Street West to point # 4.
- 4. Point # 4 is located on the north side of Brock Street West on the extension of the west property line of 282 Brock Street West. The boundary turns east to point # 5.
- 5. Point # 5 is located at the intersection of Brock Street West and Center Road. The boundary turns north to point # 6.

NORTHERN BOUNDARY

- 6. Point # 6 is located at the center line of the road allowance of Center Road, and in line with the north property line of 49 Center Road. The boundary turns to the east along the north property lines of 237,235,233,231 Maple Street, 56,55 Balsam Street, 24,26,27,25 Pine Street, 8,10,9,7 Latcham Court and continues to point # 7.
- 7. Point # 7 is located 0.16 km west of Main Street, on the continuation of the north property lines of 8,10,9,7 Latcham Court. The boundary turns north to point # 8.
- 8. Point # 8 is located 0.16 km west of Main Street. The boundary turns to the east following the north property lines of 214 Main Street and 1,3,5,7 Harvey Street to point # 9.
- 9. Point # 9 is located at the northeast corner of 7 Harvey Street. The boundary turns to the north along the west property line of 11 Harvey Street to point # 10.
- 10. Point # 10 is located at the northwest corner of 11 Harvey Street. The boundary turns east to point # 11.
- 11. Point # 11 is located at the northeast corner of 11 Harvey Street. The boundary turns south to point # 12.
- 12. Point # 12 is located at the intersection of the east property line of 11 Harvey Street, and the north property line of 15 Harvey Street. The boundary turns east to point # 13.
- 13. Point # 13 is located 0.2 km east of Main Street. The boundary turns south to point # 14.

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

Page 28 of 41

14. Point # 14 is located 0.01 km north of the northwest corner of 102 Second Avenue. The boundary turns east to follow the centerline of Barton Lane to point # 15.

EASTERN BOUNDARY

15. Point # 15 is located 0.01 km north of the northeast corner of 31 Remion Crescent. The boundary turns south following the eastern boundaries of 31,29,27,25,23,21,19,17,15,13,11,9 Remion Crescent to point # 16. Veridian points 15A to 15N are fourteen excursions taking in the 14 registered parcels of land as detailed in the following table. These fourteen excursions are to be excluded from Veridian's Service Area.

Veridian Point No.	Municipal Address, Town of Uxbridge	Legal Description
15A	13 Low Blvd	Lot 7, Plan 40M-1937
15B	11 Low Blvd	Lot 6, Plan 40M-1937
15C	9 Low Blvd	Lot 5, Plan 40M-1937
15D	7 Low Blvd	Lot 4, Plan 40M-1937
15E	5 Low Blvd	Lot 3, Plan 40M-1937
15F	3 Low Blvd	Lot 2, Plan 40M-1937
15G	1 Low Blvd	Lot 1, Plan 40M-1937
15H	2 Low Blvd	Lot 14, Plan 40M-1937
151	4 Low Blvd	Lot 13, Plan 40M-1937
15J	6 Low Blvd	Lot 12, Plan 40M-1937
15K	8 Low Blvd	Lot 11, Plan 40M-1937
15L	10 Low Blvd	Lot 10, Plan 40M-1937
15M	12 Low Blvd	Lot 9, Plan 40M-1937
15N	14 Low Blvd	Lot 8, Plan 40M-1937

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

Page 29 of 41

SOUTHERN BOUNDARY

- 17. Point # 17 is located 0.2 km south of Bell Street on Main Street. The boundary turns north on Main Street to point # 18.
- 18. Point # 18 is located 0.1 km south of Bell Street. The boundary turns west to point # 19.
- 19. Point # 19 is located 0.01 km west of the southeast corner of 166 Water Street. The boundary turns south following the center line of Water Street to point # 20.
- 20. Point # 20 is located 0.01 km east of the southeast corner of 172 Water Street. The boundary turns west following the south property line of 172 Water Street to point A.
 - A. Point A is located at the southwest corner of 188 Water Street. The boundary turns north following the west property lines of 188,170,168 Water Street to point B.
 - B. Point B is located at the northwest corner of 168 Water Street. The boundary turns west following the south boundary of 19,20 Joseph Street, 19,20 James Street, 18,20,22 Wilson Street, and 123 Toronto Street South. The boundary continues east to point # 1.

Schedule 1 Definition of Distribution Service Area of Appendix B Veridian Connections Inc.

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

Page 30 of 41



Ajax – Pickering Veridian Territory

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

Page 31 of 41

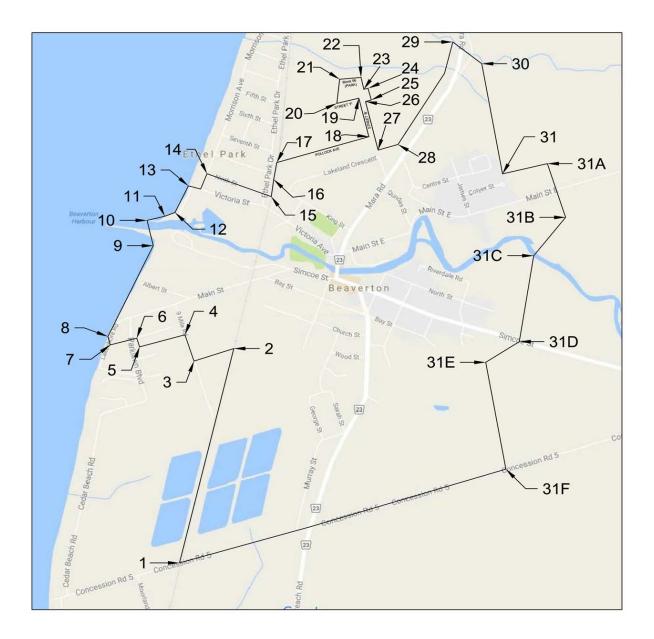


Belleville Veridian Territory

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

Page 32 of 41

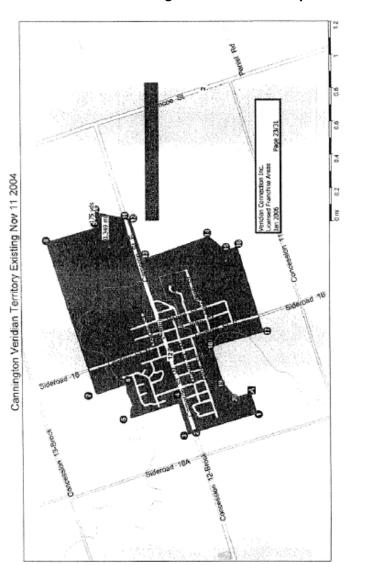
Brock-Beaverton Veridian Territory



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

Page 33 of 41

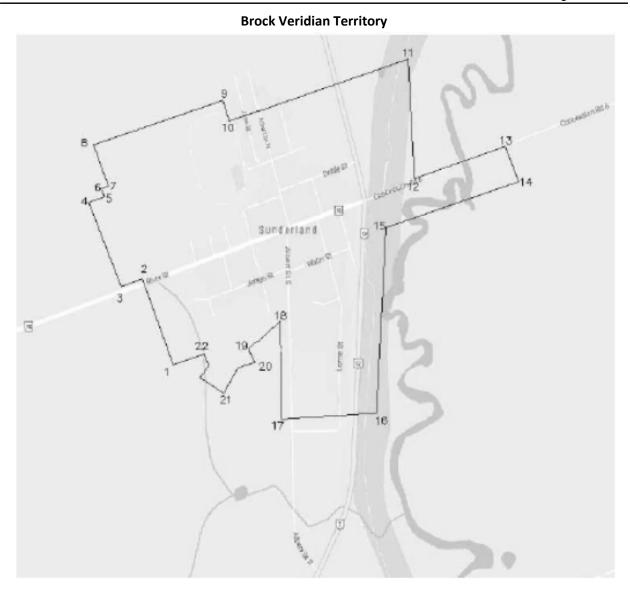
Copyright & 1984.2005 Notimetal Carp. and/or 7 © 2004 Not/TEO. All rights reserved. This data



Cannington Veridian Territory

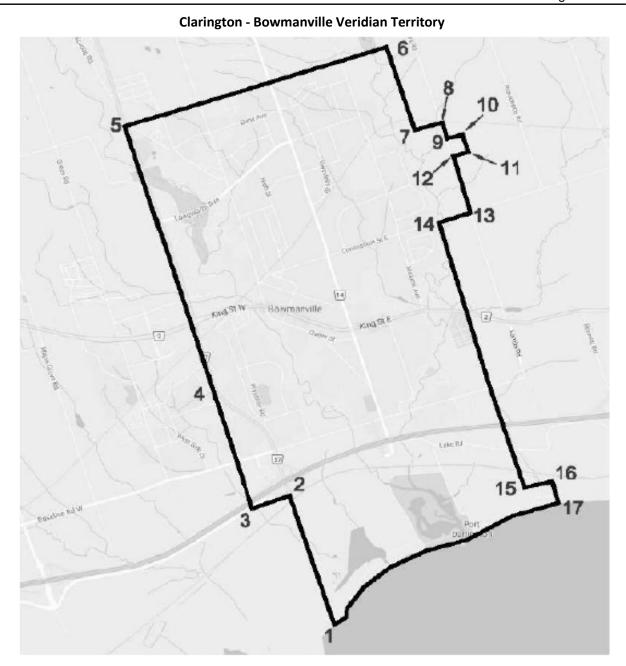
This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.

Page 34 of 41



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

Page 35 of 41



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

Page 36 of 41



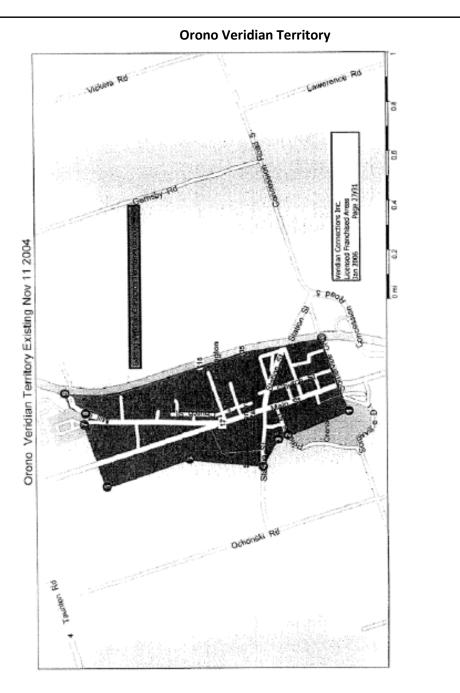
Clarington – New Castle Veridian Territory

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

Page 37 of 41

2

Copyright (0:1208-7020) Mischauf Carp, should be weekle 0:2004 NAVTEC: Millights essential This pass reductes



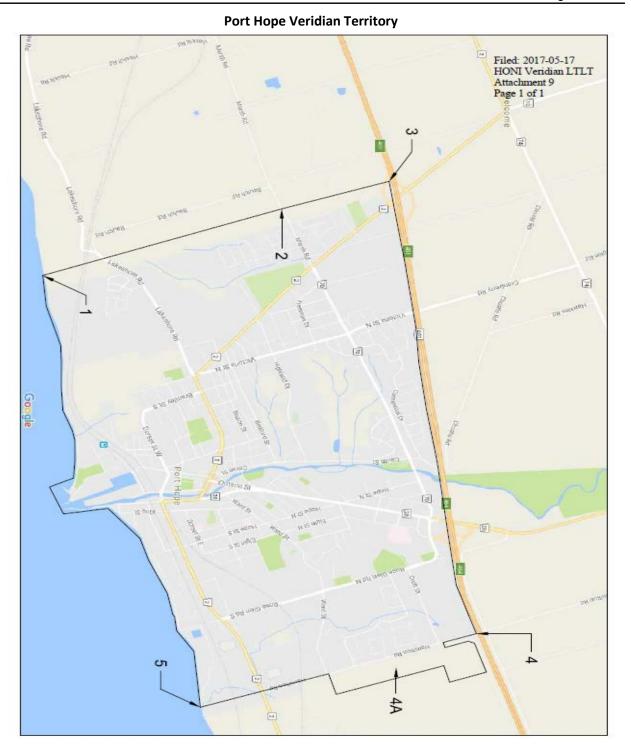
This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.

Page 38 of 41



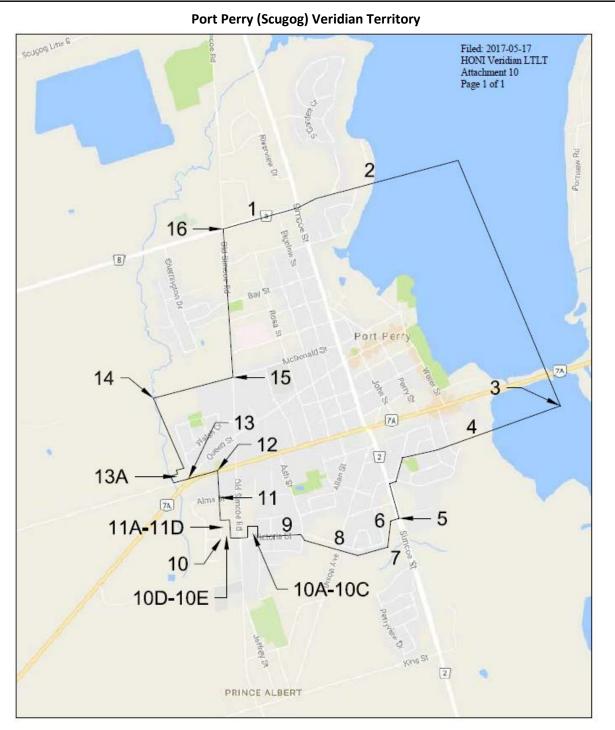
Gravenhurst Veridian Territory

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



Page 39 of 41

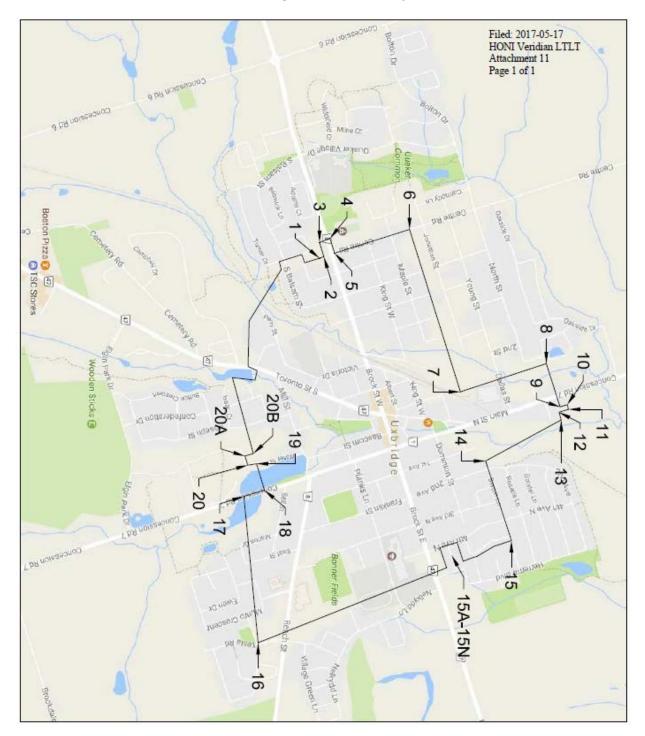
This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8.1 of this Licence.



Page 40 of 41

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

Page 41 of 41



Uxbridge Veridian Territory

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment E Filed: July 30, 2018

ATTACHMENT E WHITBY LDC DISTRIBUTION LICENCE (ED-2002-0571)



Electricity Distribution Licence

ED-2002-0571

Whitby Hydro Electric Corporation

Valid Until

December 21, 2023

Original signed by

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

Date of Issuance: December 22, 2003 Date of Amendment: February 8, 2018

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

LIST OF AMENDMENTS

Board File No. Date of Amendment April 10, 2008 EB-2007-0967 July 25, 2008 EB-2007-0917 November 12, 2010 EB-2010-0216 December 18, 2014 EB-2014-0324 January 28, 2016 EB-2016-0015 March 31, 2017 EB-2017-0101 February 8, 2018 EB-2017-0318

	Table of Contents	Page No.
1	Definitions	1
2	Interpretation	2
3	Authorization	2
4	Obligation to Comply with Legislation, Regulations and Market Rules	3
5	Obligation to Comply with Codes	3
6	Obligation to Provide Non-discriminatory Access	3
7	Obligation to Connect	3
8	Obligation to Sell Electricity	4
9	Obligation to Maintain System Integrity	4
10	Market Power Mitigation Rebates	4
11	Distribution Rates	4
12	Separation of Business Activities	4
13	Expansion of Distribution System	5
14	Provision of Information to the Board	5
15	Restrictions on Provision of Information	5
16	Customer Complaint and Dispute Resolution	6
17	Term of Licence	6
18	Fees and Assessments	7
19	Communication	7

20	Copies of the Licence	7
21	Conservation and Demand Management	7
22	Pole Attachments	8
23	Winter Disconnection, Reconnection and Load Control Devices	9
SCHEDULE 1	DEFINITION OF DISTRIBUTION SERVICE AREA	. 12
SCHEDULE 2	PROVISION OF STANDARD SUPPLY SERVICE	. 13
SCHEDULE 3	LIST OF CODE EXEMPTIONS	. 14
APPENDIX A	MARKET POWER MITIGATION REBATES	. 15

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 Whitby Hydro Electric 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. 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.
- 14.3 The licensee shall inform the Board as soon as possible of any material changes to the service agreement with Whitby Hydro Energy Services Corporation (the "Service Agreement").
- 14.4 If either party to the Service Agreement provides notice of its intention to exercise a right to terminate or discontinue any services under the services agreement, the Licensee shall:
 - a) Immediately notify the Board in writing of the notice; and
 - b) provide a plan to the Board as soon as possible, but no later than ten (10) days after the receipt of the notice, as to how the affected distribution services will be maintained in compliance with the terms of this Licence.
- 14.5 In the event of termination of the Service Agreement for any reason, the Licensee shall:
 - a) ensure there is no interruption of distribution services to the consumers as a result of the termination;
 - b) notify the Board of the name of the new company that will provide the distribution services; and
 - c) file with the Board the distribution services agreement with the new company.

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 December 22, 2003 and expire on December 21, 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 10.900 MW, and its 2011-2014 Net Cumulative Energy Savings Target of 39.070 GWh (collectively the "CDM Targets"), over a fouryear 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 cobranded 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 Disconnection, Reconnection and Load Control Devices

- 23.1 Subject to paragraph 23.4, the Licensee shall not, during a Disconnection Ban Period:
 - 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 control 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 during a Disconnection Ban Period in accordance with all applicable regulatory requirements, including the required disconnection notice, or (ii) installing a load control device in respect of an occupied residential property during a Disconnection Ban Period, in each case if at the unsolicited request of the customer given in writing for that Disconnection Ban Period.

23.2 Subject to paragraph 23.4,

- (a) for the 2017/2018 Disconnection Ban Period, if the Licensee had disconnected a residential property on or before November 2, 2017 solely on the grounds of non-payment, the Licensee shall reconnect that property, if an occupied residential property, as soon as possible, and shall do the same in respect of any such property that may be disconnected by Licensee between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection; and
- (b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any residential property that had been disconnected solely on the grounds of non-payment is, if an occupied residential property, reconnected as at the commencement of the Disconnection Ban Period. 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 in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice.

- 23.3 Subject to paragraph 23.4,
 - (a) for the 2017/2018 Disconnection Ban Period, if the Licensee had installed a load control device in respect of an occupied residential property on or before November 2, 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, and shall do the same in respect of any load control device installed in respect of any such property between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any charge that might otherwise apply in respect of such removal; and
 - (b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any load control device installed in respect of an occupied residential property either for non-payment or at the customer's request is removed and full service is restored to the property as at the commencement of the Disconnection Ban Period. 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 control device in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice; or (ii) prevent the Licensee from installing or maintaining a load control device if the customer makes an unsolicited request in writing for the Licensee to do so for that Disconnection Ban Period and has not rescinded that request.

- 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 a Disconnection Ban Period.
- 23.6 For the purposes of paragraphs 23.1 to 23.5:

"Disconnection Ban Period" means the period commencing at 12:00 am on November 15th in one year and ending at 11:59 pm on April 30th in the following year;

"load control device" has the meaning given to it in the Distribution System Code; 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 control device having been installed in respect of the property outside of a Disconnection Ban Period.
- 23.7 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 Whitby as at January 1, 1968, except for:
 - (a) the following lands which are served by Veridian Connections Inc.:
 - Broken Front Concession, Part Lot 34, 2.00 AC;
 - Broken Front Concession, Part Lot 35, now RP 40R7831, Part 1 Regulator 0.04AC 32.81FR 49.21D;
 - Concession 6, Part Lot 35, 9.47AC;
 - Concession 8, Part Lot 34, 35.55AC;
 - Concession 8, Part Lot 34, 35, now RP 40R7371, Part 1, 56.50 AC;
 - Concession 8, Part Lot 34, 35; and
 - Concession 9, Part Lot 35 and Part of Road Allowance, now RP 40R13254, Part 1 205.57 AC.

(b) the following lands which are served by Hydro One Networks Inc:

- Concession 9, part lots 21 26, and 31 33 with civic address numbers 165, 275, 345, 365, 395, 425, 445, 465, 485, 525, 545, 565, 585, 605, 625, 665, 675,1175, 1245, 1375, 1395 on Townline Road West;
- Concession 9, part lot 26 with civic address 995 Ashburn Road North;
- Concession 9, part lot 34 with civic address 9909 Dagmar Road;
- Concession 9, part lot 35 with civic address numbers 9685, 9695, 9885, 9895 on Lake Ridge Road.

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.

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.

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

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"

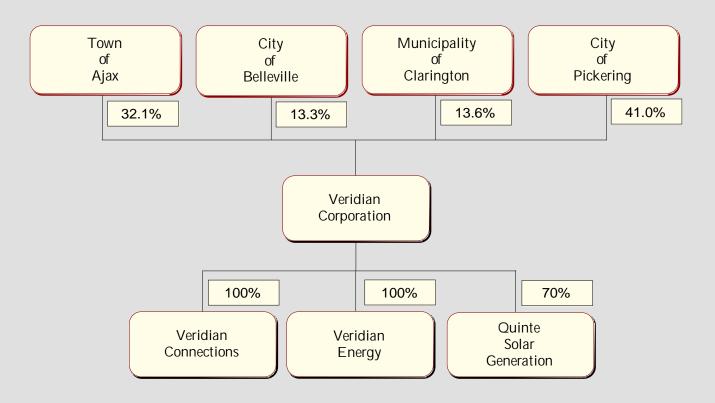
Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such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

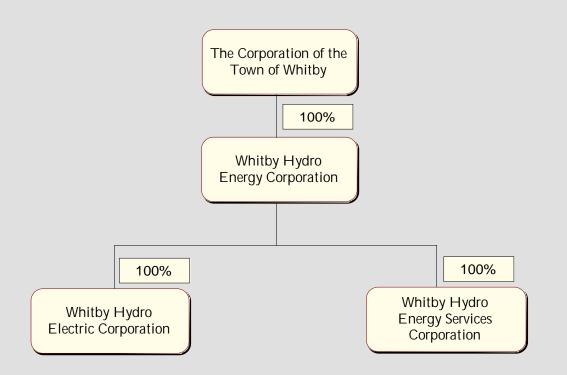
EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment F Filed: July 30, 2018

ATTACHMENT F VERIDIAN HOLDCO CORPORATION ORGANIZATION CHART



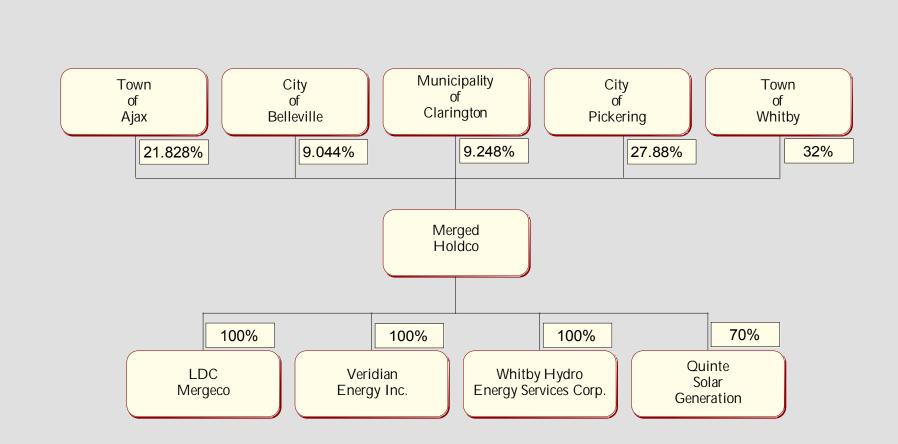
EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment G Filed: July 30, 2018

ATTACHMENT G WHITBY HOLDCO CORPORATION ORGANIZATION CHART



EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment H Filed: July 30, 2018

ATTACHMENT H MERGED HOLDCO POST MERGER CORPORATE ORGANIZATION CHART



EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment I Filed: July 30, 2018

ATTACHMENT I MERGER PARTICIPATION AGREEMENT DATED JULY 10, 2018

THE CORPORATION OF THE TOWN OF AJAX

- and -

THE CORPORATION OF THE CITY OF BELLEVILLE

- and -

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

- and -

THE CORPORATION OF THE CITY OF PICKERING

- and -

THE CORPORATION OF THE TOWN OF WHITBY

- and -

VERIDIAN CORPORATION

- and -

VERIDIAN CONNECTIONS INC.

- and -

WHITBY HYDRO ENERGY CORPORATION

- and -

WHITBY HYDRO ELECTRIC CORPORATION

MERGER PARTICIPATION AGREEMENT

July 10, 2018

Privileged & Confidential

AIRD & BERLIS LLP

Barristers & Solicitors Brookfield Place 181 Bay Street, Suite 1800 Toronto, Ontario M5J 2T9

TABLE OF CONTENTS

Article 1 INTERPRETATION				
1.1 1.2 1.3 1.4 1.5 1.6	Defined Terms Schedules Interpretation Not Affected by Headings Number and Gender Statutes and Agreement Currency	23 24 25 25		
Article 2 AMALGAMATION				
2.1 2.2 2.3 2.4 2.5	Amalgamation Adjustments Amalgamation Agreements Governance Merged Holdco Guarantee of LDC Mergeco Shareholder Promissory Notes	26 32 32		
Article 3	3 THE CLOSING	32		
3.1 3.2 3.3	Closing Veridian Closing Deliveries Whitby Closing Deliveries	32		
Article 4	4 CONDITIONS OF CLOSING	35		
4.1 4.2 4.3 4.4	Conditions in Favour of Veridian LDC and Veridian Holdco Conditions in Favour of Whitby LDC and Whitby Holdco Mutual Conditions Termination	37		
Article 5 REPRESENTATIONS AND WARRANTIES				
5.1 5.2 5.3 5.4 5.5	Representations and Warranties Relating to Municipalities Representations and Warranties Relating to Veridian Holdco Other Representations and Warranties of Veridian Holdco Representations and Warranties Relating to Whitby Holdco Other Representations and Warranties of Whitby Holdco	42 44 65		
Article 6	5 COVENANTS	87		
6.1 6.2 6.3 6.4	Covenants of Veridian Holdco and Veridian LDC Covenants of Whitby Holdco and Whitby LDC Mutual Covenants Transaction Costs	90 93		
Article 7 INDEMNIFICATION				
7.1 7.2	Indemnification Defence of Claim			

7.3	Duty to Mitigate and Right to Recover	103
Article 8	GENERAL PROVISIONS	103
8.1	Notices	103
8.2	Arbitration Procedures	104
8.3	Survival of Representations and Warranties, Covenants and Obligations	105
8.4	No Personal Liability Re: Certificates	106
8.5	Entire Agreement	
8.6	Further Assurances	
8.7	Remedies Cumulative	106
8.8	Waiver, Amendment	106
8.9	Counterparts	107
8.10	Governing Law	107
8.11	Commercially Reasonable Efforts	
8.12	Time of Essence	107
8.13	Severability	107
8.14	No Partnership	107
8.15	Assignment.	
8.16	Successors and Assigns	
8.17	Covenant of the Parties	

SCHEDULES

Schedule 1.1(a)	Credit Agreements
Schedule 1.1(b)	Interim Period Planned Projects
Schedule 2.2(9)	Sample Adjustment Calculations
Schedule 2.3(1)	Form of Holdco Amalgamation Agreement
Schedule 2.3(2)	Form of LDC Amalgamation Agreement
Schedule 2.4(1)	Form of Merged Holdco Shareholders Agreement
Schedule 2.5(1)	Form of Merged Holdco Guarantee of Promissory Notes
Schedule 3.2(11)	Form of Amended and Restated Shareholder Promissory Notes
Schedule 5.2(8)(b)	Veridian – Ownership of Non-Regulated Affiliates
Schedule 5.3(4)	Veridian – Options
Schedule 5.3(9)	Veridian – Real Property and Leases
Schedule $5.3(11)(f)$	Veridian – Encumbrances
Schedule 5.3(13)	Veridian – Equipment Leases
Schedule 5.3(16)	Veridian – Insurance Policies
Schedule 5.3(18)	Veridian – Material Contracts
Schedule 5.3(20)	Veridian – Permits
Schedule 5.3(27)	Veridian – Unusual Transactions
Schedule 5.3(29)	Veridian – Litigation
Schedule 5.3(30)	Veridian – Non-Arm's Length Transactions
Schedule 5.3(31)(a)	Veridian – Environmental Compliance
Schedule 5.3(31)(b)	Veridian – Environmental Permits

Schedule $5.3(32)$	Veridian – Employee Plans
Schedule $5.3(33)(a)$	Veridian – Veridian Holdco Employees
Schedule 5.3(38)	Veridian – Joint Venture Interests
Schedule 5.3(40)	Veridian – Third Party Consents
Schedule 5.5(4)	Whitby – Options
Schedule 5.5(8)	Whitby – Real Property and Leases
Schedule $5.5(11)(f)$	Whitby – Encumbrances
Schedule 5.5(13)	Whitby – Equipment Leases
Schedule 5.5(16)	Whitby – Insurance Policies
Schedule 5.5(18)	Whitby – Material Contracts
Schedule 5.5(20)	Whitby – Permits
Schedule 5.5(27)	Whitby – Unusual Transactions
Schedule 5.5(29)	Whitby – Litigation
Schedule 5.5(30)	Whitby – Non-Arm's Length Transactions
Schedule 5.5(31)(a)	Whitby – Environmental Compliance
Schedule 5.5(31)(b)	Whitby – Environmental Permits
Schedule 5.5(32)	Whitby – Employee Plans
Schedule 5.5(38)	Whitby – Joint Venture Interests
Schedule 5.5(40)	Whitby – Third Party Consents
Schedule 6.1(7)	Veridian Work Plan
Schedule 6.3(13)	Existing Intercorporate Services Agreements

MERGER PARTICIPATION AGREEMENT

THIS AGREEMENT made as of the 10th day of July, 2018

BETWEEN:

THE CORPORATION OF THE TOWN OF AJAX, a

municipal corporation existing under the laws of Ontario ("Ajax")

- and -

THE CORPORATION OF THE CITY OF BELLEVILLE, a municipal corporation existing under the laws of Ontario ("**Belleville**")

- and -

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON, a municipal corporation existing under the laws of Ontario ("**Clarington**")

- and -

THE CORPORATION OF THE CITY OF PICKERING, a municipal corporation existing under the laws of Ontario ("**Pickering**")

- and -

THE CORPORATION OF THE TOWN OF WHITBY, a municipal corporation existing under the laws of Ontario ("**Whitby**")

- and -

VERIDIAN CORPORATION, a corporation existing under the laws of Ontario ("**Veridian Holdco**")

- and -

VERIDIAN CONNECTIONS INC., a corporation existing under the laws of Ontario ("**Veridian LDC**")

- and -

WHITBY HYDRO ENERGY CORPORATION, a corporation existing under the laws of Ontario ("**Whitby Holdco**")

- and -

WHITBY HYDRO ELECTRIC CORPORATION, a corporation existing under the laws of Ontario ("Whitby LDC")

RECITALS:

- (a) All of the issued and outstanding shares of Veridian Holdco are owned by the following entities as follows: Ajax as to 32.1%; Belleville as to 13.3%; Clarington as to 13.6%; and Pickering as to 41.0%. All of the issued and outstanding shares of Veridian LDC are owned by Veridian Holdco.
- (b) All of the issued and outstanding shares of Whitby Holdco are owned by Whitby and all of the issued and outstanding shares of Whitby LDC are owned by Whitby Holdco.
- (c) The Municipalities wish to amalgamate Veridian LDC and Whitby LDC upon the terms and conditions set out in this Agreement in order to form a new merged electricity distribution company to serve the residents and businesses of Ajax, Belleville, Clarington, Pickering and Whitby and to pursue growth opportunities.
- (d) The Municipalities wish to amalgamate Veridian Holdco and Whitby Holdco upon the terms and conditions set out in this Agreement in order to form a new merged holding company to hold all of the shares in the capital of the new merged electricity distribution company and the unregulated subsidiaries of each of Veridian Holdco and Whitby Holdco, which subsidiaries will not be amalgamated.
- (e) Veridian Holdco and Whitby Holdco have entered into the MOU with respect to the transactions contemplated by this Agreement.
- (f) The amalgamation of Veridian Holdco and Whitby Holdco is based upon the following general objectives and business principles:
 - (i) utilization of a non-geographic name for each of LDC Mergeco, Merged Holdco and the Non-Regulated Affiliates
 - (ii) enhance shareholder and investor value;
 - (iii) strengthened voice with the public, regulator and governments;
 - (iv) enhanced community leadership in energy conservation and environment protection;
 - (v) to harmonize rates across the service territory;
 - (vi) continued high level of public and employee safety;
 - (vii) policies shall be established to maintain and sustain infrastructure through adequate investments consistent with Good Utility Practices;
 - (viii) service reliability levels in all service areas are to be maintained at or better than the levels that were maintained prior to each service area becoming part of LDC

Mergeco, subject in all cases to Good Utility Practices and the requirements of the OEB;

- (ix) allow for continued significant community presence in each of the licensed service areas of Veridian LDC and Whitby LDC, in a manner consistent with the business plan of LDC Mergeco;
- (x) cost savings shall be obtained through suitable economies of scale and the adoption of best practices of each amalgamating entity, as contemplated within the business plan of LDC Mergeco;
- (xi) to the greatest extent possible, rely on normal staff attrition when aligning human resources with the needs of LDC Mergeco;
- (xii) improve ability to attract and retain top talent;
- (xiii) policies and programs shall be adopted that ensure the fair and equitable treatment of all employees;
- (xiv) initial management and staff positions are to be filled by best qualified candidates selected by a process determined pursuant to the Transition Plan;
- (xv) union successor rights and collective agreements are to be recognized in accordance with Applicable Law; and
- (xvi) whenever possible, best practices of the industry are to be adopted.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the respective covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms

All capitalized terms used in the recitals hereto and this Agreement (including the Schedules hereto) and not defined therein shall have the following meanings:

"Accounting Expert" has the meaning set forth in Section 2.2(8);

"Accounting Policies" has the meaning set forth in Section 6.3(1)(i);

"Accounts Receivable" means accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing due to Veridian LDC or Whitby LDC, as applicable, and the full benefit of any related security;

"Affiliate" has the meaning set forth in the OBCA;

"Affiliate Relationships Code" means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the OEB as amended from time to time and any replacement code or directive;

"Agreement" means this Agreement and all Schedules hereto, as amended, supplemented, restated or replaced from time to time in accordance with this Agreement;

"Ajax Indemnitee" has the meaning set forth in Section 7.1(3);

"Ajax Transfer By-law" means Transfer By-law No. 115-99 passed by Ajax pursuant to the Electricity Act dated November 1, 1999, as amended;

"Amalgamation Agreements" has the meaning set forth in Section 2.3(2);

"Amalgamations" means, collectively, the Holdco Amalgamation and the LDC Amalgamation;

"Amended and Restated Veridian Shareholder Promissory Notes" has the meaning set forth in Section 3.2(11);

"Amended and Restated Whitby Shareholder Promissory Notes" has the meaning set forth in Section 3.3(11);

"Applicable Law" means, collectively, all applicable federal, provincial and municipal laws, statutes, ordinances, decrees, rules, regulations, by-laws, legally enforceable policies, codes, or guidelines, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, directives, rulings or awards, and conditions of any grant of approval, permission, certification, consent, registration, authority or licence by any statutory body, self-regulatory authority, stock exchange or other Governmental Authority, including all Employment Law and Environmental Law;

"Appurtenances" means, with respect to any real property:

- (a) all buildings, structures, fixtures, improvements and appurtenances located on or forming part of that real property, including those under construction; and
- (b) all rights of way, licences, rights of occupation, easements or other similar rights appurtenant to and for the benefit of that real property;

"Arm's Length" has the same meaning as for the purposes of the Tax Act;

"Associate" has the meaning set forth under the OBCA;

"Belleville Indemnitee" has the meaning set forth in Section 7.1(3);

"**Belleville Transfer By-law**" means, collectively, Transfer By-law No. 2000-170 dated October 30, 2000 and Transfer By-law No. 2000-172 dated November 20, 2000, each passed by Belleville pursuant to the Electricity Act, and each as amended;

"**Books and Records**" means all books, records, files and papers of Veridian LDC and Whitby LDC, as applicable, including computer programs (including source codes and software programs), computer manuals, computer data, financial and Tax working papers, financial and Tax books and records, business reports, business plans and projections, sales and advertising materials, sales and purchases records and correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel and employment records, minute and share certificate books, and all copies and recordings of the foregoing;

"**Business Day**" means any day other than a day which is a Saturday, a Sunday or a statutory holiday in the Province of Ontario;

"**Chartered Business Valuator**" means an individual holding a Chartered Business Valuator designation from, and who is a member in good standing of, The Canadian Institute of Chartered Business Valuators;

"Claim" means:

- (a) any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative;
- (b) any other proceeding; or
- (c) any appeal or application for review,

at law or in equity or before or by any Governmental Authority;

"Clarington Indemnitee" has the meaning set forth in Section 7.1(3);

"Clarington Transfer By-law" means Transfer By-law No. 99-173 passed by Clarington pursuant to the Electricity Act dated November 1, 1999, as amended;

"Class A Special Shares" means the non-voting, convertible, redeemable, Class A Special shares in the capital stock of Merged Holdco;

"**Class B Special Shares**" means the non-voting, convertible, redeemable, Class B Special shares in the capital stock of Merged Holdco;

"Closing" means the delivery of all documents and instruments required to effect the completion of the Amalgamations and the other transactions contemplated herein and entering into of the documents and agreements referred to herein, and "Close" shall have a corresponding meaning;

"Closing Date" means:

- (a) the later of:
 - the date that is fourteen (14) days (or, if the fourteenth day is not a Business Day, the first Business Day thereafter) after the later of (A) the date on which the OEB issues its approval of the Amalgamations pursuant to Section 4.3(1)(d) and (B) the date on which the Commissioner issues its approval of the Amalgamations under the Competition Act; and
 - (ii) the last Business Day of the same month in which the later of the following occurs: (A) the date on which the OEB issues its approval of the Amalgamations pursuant to Section 4.3(1)(d) and (B) the date on which the Commissioner issues its approval of the Amalgamations under the Competition Act; or
- (b) such earlier or later date as may be agreed upon in writing by the Parties;

"Closing Financial Statements" means any of the Veridian Closing Financial Statements and the Whitby Closing Financial Statements;

"Closing Net Fixed Assets" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Net Fixed Assets of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as shown on the relevant Closing Financial Statements and adjusted pursuant to the adjustments specified in Schedule 2.2(9);

"Closing Net Other Assets and Liabilities" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Net Other Assets and Liabilities of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as shown on the relevant Closing Financial Statements and adjusted pursuant to the adjustments specified in Schedule 2.2(9);

"Closing Net Regulatory Balance" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Net Regulatory Balance of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as shown on the relevant Closing Financial Statements;

"Closing Non-Balance Sheet Amounts" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Closing Non-Balance Sheet Amount (CEC on Goodwill) and the Closing Non-Balance Sheet Amount (Tax loss carry forward).

"Closing Non-Balance Sheet Amount (CEC on goodwill)" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)),

means any Non-Balance Sheet Amount attributable to cumulative eligible capital on goodwill of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as specified in the notes to the applicable Closing Financial Statements;

"Closing Non-Balance Sheet Amount (Tax loss carry forward)" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means any Non-Balance Sheet Amount attributable to tax loss carry forwards of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as specified in the notes to the applicable Closing Financial Statements;

"Closing Time" means the time of the Closing which shall be 10:00 am on the Closing Date or such other time on the Closing Date as may be agreed to by the Parties;

"Closing Total Debt" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Total Debt of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as shown on the relevant Closing Financial Statements;

"Closing Working Capital" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the Working Capital of, as applicable, Veridian Holdco, or Whitby Holdco, immediately prior to the Closing Date as shown on the relevant Closing Financial Statements;

"**Commissioner**" means the Commissioner of Competition appointed under the Competition Act;

"Common Shares" means the voting common shares in the capital stock of Merged Holdco;

"**Competition Act**" means the *Competition Act* (Canada) and the regulations thereto, as amended;

"**Confidentiality Agreement**" means the mutual confidentiality and non-disclosure agreement made between Veridian Holdco and Whitby Holdco dated June 28, 2017;

"Constating Documents" means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, by-laws and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar Contracts, arrangements and understandings, all as amended, supplemented, restated and replaced from time to time;

"**Contract**" means, in respect of a particular Person, any contract, note, bond, mortgage, agreement, indenture, lease, agreement to lease, licence, personal property lease, commitment, understanding, instrument, option or any other instrument, document or obligation, oral or written, to which such Person is a party or whereby such Person's assets may be bound;

"Council" means, with respect to a Municipality, the duly elected council of such Municipality;

"CRA" means the Canada Revenue Agency;

"**Current Assets**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)) means the sum of cash and cash equivalents, accounts receivable, *plus* unbilled revenue, Taxes receivable, inventories and prepaid amounts, all calculated in accordance with IFRS, consistently applied;

"**Current Liabilities**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)) means the sum of (i) accounts payable and accrued liabilities, owing or accruing due, and all other amounts owed that are payable within one year of the Closing Date, (ii) all customer deposits (whether current or long-term), and (iii) all liabilities for Taxes, including all Taxes required to be withheld and remitted to an applicable Governmental Authority in respect of any period ending prior to the Closing Date which have not been remitted, but excluding (A) amounts due to related parties, (B) the current portion of deferred revenue relating to capital contributions, and (C) bank indebtedness, all calculated in accordance with IFRS, consistently applied;

"Direct Claim" has the meaning set forth in Section 7.2(9);

"Disputes" has the meaning set forth in Section 8.2(a);

"Electricity Act" means the *Electricity Act*, 1998 (Ontario) and the regulations thereto, as amended;

"Employment Law" means all applicable statutes, regulations, ordinances, by-laws, orders, decisions and rules and any legally enforceable policies, codes or guidelines of a Governmental Authority (whether federal, provincial or municipal) relating to employment matters including without limitation the *Employment Standards Act*, 2000 (Ontario), the *Labour Relations Act*, 1995 (Ontario), the *Pay Equity Act* (Ontario), the *Occupational Health and Safety Act* (Ontario), the *Human Rights Code* (Ontario) and the *Workplace Safety and Insurance Act*, 1997 (Ontario);

"**Encumbrance**" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, option, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing;

"**Environment**" means the ambient air, all layers of the atmosphere, surface water, underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matter and living organisms;

"Environmental Law" means all applicable statutes, regulations, ordinances, by-laws, Environmental Permits, orders, decisions and rules and any legally enforceable policies, codes or guidelines of a Governmental Authority (whether federal, provincial or municipal) relating to the Environment or the Release, use, transport, disposal or handling of Hazardous Substances, including without limitation the *Environmental Protection Act* (Ontario), *Canadian Environmental Assessment Act*, *Canadian Environmental Protection Act, Dangerous Goods Transportation Act* (Ontario), *Environmental Bill of Rights* (Ontario), *Fisheries Act* (Canada), *Technical Standards and Safety Act* (Ontario), *Ontario Water Resources Act, Pest Control Products Act* (Canada), *Pesticides Act* (Ontario), *Transportation of Dangerous Goods Act* (Canada) and any applicable municipal noise or sewer use by-law;

"Environmental Permit" means any Permit required pursuant to Environmental Law;

"Existing Veridian Holdco Shareholders Agreement" means the amended and restated shareholder agreement dated as of September 16, 2014 among Ajax, Belleville, Clarington, Pickering, Veridian Holdco, Veridian LDC, and Veridian Energy Inc. and, where any putative party thereto does not consider it to be binding on it, the predecessor shareholders agreement among the same parties;

"**Existing Whitby Shareholder Direction**" means the shareholder direction made by Whitby in respect of Whitby Holdco, Whitby LDC and the other subsidiaries of Whitby Holdco dated July 31, 2014;

"First Veridian Work Plan Cost of Completion" has the meaning set forth in Schedule 6.1(7);

"First Veridian Work Plan Statement" has the meaning set forth in Schedule 6.1(7);

"**Fixtures**" means fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, equipment, material, poles, pipelines, fittings and any other similar or related item;

"Good Utility Practices" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, as applied to electricity distribution facilities of similar design, size and capacity to the facilities of Veridian LDC or Whitby LDC, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practices is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be practices, methods, or acts generally accepted in North America; "Government Filings" means any forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by Veridian LDC with respect to the Veridian Business, or by Whitby LDC with respect to the Whitby Business, as applicable;

"Governmental Authority" means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or quasi-governmental or regulatory agency, authority, board, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the OEB, the IESO, the Electrical Safety Authority, and the Environmental Review Tribunal;

"Harmonized Sales Tax" means all tax payable under Part IX of the *Excise Tax Act* (Canada);

"Hazardous Substance" means:

- (a) any petrochemical or petroleum product, oil or coal ash, mercury, radioactive material, asbestos in any form that is friable, urea formaldehyde foam insulation or substance that contains or may contain PCBs;
- (b) any chemical, material or substance defined as or included in the definition of "hazardous substance", "hazardous waste", "hazardous material", "toxic substance", "deleterious substance", "contaminant", "pollutant" or words of similar meaning and regulatory effect under any applicable Environmental Law; and
- (c) any other material or substance, the exposure to which is prohibited, limited or regulated by any applicable Environmental Law;

"Holdco Amalgamation" has the meaning set forth in Section 2.1(2);

"Holdco Amalgamation Agreement" has the meaning set forth in Section 2.3(1);

"IBEW" means the International Brotherhood of Electrical Workers;

"IESO" means the Independent Electricity System Operator and any successor thereto;

"**IFRS**" means International Financial Reporting Standards in effect from time to time, which include standards and interpretations adopted by the International Accounting Standards Board;

"includes" means "includes, without limitation" and "including" means "including without limitation";

"**Income Tax**" means any federal, provincial, territorial, municipal or foreign tax (i) imposed or based upon, measured by or calculated with respect to net income, income as specially defined, earnings, gross or net profits or selected items of income, earnings or profits (including capital gains taxes and minimum taxes); or (ii) based upon, measured by or calculated with respect to multiple bases (including corporate franchise taxes) if one or more of the bases on which such tax may be based, measured by or calculated with respect to, is described in (i), in each case together with any interest, penalties or additions to such tax;

"Indemnifiable Loss" has the meaning set forth in Section 7.1(1);

"Indemnifying Party" has the meaning set forth in Section 7.1(5);

"**Indemnitee**" means any Ajax Indemnitee, Belleville Indemnitee, Clarington Indemnitee, Pickering Indemnitee or Whitby Indemnitee;

"Intellectual Property" means all intellectual property of whatever nature and kind, including patents and patent applications, trademarks and trademark applications, trade names, trading styles, domain names, certification marks, industrial designs and copyrights (whether registered or unregistered and all applications for registration thereof), computer software, information technology, inventions, works, designs, formulae, processes, procedures, know-how, trade secrets, industrial designs and plans, engineering designs and plans, blueprints and as-built plans and specifications, training, operating, safety, maintenance and any other manuals, documentation of procedures and processes, design, user and maintenance information and service records and warranty records;

"**Interim Period**" means the period from and including the date of this Agreement to and including the Closing Date or the earlier termination date of this Agreement;

"Interim Period Material Contract" means any Contract in respect of the Veridian Business, or the Whitby Business, as applicable, which (a) expires or may expire, if the same is not renewed or extended at the unilateral option of any other Person, more than two (2) years after the date of this Agreement, (b) if relating to Veridian LDC or Whitby LDC, as applicable, requires payment to or by the counterparty (including contingent payments) during the term thereof, (c) if relating to Non-Regulated Affiliates, requires payment to or by the counterparty (including contingent payments) of during the term thereof, or (d) any other Contract, the termination of which would have a Material Adverse Effect on Veridian LDC or Whitby LDC, as applicable, but excluding any Contract relating to an initiative specified in Schedule 1.1(b);

"**Knowledge of**" when referring to a Party, means the actual knowledge of the President of that Party after due enquiry of the officers and employees of that Party having knowledge of or responsibility for the matter which is the subject of the enquiry;

"LDC Amalgamation" has the meaning set forth in Section 2.1(4);

"LDC Amalgamation Agreement" has the meaning set forth in Section 2.3(2);

"LDC Mergeco" has the meaning set forth in Section 2.1(4);

"Loss" includes any and all damages, costs, charges, liabilities, awards, fines, fees, penalties, assessments, reassessments, claims, judgments, deficiencies, losses and expenses (including all remediation costs, fees of lawyers, accountants and other professionals and experts, or other expenses of litigation or proceedings or of any Claim, default or assessment and interest thereon);

"**MAAD Application**" has the meaning set forth in Section 6.3(7);

"Material" means, in relation to a Person, of such a nature or amount as would reasonably be regarded as significant in relation to the business of that Person or in relation to the capital, prospects, condition (financial or otherwise) or results of operations of that Person, and "Materially" has a corresponding meaning;

"Material Adverse Effect" with respect to any Person means any change, event, violation, inaccuracy, circumstance or effect that:

- (a) individually or when taken together with all other changes, events, violations, inaccuracies, circumstances and effects that have occurred during any relevant period of time before the determination of the occurrence of that change, event, violation, inaccuracy, circumstance or effect is or is reasonably likely to be Materially adverse to the business, operations, assets, liabilities, capital, prospects, condition (financial or otherwise) or results of operation of that Person; or
- (b) Materially adversely affects the ability of that Person to conduct its business after the Closing Date substantially as its business had been conducted to the date of this Agreement,

provided, however, that in respect of any Person, none of the following shall be deemed by itself or themselves, either alone or in combination, to constitute a Material Adverse Effect: conditions affecting Ontario electricity distribution companies as a whole, the Ontario energy industry as a whole or the Ontario economy as a whole and that are not specifically related to, and do not have a Materially disproportionate effect (relative to other industry participants) on the Parties, the Non-Regulated Affiliates, Merged Holdco or LDC Mergeco, or the announcement or pendency of the transactions contemplated by this Agreement;

"Material Contract" means any Contract in respect of the Veridian Business, or the Whitby Business, as applicable, which (a) expires or may expire, if the same is not renewed or extended at the unilateral option of any other Person, more than two (2) years after the date of this Agreement, (b) requires payment to or by the counterparty (including contingent payments) of more than the unilateral option in aggregate during the term

thereof or (c) any other Contract, the termination of which would have a Material Adverse Effect on Veridian LDC or Whitby LDC, as applicable;

"Merged Holdco" has the meaning set forth in Section 2.1(2);

"Merged Holdco Shareholders Agreement" has the meaning set forth in Section 2.4(1);

"Merged Holdco Shares" means Common Shares, Class A Special Shares and Class B Special Shares and any other classes of shares of Merged Holdco from time to time;

"MOF" means the Ontario Ministry of Finance;

"**MOU**" means the memorandum of understanding dated July 17, 2017 between Veridian Holdco and Whitby Holdco relating to the proposed Amalgamations;

"**Municipalities**" means each of Ajax, Belleville, Clarington, Pickering, and Whitby, and "**Municipality**" means any one of them;

"Net Adjustment Amount" means:

- (a) if the Veridian Adjustment Amount as a percentage of the Value of Veridian is higher than the Whitby Adjustment Amount as a percentage of the Value of Whitby, the absolute value of the amount calculated as the sum of the Veridian Adjustment Amount plus the Whitby Adjustment Amount, less the Whitby Adjustment Amount divided by 0.32; or
- (b) if the Whitby Adjustment Amount as a percentage of the Value of Whitby is higher than the Veridian Adjustment Amount as a percentage of the Value of Veridian, the absolute value of the amount calculated as the sum of the Veridian Adjustment Amount plus the Whitby Adjustment Amount, less the Veridian Adjustment Amount divided by 0.68;

"**Net Fixed Assets**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)) means the aggregate value of property, plant and equipment, net of deferred revenue (i.e., capital contributions) plus any intangible assets all calculated in accordance with IFRS consistently applied;

"**Net Other Assets and Liabilities**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)) means any current or long term asset not included within Current Assets, Net Fixed Assets and Net Regulatory Balance *less* any current or long term liabilities not included within Current Liabilities, Total Debt and Net Regulatory Balance, but adjusted to include deffered tax assets related to both sick leave liability and property, plant and equipment, all calculated in accordance with IFRS consistently applied;

"**Net Regulatory Balance**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the asset regulatory balances *less* liability regulatory balances in each case as determined in accordance with IFRS, consistently applied;

"New Contracts" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means (a) any Contract entered into (and not terminated) during the Interim Period and having a primary purpose of generating revenue and (b) any amendment made during the Interim Period to a Contract existing at the date hereof and having a primary purpose of generating revenue;

"New Contracts Valuation" has the meaning set forth in Section 2.2(4);

"**Non-Balance Sheet Amounts**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)) means amounts included within the Value of Veridian and the Value of Whitby Hydro but not recorded within, respectively, the Veridian Holdco 2017 Financial Statements or the Whitby Holdco 2017 Financial Statements and not otherwise included in Net Fixed Assets, Net Regulatory Balance, Total Debt, Working Capital or Net Other Assets and Liabilities, being amounts attributable to "Tax loss carry forwards" and "CEC on Goodwill" as specified in Schedule 2.2(9);

"Non-Balance Sheet Amounts Valuation" has the meaning set forth in Section 2.2(5);

"**Non-Regulated Affiliates**" means, collectively, the Veridian Non-Regulated Affiliates, and the Whitby Non-Regulated Affiliates;

"**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations thereto, as amended;

"**OEB**" means the Ontario Energy Board or any successor thereto;

"**OEB Act**" means the *Ontario Energy Board Act, 1998* (Ontario) and the regulations thereto, as amended;

"OMERS" means the Ontario Municipal Employees Retirement System;

"OMERS Board" means the Ontario Municipal Employees Retirement System Board;

"**on a several basis**" means, when used in relation to Ajax, Belleville, Clarington and Pickering, that their respective liability or entitlement to an amount shall be determined on a several basis and that the several liability or entitlement of Ajax shall be 32.1% of the total amount thereof, the several liability or entitlement of Belleville shall be 13.3% of the total amount thereof, the several liability or entitlement of Clarington shall be 13.6% of the total amount thereof, and the several liability or entitlement of Pickering shall be 41.0% of the total amount thereof;

"**Ordinary Course**" means, with respect to an action taken by a Person, that the action is consistent with the past practices of the Person and is taken in the normal day-to-day operations of the Person;

"Parties" means the parties to this Agreement, and "Party" means any one of them;

"PCBs" means poly-chlorinated biphenyls;

"**Permits**" mean all permits, licences, certificates, certificates of approval, franchises, registrations, rights, privileges and other consents and approvals of any Governmental Authority;

"Permitted Encumbrances" means:

- (a) the Veridian Encumbrances;
- (b) the Whitby Encumbrances;
- (c) statutory liens for any Taxes not yet due or delinquent or the validity of which is being contested in good faith by appropriate proceedings;
- (d) construction, materialmens', carriers', workers', repairers' and other similar liens arising or incurred in the Ordinary Course, as to which there is no default on the part of Veridian LDC or Whitby LDC, as applicable, or the validity of which is being contested in good faith by appropriate proceedings;
- (e) any Encumbrance evidenced by a *Personal Property Security Act* (Ontario) financing statement filed prior to the date of this Agreement to the extent the Encumbrance does not secure an amount in excess of the amount outstanding and secured at the date of this Agreement unless it is a purchase money security interest incurred in the Ordinary Course; and
- (f) such other security interests, liens, imperfections in or failures of title, charges, restrictions, encroachments and defects in title which do not materially, individually or in the aggregate, detract from the value of Veridian LDC or Whitby LDC, as the case may be, nor, individually or in the aggregate, result in a Material Adverse Effect;

"**Person**" means any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, Governmental Authority and any other form of entity or organization;

"**Personal Information**" means any information in the possession, custody or control of Veridian LDC or Whitby LDC about an identifiable individual, and for greater certainty includes all such information which falls within the definition of "personal information" in any applicable personal information protection law of Canada, or any province or territory thereof to which Veridian LDC or Whitby LDC is subject;

"Pickering Indemnitee" has the meaning set forth in Section 7.1(3);

"**Pickering Transfer By-law**" means Transfer By-law No. 5586/99 passed by Pickering pursuant to the Electricity Act dated November 1, 1999, as amended;

"**PILS**" means payments in lieu of Taxes payable pursuant to Section 93 of the *Electricity Act*;

"**Public Announcement**" has the meaning set forth in Section 6.3(9);

"**Reid-Jones Property**" means the property located at 12 Reid Street & 6 Jones Street, Belleville, Ontario.

"Reid-Jones Work" means the work described in Item 3 of the Veridian Work Plan;

"**Reid-Jones Work Cost of Completion**" means the portion of the Veridian Work Plan Cost of Completion relating to the Reid-Jones Work, as set out in the Veridian Work Plan Statement;

"**Release**" means any release, spill, leak, emission, discharge, leaching, dumping, escape or other disposal;

"**Representatives**" of a Party means its Affiliates and directors, officers, employees, agents, partners and advisors of the Party and/or its Affiliates (including external accountants, lawyers, environmental consultants, financial advisors and other authorized representatives);

"**RSVA Balances**" means all variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates, and also including variances between the amounts charged by Hydro One Networks Inc. for low voltage services and the amount billed to consumers based on the OEB-approved rates;

"Schedule" means a Schedule to this Agreement as identified in Section 1.2;

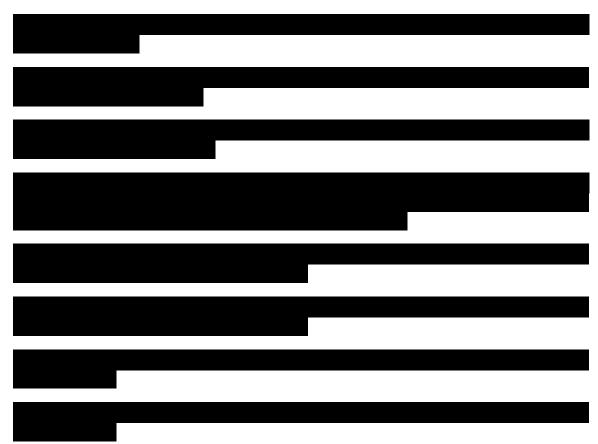
"Second Veridian Work Plan Statement" has the meaning set forth in Schedule 6.1(7);

"Second Veridian Work Plan Cost of Completion" has the meaning set forth in Schedule 6.1(7);

"Shareholder Quotient" has the meaning set forth in Section 7.1(6)(b);

"**Substation and Transformer Work**" means the work described in Items 1, 2a and 2b of the Veridian Work Plan;

"Substation and Transformer Work Cost of Completion" means the portion of the Veridian Work Plan Cost of Completion relating to the Substation and Transformer Work, as set out in the Veridian Work Plan Statement;



"Technical Expert" has the meaning set forth in Section 2.2(12);

"Tax Act" means the Income Tax Act (Canada) and the regulations thereto, as amended;

"**Tax Return**" means any return, report, information return, declaration, statement, election, notice, filing, form, or other document (including any Schedule or related or supporting information) required to be supplied to or filed with any Governmental Authority with respect to Taxes, including any attached schedules or amendments thereto;

"**Taxes**" means all Income Taxes and all capital taxes, gross receipts taxes, surtaxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, excise taxes, transfer taxes (including land transfer taxes and Transfer Tax), franchise taxes, license taxes, withholding taxes, payroll taxes, health taxes and premiums, employment taxes, Canada Pension Plan premiums, severance, social security premiums, workers' compensation premiums, employment or unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits

taxes, alternative or add-on minimum taxes, goods and services taxes (including the Harmonized Sales Tax), customs duties, rates, levies, all special payments and PILS pursuant to Part V.1 and Part VI of the Electricity Act and the regulations thereto and all other taxes, fees, imposts, duties, assessments or charges of any kind whatsoever imposed by any Governmental Authority, and any interest, penalties, additions to tax and other additional amounts imposed with respect to the foregoing;

"Third Party Claim" has the meaning set forth in Section 7.2(1);

"**Third Party Consents**" means declarations, notices to, or authorizations, consents, waivers, approvals or permissions of, any Person;

"**Total Debt**" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the aggregate amount of all long and short term interest-bearing liabilities for borrowed money and long and short term amounts owing to related parties, including without limitation amounts for bank debt, short-term debt, current portion of long-term borrowings, long-term borrowing, short-term and long-term portion of capital leases, employee benefit liabilities, related party loans, notes payable and amounts due to the applicable Municipality(ies) in respect of the collection of water and sewage, and calculated in accordance with Schedule 2.2(9);

"**Transfer Tax**" means the tax payable pursuant to Section 94 of the *Electricity Act* or any similar tax or replacement or substitution thereof;

"Transition Plan" has the meaning set forth in Section 6.3(1);

"Value of Merged Holdco" means the Value of Veridian plus the Value of Whitby Hydro;

"Value of Veridian" means the final valuation in respect of Veridian Holdco, Veridian LDC, and the Veridian Non-Regulated Affiliates pursuant to the valuation report prepared by Deloitte LLP dated November 10, 2017 and delivered to the Municipalities;

"Value of Whitby Hydro" means the final valuation in respect of Whitby Holdco, Whitby LDC and the Whitby Non-Regulated Affiliates pursuant to the valuation report prepared by Henley International Inc. dated November 10, 2017 and delivered to the Municipalities;

"Veridian Adjustment Amount" has the meaning set forth in Section 2.2(9);

"**Veridian Business**" means the electricity distribution businesses and the provision of other ancillary services carried on by Veridian LDC and the Veridian Non-Regulated Affiliates;

"Veridian Closing Financial Statements" has the meaning set forth in Section 2.2(2)(a);

"**Veridian Collective Agreement**" means the collective bargaining agreement among Veridian Holdco, Veridian LDC, Veridian Energy Inc. and IBEW Local Union 636, Unit 40 effective from April 2, 2015 to March 31, 2019;

"Veridian Credit Agreements" means the credit agreements entered into by Veridian LDC or Veridian Holdco, as listed in Schedule 1.1(a);

"Veridian Easements" means all of the following real property interests of Veridian LDC or the Veridian Non-Regulated Affiliates enjoyed or used by or for the benefit of the Veridian Business: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, transverse, enjoy or have access to, over, in or under any real property, whether public or private; and (iii) all permits, licences, grants, agreements, instruments and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing;

"Veridian Employee Plans" has the meaning set forth in Section 5.3(32)(a);

"**Veridian Employees**" means all full time and part-time, union and non-union employees and contract employees of Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates;

"Veridian Encumbrances" has the meaning set forth in Section 5.3(11)(f);

"**Veridian Energy Promissory Note**" means the promissory note issued by Veridian Energy Inc. to Veridian Holdco on June 1, 2007 in the amount of \$1,000,000;

"Veridian Environmental Permits" has the meaning set forth in Section 5.3(31)(b);

"Veridian Equipment Leases" means the leases and agreements to lease under which Veridian LDC leases any personal property and described in Schedule 5.3(13);

"Veridian Holdco 2016 Financial Statements" means the Veridian Holdco audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2016;

"Veridian Holdco 2017 Financial Statements" means the Veridian Holdco audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2017;

"Veridian Holdco Obligations" means any outstanding debts and obligations of Veridian Holdco owing under or pursuant to the Veridian Credit Agreements at Closing;

"**Veridian Holdco-Shareholder Promissory Notes**" means, collectively, the following promissory notes issued by Veridian Holdco:

(a) the Fifth Amended and Restated Term Promissory Note issued to Ajax in the principal amount of \$5,550,000, dated December 30, 2015;

- (b) the Fifth Amended and Restated Term Promissory Note issued to Belleville in the principal amount of \$2,206,000, dated December 30, 2015;
- (c) the Fifth Amended and Restated Term Promissory Note issued to Clarington in the principal amount of \$2,355,000, dated December 30, 2015; and
- (d) the Fifth Amended and Restated Term Promissory Note issued to Pickering in the principal amount of \$7,095,000, dated December 30, 2015.

"Veridian Insurance Policies" has the meaning set forth in Section 5.3(16);

"Veridian LDC 2016 Financial Statements" means the Veridian LDC audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2016;

"Veridian LDC 2017 Financial Statements" means the Veridian LDC audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2017;

"**Veridian LDC Obligations**" means any outstanding debts and obligations of Veridian LDC owing under or pursuant to the Veridian Credit Agreements at Closing;

"**Veridian LDC-Holdco Promissory Note**" means the promissory note issued by Veridian LDC to Veridian Holdco in the principal amount of \$21,000,000, dated March 30, 2010;

"Veridian LDC-Shareholder Promissory Notes" means, collectively, the following promissory notes issued by Veridian LDC:

- (a) the Fourth Amended and Restated Term Promissory Note issued to Ajax in the principal amount of \$14,060,000, dated March 30, 2010;
- (b) the Fourth Amended and Restated Term Promissory Note issued to Belleville in the principal amount of \$5,588,000, dated March 30, 2010;
- (c) the Fourth Amended and Restated Term Promissory Note issued to Clarington in the principal amount of \$5,966,000, dated March 30, 2010; and
- (d) the Fourth Amended and Restated Term Promissory Note issued to Pickering in the principal amount of \$17,974,000, dated March 30, 2010;

"**Veridian Leased Property**" means all leasehold interests in real property held by Veridian LDC or the Veridian Non-Regulated Affiliates, in each case as lessee;

"Veridian Non-Regulated Affiliates" means all corporations and limited partnerships in which Veridian Holdco has a direct or indirect ownership interest, other than Veridian LDC;

"Veridian Permits" has the meaning set forth in Section 5.3(20)(a);

"Veridian Real Property" means all real property (excluding Veridian Leased Property and Veridian Easements) which is owned by Veridian LDC or the Veridian Non-Regulated Affiliates;

"**Veridian Real Property Leases**" means all leases in respect of Veridian Leased Property and described in Schedule 5.3(10);

"Veridian Shareholder Promissory Notes" means, collectively, the Veridian LDC-Shareholder Promissory Notes and the Veridian Holdco-Shareholder Promissory Notes, but excludes the Veridian LDC-Holdco Promissory Note and the Veridian Energy Promissory Note;

"Veridian Third Party Consents" means the Third Party Consents listed in Schedule 5.3(40);

"Veridian Work Plan" has the meaning set forth in Section 6.1(7);

"Veridian Work Plan Cost of Completion" has the meaning set forth in Section 2.2(11);

"Veridian Work Plan Statement" has the meaning set forth in Section 2.2(11);

"Whitby Adjustment Amount" has the meaning set forth in Section 2.2(9);

"Whitby Business" means the electricity distribution businesses and the provision of other ancillary services carried on by Whitby LDC and the Whitby Non-Regulated Affiliates;

"Whitby Closing Financial Statements" has the meaning set forth in Section 2.2(2)(b);

"Whitby Collective Agreements" means the collective bargaining agreements (a) between Whitby Holdco and Power Workers Union, C.U.P.E. Local 1000 (Inside) effective from July 1, 2015 to June 30, 2019, and (b) between Whitby Holdco and Power Workers Union, C.U.P.E. Local 1000 (Outside) effective from July 1, 2015 to June 30, 2019;

"Whitby Credit Agreements" means the credit agreements entered into by Whitby LDC or Whitby Holdco, as listed in Schedule 1.1(a);

"Whitby Easements" means all of the following real property interests of Whitby LDC or the Whitby Non-Regulated Affiliates enjoyed or used by or for the benefit of the Whitby Business: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, transverse, enjoy or have access to, over, in or under any real property, whether public or private; and (iii) all permits, licences, grants, agreements, instruments

and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing;

"Whitby Employee Plans" has the meaning set forth in Section 5.5(32)(a);

"Whitby Employees" means all full time and part-time, union and non-union employees and contract employees of Whitby Holdco, Whitby LDC or the Whitby Non-Regulated Affiliates;

"Whitby Encumbrances" has the meaning set forth in Section 5.5(11)(f);

"Whitby Environmental Permits" has the meaning set forth in Section 5.5(31)(b);

"Whitby Equipment Leases" means the leases and agreements to lease under which Whitby LDC leases any personal property and described in Schedule 5.5(13);

"Whitby Holdco 2016 Financial Statements" means the Whitby Holdco audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2016;

"Whitby Holdco 2017 Financial Statements" means the Whitby Holdco audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2017;

"Whitby Holdco Obligations" means any outstanding debts and obligations of Whitby Holdco owing under or pursuant to the Whitby Credit Agreements at Closing;

"Whitby Indemnitee" has the meaning set forth in Section 7.1(1);

"Whitby Insurance Policies" has the meaning set forth in Section 5.5(16);

"Whitby LDC 2016 Financial Statements" means the Whitby LDC audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2016;

"Whitby LDC 2017 Financial Statements" means the Whitby LDC audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings and a statement of cash flows as at and for the period ended December 31, 2017;

"Whitby LDC Obligations" means any outstanding debts and obligations of Whitby LDC owing under or pursuant to the Whitby Credit Agreements at Closing;

"Whitby Leased Property" means all leasehold interests in real property held by Whitby LDC or the Whitby Non-Regulated Affiliates, in each case as lessee;

"Whitby Non-Regulated Affiliates" means all corporations and limited partnerships in which Whitby Holdco has a direct or indirect ownership interest, other than Whitby LDC;

"Whitby Permits" has the meaning set forth in Section 5.5(20)(a);

"Whitby Promissory Notes" means, collectively, the following promissory notes issued by Whitby LDC:

- (a) the Promissory Note issued to Whitby in the principal amount of \$1,460,300, dated November 1, 2000;
- (b) the Promissory Note issued to Whitby in the principal amount of \$5,061,000, dated November 1, 2000; and
- (c) the Promissory Note issued to Whitby in the principal amount of \$21,816,642, dated November 1, 2000;

"Whitby Real Property" means all real property (excluding Whitby Leased Property and Whitby Easements) the fee simple interest of which is owned by Whitby LDC or the Whitby Non-Regulated Affiliates;

"Whitby Real Property Leases" means all leases in respect of Whitby Leased Property and described in Schedule 5.5(10);

"Whitby Third Party Consents" means the Third Party Consents listed in Schedule 5.5(40);

"Whitby Transfer By-law" means Transfer By-law 4703-00 passed by Whitby pursuant to the Electricity Act dated October 10, 2000, as amended; and

"Working Capital" for each of Veridian Holdco or Whitby Holdco (in each case on a consolidated basis as described in Section 2.2(2)), means the net book value of Current Assets less the net book value of Current Liabilities, calculated in accordance with IFRS, consistently applied, and with Schedule 2.2(9).

1.2 Schedules

The following schedules which are attached to this Agreement are incorporated into this Agreement by reference and form a part hereof:

Schedule 1.1(a)	Credit Agreements
Schedule 1.1(b)	Interim Period Planned Projects
Schedule 2.2(9)	Sample Adjustment Calculations
Schedule 2.3(1)	Form of Holdco Amalgamation Agreement
Schedule 2.3(2)	Form of LDC Amalgamation Agreement
Schedule 2.4(1)	Form of Merged Holdco Shareholders Agreement
Schedule 2.5(1)	Form of Merged Holdco Guarantee of Promissory Notes
Schedule 3.2(11)	Form of Amended and Restated Shareholder Promissory Notes
Schedule 5.2(8)(b)	Veridian – Ownership of Non-Regulated Affiliates

Schedule 5.3(4) Schedule 5.3(9) Schedule 5.3(11)(f) Schedule 5.3(13) Schedule 5.3(16) Schedule 5.3(16) Schedule 5.3(20) Schedule 5.3(20) Schedule 5.3(27) Schedule 5.3(29) Schedule 5.3(30) Schedule 5.3(31)(a) Schedule 5.3(31)(b) Schedule 5.3(32) Schedule 5.3(32) Schedule 5.3(33)(a) Schedule 5.3(38) Schedule 5.3(40) Schedule 5.5(4) Schedule 5.5(4) Schedule 5.5(11)(f) Schedule 5.5(13) Schedule 5.5(13) Schedule 5.5(16) Schedule 5.5(18) Schedule 5.5(20) Schedule 5.5(27)	Veridian – Options Veridian – Real Property and Leases Veridian – Encumbrances Veridian – Equipment Leases Veridian – Insurance Policies Veridian – Material Contracts Veridian – Permits Veridian – Unusual Transactions Veridian – Litigation Veridian – Litigation Veridian – Non-Arm's Length Transactions Veridian – Environmental Compliance Veridian – Environmental Permits Veridian – Environmental Permits Veridian – Employee Plans Veridian – Veridian Holdco Employees Veridian – Veridian Holdco Employees Veridian – Third Party Consents Whitby – Options Whitby – Real Property and Leases Whitby – Encumbrances Whitby – Equipment Leases Whitby – Insurance Policies Whitby – Material Contracts Whitby – Vermits
Schedule 5.5(18)	Whitby – Material Contracts
Schedule 5.5(27) Schedule 5.5(29) Schedule 5.5(30) Schedule 5.5(31)(a) Schedule 5.5(31)(b) Schedule 5.5(32) Schedule 5.5(38) Schedule 5.5(40) Schedule 6.1(7) Schedule 6.3(13)	 Whitby – Unusual Transactions Whitby – Litigation Whitby – Non-Arm's Length Transactions Whitby – Environmental Compliance Whitby – Environmental Permits Whitby – Employee Plans Whitby – Joint Venture Interests Whitby – Third Party Consents Veridian Work Plan Existing Intercorporate Services Agreements
	0 ···· r

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, paragraphs, subparagraphs and clauses and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof', "herein", "hereunder" and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, section, paragraph, subparagraph, clause or other part hereof and include any agreement or instrument supplementary or ancillary hereto. Each Party acknowledges that it and its legal counsel have reviewed and participated in settling the terms of this Agreement.

1.4 Number and Gender

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Statutes and Agreement

Any reference in this Agreement to an agreement, or to a statute, regulation or rule promulgated under a statute or to any provision of an agreement, a statute, regulation or rule shall be a reference to the agreement, statute, regulation, rule or provision, as amended, restated, re-enacted or replaced from time to time.

1.6 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian currency.

ARTICLE 2 AMALGAMATION

2.1 Amalgamation

- (1) Except as otherwise specified, all actions to be completed by each Party to give effect to the Amalgamations, including delivery of all documents required by any Party pursuant to the terms of this Agreement, shall be completed on or before the Closing Date.
- (2) Subject to and conditional upon the terms and conditions of this Agreement, the Parties agree that Veridian Holdco and Whitby Holdco shall amalgamate on the Closing Date (the "Holdco Amalgamation") and continue as a corporation amalgamated under the laws of Ontario with a name to be determined in accordance with the Transition Plan ("Merged Holdco").
- (3) The Parties agree that, upon the Holdco Amalgamation, Merged Holdco shall have the following shares in its capital issued and outstanding as fully paid and non-assessable, all on the terms set out in the Holdco Amalgamation Agreement:

<u>Party</u>	Merged Holdco Shares	Equity and Voting Percentage Interest
Ajax	21,828 Common Shares	21.828%
	21,828 Class A Special Shares	
Belleville	9,044 Common Shares	9.044%
	9,044 Class A Special Shares	

Clarington	9,248 Common Shares	9.248%
	9,248 Class A Special Shares	
Pickering	27,880 Common Shares	27.880%
	27,880 Class A Special Shares	
Whitby	32,000 Common Shares	32.000%
	32,000 Class B Special Shares	

(4) Subject to and conditional upon the terms and conditions of this Agreement, and immediately after the Holdco Amalgamation, the Parties agree that Veridian LDC and Whitby LDC shall amalgamate on the Closing Date (the "LDC Amalgamation") and continue as a corporation amalgamated under the laws of Ontario with a name to be determined in accordance with the Transition Plan ("LDC Mergeco") and as a wholly-owned subsidiary of Merged Holdco.

2.2 Adjustments

- (1) <u>Targets.</u> Prior to the Closing Date, each of (a) Veridian Holdco, Veridian LDC, and the Veridian Non-Regulated Affiliates, and (b) Whitby Holdco, Whitby LDC, and the Whitby Non-Regulated Affiliates, shall take reasonable steps to ensure that on the Closing Date they each (on a consolidated basis), have (c) Closing Working Capital equal to Target Working Capital, (d) Closing Total Debt equal to Target Total Debt, (e) Closing Net Fixed Assets equal to Target Net Fixed Assets, (f) Closing Net Regulatory Balance equal to Target Net Regulatory Balance, (g) Closing Net Other Assets and Liabilities equal to Target Net Other Assets and Liabilities, and (h) Closing Non-Balance Sheet Amounts equal to Target Non-Balance Sheet Amounts. Such reasonable steps may include payment of dividends or other distributions to their respective shareholders prior to the Closing Date.
- (2) <u>Closing Financial Statements.</u> The Parties agree that as soon as practical and in any event no later than 120 days following the Closing Date:
 - (a) Ajax, Belleville, Clarington and Pickering shall, at their own expense, cause audited financial statements of Veridian Holdco (prepared on a consolidated basis including Veridian LDC and the Veridian Non-Regulated Affiliates) to be prepared as at the end of business on the day immediately prior to the Closing Date calculated in accordance with IFRS, consistently applied, for Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates (the "Veridian Closing Financial Statements") and distributed to the other Parties; and

- (b) Whitby shall, at its own expense, cause audited financial statements of Whitby Holdco (prepared on a consolidated basis including Whitby LDC and the Whitby Non-Regulated Affiliates) to be prepared as at the end of business on the day immediately prior to the Closing Date calculated in accordance with IFRS, consistently applied, for Whitby Holdco, Whitby LDC and the Whitby Non-Regulated Affiliates (the "Whitby Closing Financial Statements") and distributed to the other Parties.
- (3) The applicable Parties will cooperate with and provide access to the auditor appointed by the applicable Municipality(ies) to the extent required to permit such auditor to duly complete the financial statements referenced in Section 2.2(2).
- (4) <u>New Contracts Valuation</u>. The Parties agree that as soon as practical and in any event no later than 120 days following the Closing Date, the Municipalities shall cause a valuation of Veridian Holdco's New Contracts and Whitby Holdco's New Contracts (each on a consolidated basis pursuant to Section 2.2(2)) as at the Closing Date to be completed by a Chartered Business Valuator to be agreed between Veridian Holdco and Whitby Holdco prior to the Closing Date, and utilizing a discounted cash flow analysis method (each a "**New Contracts Valuation**").
- (5) <u>Non-Balance Sheet Amounts Valuation.</u> The Parties agree that as soon as practical and in any event no later than 120 days following the Closing Date, the Municipalities shall each cause the auditor of each of Veridian Holdco and Whitby Holdco to determine their respective Non-Balance Sheet Amounts as at immediately prior to the Closing Date (each a "**Non-Balance Sheet Amounts Valuation**").
- (6) Review of Closing Financial Statements, New Contracts Valuation and Non-Balance Sheet Amounts Valuation. Each Municipality shall have a period of 30 days from the date that it receives the Closing Financial Statements of another Party and the report of the applicable auditors thereon, the New Contracts Valuation of another Party or the Non-Balance Sheet Amounts Valuation of another Party, as applicable, in which to review and, if necessary, object to the same. For the purpose of such review, each of the Parties and their respective authorized Representatives shall be given access by the other applicable Parties, upon every reasonable request, to examine the working papers, schedules and other documentation used or prepared by the applicable auditors or Chartered Business Valuator, as the case may be, subject to execution and delivery by the reviewing Municipality of any agreement or other documentation, including any confidentiality agreement, release, waiver or indemnity, that the applicable auditors or Chartered Business Valuator, reasonably require prior to providing such access. If no written objection to a set of Closing Financial Statements, New Contracts Valuation or Non-Balance Sheet Amounts Valuation is given to LDC Mergeco by any of the Municipalities within such 30-day period, such Closing Financial Statements, New Contracts Valuation or Non-Balance Sheet Amounts Valuation, as applicable, shall be deemed to have been approved upon the expiry of such 30-day period.

- (7) <u>Regular Adjustment Dispute Resolution.</u> If any one or more of the Municipalities objects to a set of Closing Financial Statements, New Contracts Valuation or Non-Balance Sheet Amounts Valuation within such 30-day period by giving written notice to LDC Mergeco setting out in reasonable detail the nature of such objection, the Municipalities agree to attempt to resolve the matters in dispute within 15 days following the expiry of such 30 day period. If all matters in dispute are resolved by the Municipalities during such 15 day period, the Closing Financial Statements, New Contracts Valuation or Non-Balance Sheet Amounts Valuation, as applicable, shall be modified to the extent required to give effect to such resolution and shall be deemed to have been approved as of the date of such resolution.
- (8) If the Municipalities cannot resolve all matters in dispute within such 15 day period, all unresolved matters shall be submitted to Ernst & Young LLP or such other accounting firm as the Municipalities may agree (the "Accounting Expert") for resolution (subject to the Expert being cleared in advance of any and all conflicts, failing which a new Expert mutually acceptable to the Municipalities shall be appointed), and the Expert shall be given access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed in connection therewith shall be determined by the Expert in its discretion. The Expert's determination of all such matters shall, absent manifest error, be final and binding on all Parties and shall not be subject to appeal by any Party. The fees and expenses of the Expert shall be borne by LDC Mergeco. The applicable Closing Financial Statements, New Contracts Valuation or Non-Balance Sheet Amounts Valuation shall be modified to the extent required to give effect to the Expert's determination and shall be deemed to have been approved as of the date of such determination.
- (9) <u>Regular Adjustments Calculation.</u> Upon the approval or deemed approval in accordance with this Section 2.2 of all Closing Financial Statements, New Contracts Valuations, and Non-Balance Sheet Amounts Valuations, LDC Mergeco shall require the auditor of LDC Mergeco, at LDC Mergeco's expense, to calculate, in respect of each of Veridian Holdco and Whitby Holdco (each on a consolidated basis as described in Section 2.2(2) above), the sum of:
 - (a) the Closing Working Capital less the Target Working Capital;
 - (b) the Target Total Debt less the Closing Total Debt;
 - (c) the Closing Net Fixed Assets less the Target Net Fixed Assets;
 - (d) the Closing Net Regulatory Balance less the Target Net Regulatory Balance;
 - (e) the Closing Net Other Assets and Liabilities less the Target Net Other Assets and Liabilities;
 - (f) any Closing Non-Balance Sheet Amount (CEC on Goodwill) less the Target Non-Balance Sheet Amount (CEC on Goodwill);

- (g) 50% of the difference between any Closing Non-Balance Sheet Amount (Tax loss carry forward) and the Target Non-Balance Sheet Amount (Tax loss carry forward);
- (h) the value of any New Contracts pursuant to the applicable New Contracts Valuation;

(the said positive or negative sum being referred to as the "Veridian Adjustment Amount" and the "Whitby Adjustment Amount", as applicable).

- (10) <u>Regular Adjustment Shares.</u> Within 30 days following the determination of the Net Adjustment Amount:
 - if the Veridian Adjustment Amount as a percentage of the Value of Veridian is (a) higher than the Whitby Adjustment Amount as a percentage of the Value of Whitby, then Ajax, Belleville, Clarington, Pickering, shall each send a redemption notice to Merged Holdco in accordance with the redemption terms attached to such Party's Class A Special Shares, notifying Merged Holdco of its intention to redeem the Class A Special Shares it holds in Merged Holdco. The redemption amount payable to each such notifying Party upon such redemption shall be equal to such Municipality's proportionate entitlement of the Net Adjustment Amount, which proportion shall be equal to a fraction the numerator of which shall be the number of shares held by it in the capital of Veridian Holdco immediately prior to Closing and the denominator of which shall be the total number of issued and outstanding shares in the capital of Veridian Holdco immediately prior to Closing. In this situation, Whitby shall send a redemption notice to Merged Holdco in accordance with the redemption terms applicable to the Class B Special Shares notifying Merged Holdco of its intention to have such Class B Special Shares redeemed for the price of \$1.00, in the aggregate;
 - (b) if the Whitby Adjustment Amount as a percentage of the Value of Whitby is higher than the Veridian Adjustment Amount as a percentage of the Value of Veridian, then Whitby shall send a redemption notice to Merged Holdco in accordance with the redemption terms attached to its Class B Special Shares, notifying Merged Holdco of its intention to redeem the Class B Special Shares it holds in Merged Holdco. Merged Holdco in accordance with the redemption terms applicable to the Class B Special Shares, shall pay and Whitby shall be entitled to receive the Net Adjustment Amount. In this situation, Ajax, Belleville, Clarington, and Pickering, shall each send a redemption notice to Merged Holdco in accordance with the redemption terms applicable to the Class A Special Shares, notifying Merged Holdco of its intention to have such Class A Special Shares redeemed for the price of \$1.00, in the aggregate; or
 - (c) if the Net Adjustment Amount is zero, then each Municipality shall send a redemption notice to Merged Holdco in accordance with the redemption terms applicable to the relevant class of special shares in the capital of Merged Holdco

held by it, as set out in the Amalgamation Agreement, notifying Merged Holdco of its intention to have such special shares redeemed for the price of \$1.00 in the aggregate.

- (d) The redemption terms applicable to the Class A Special Shares and the Class B Special Shares shall provide, inter alia, that Merged Holdco shall pay the aggregate redemption amount to the redeeming Municipalities as follows: (i) no more than \$2,000,000 at the time of receipt of the redemption notices, (ii) no more than a further \$1,000,000 in the fiscal year following such first payment, and (iii) no more than a further \$2,000,000 in each subsequent fiscal year, until such time as all redemption amounts have been paid to the Municipalities entitled to such amounts, and the redemption terms applicable to the Class A Special Shares and the Class B Special Shares shall so provide.
- (e) If the payment of any redemption amount payable to a Municipality under subsection (a) or (b) of this Section 2.2(10) would result in a breach by Merged Holdco of Applicable Law (including the solvency requirements of the OBCA) or would breach a covenant under Merged Holdco's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.
- Special Adjustment Dispute Resolution. If the work set forth in the Veridian Work Plan (11)is not completed by Veridian LDC prior to the Closing Date, then Ajax, Belleville, Clarington and Pickering shall cause LDC Mergeco to prepare and deliver to Whitby, within 60 days following the Closing Date a statement (the "Veridian Work Plan Statement") detailing the work set forth in the Veridian Work Plan that has not yet been completed and an estimate of the total cost to complete such work (the "Veridian Work **Plan Cost of Completion**"). Notwithstanding the foregoing, if a First Veridian Work Plan Statement and Second Veridian Work Plan Statement are required pursuant to the provisions of Item 3b of the Veridian Work Plan, then (a) the First Veridian Work Plan Statement will delivered in accordance with the foregoing sentence and the Second Veridian Work Plan Statement will be delivered in accordance with Item 3b of the Veridian Work Plan and (b) references to the "Veridian Work Plan Statement" and "Veridian Work Plan Cost of Completion" in this Section 2.2(11) and Sections 2.2(12) and 2.2(13) and the applicable definitions shall be deemed to be references instead to, as applicable, (i) the "First Veridian Work Plan Statement" and "First Veridian Work Plan Cost of Completion" or (ii) the "Second Veridian Work Plan Statement" and "Second Veridian Work Plan Cost of Completion".
- (12) Whitby will have a period of 60 days from the date that it receives the Veridian Work Plan Statement in which to review and, if necessary, object to the same. For the purpose of such review, Whitby and its authorized Representatives shall be given access by Merged Holdco and LDC Mergeco, upon every reasonable request, to examine the applicable transformers, substations, substation transformers and the Reid/Jones Property as well as the documentation used or prepared in preparing the Veridian Work Plan

Statement. If no objection to the Veridian Work Plan Statement is given by Whitby to LDC Mergeco within such 60 day period, the Veridian Work Plan Statement will be deemed to have been approved by Whitby upon the expiration of such 60 day period. If Whitby objects to the Veridian Work Plan Statement within such 60 day period by giving written notice to LDC Mergeco setting out in reasonable detail the nature of such objection, the Municipalities will attempt to resolve the matters in dispute within 15 days following the expiry of such 60 day period. If all matters in dispute are resolved by the Municipalities within such 15 day period, the Veridian Work Plan Statement shall be modified to the extent required to give effect to such resolution and shall be deemed to have been approved as of the date of such resolution. If the Municipalities cannot resolve all matters in dispute within such 15 day period, all unresolved matters shall be submitted to an engineering firm or other expert agreed to by the Municipalities on the recommendation of Merged Holdco ("Technical Expert") for resolution and the Technical Expert shall be granted access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed by the Technical Expert in connection therewith shall be determined by the Technical Expert in its discretion. The Technical Expert's determination of all such matters shall, absent manifest error, be final and binding on all Parties and shall not be subject to appeal by any Party. The fees and expenses of the Technical Expert shall be borne by LDC Mergeco. The Veridian Work Plan Statement shall be modified to the extent required to give effect to the Technical Expert's determination and shall be deemed to have been approved as of the date of such determination.

(13) <u>Special Adjustment – Calculation and Payment.</u>

- (a) If the Substation and Transformer Work is not completed by Veridian LDC prior to the Closing Date, then within 30 days following the approval or deemed approval in accordance with Section 2.2(12) of the Veridian Work Plan Cost of Completion, Merged Holdco or LDC Mergeco shall pay to Whitby an amount equal to the lesser of (i) the Substation and Transformer Work Cost of Completion, and (ii) the Substation in either case multiplied by 32 divided by 68.
- (b) Subject to Section 2.2(13)(c), if the Reid-Jones Work is not completed by Veridian LDC prior to the Closing Date, then within 30 days following the approval or deemed approval, in accordance with Section 2.2(12), of the Veridian Work Plan Cost of Completion, Merged Holdco or LDC Mergeco shall pay to Whitby an amount equal to the Reid-Jones Work Cost of Completion multiplied by 32 divided by 68.
- (c) Any and all amounts paid to LDC Mergeco as proceeds from an insurance claim or a Claim made by Veridian LDC or LDC Mergeco, as the case may be, in respect of the Reid-Jones Work will be paid by LDC Mergeco to the Veridian Shareholders.

2.3 Amalgamation Agreements

- (1) On the Closing Date, Veridian Holdco and Whitby Holdco shall execute and deliver an amalgamation agreement (the "Holdco Amalgamation Agreement") substantially in form and substance attached as Schedule 2.3(1) together with all other documents, instruments and certificates required under the OBCA to give effect to the Holdco Amalgamation. The Holdco Amalgamation Agreement shall be filed in accordance with Section 178 of the OBCA on the Closing Date.
- (2) On the Closing Date, Veridian LDC and Whitby LDC shall execute and deliver an amalgamation agreement (the "LDC Amalgamation Agreement", and together with the Holdco Amalgamation Agreement, the "Amalgamation Agreements") substantially in form and substance attached as Schedule 2.3(2) together with all other documents, instruments and certificates required under the OBCA to give effect to the LDC Amalgamation. The LDC Amalgamation Agreement shall be filed in accordance with Section 178 of the OBCA as soon as possible after certification of the Holdco Amalgamation articles of amalgamation on the Closing Date.

2.4 Governance

(1) On the Closing Date, the Municipalities and Merged Holdco shall execute and deliver a shareholders' agreement governing the affairs of Merged Holdco substantially in the form attached as Schedule 2.4(1) (the "**Merged Holdco Shareholders Agreement**") and which will supersede and replace the Existing Veridian Holdco Shareholders Agreement, and the Existing Whitby Shareholder Direction.

2.5 Merged Holdco Guarantee of LDC Mergeco Shareholder Promissory Notes

(1) On the Closing Date, Merged Holdco shall execute and deliver a guarantee in the form of the guarantee attached as Schedule 2.5(1) pursuant to which Merged Holdco shall guarantee the obligations of LDC Mergeco under each Amended and Restated Veridian Shareholders Promissory Note and each Amended and Restated Whitby Shareholder Promissory Note issued by LDC Mergeco.

ARTICLE 3 THE CLOSING

3.1 Closing

Subject to the terms and conditions of this Agreement, the Closing of the Amalgamations shall take place at the Closing Time at the offices of Aird & Berlis LLP.

3.2 Veridian Closing Deliveries

At Closing, Veridian LDC and Veridian Holdco shall deliver, or cause to be delivered, to Whitby LDC and Whitby Holdco the following:

- (1) the share certificates representing all of the issued and outstanding shares of Veridian LDC and Veridian Holdco;
- (2) original share registers, share transfer ledgers, minute books and corporate seals (if any) of Veridian LDC and Veridian Holdco;
- (3) copies of any and all Veridian Third Party Consents;
- (4) a certificate of a senior officer of each of Ajax, Belleville, Clarington and Pickering certifying that:
 - (a) the representations and warranties of the applicable Municipality herein are true and correct in all respects as at the Closing Time as though made at such time;
 - (b) it has complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by it on or prior to the Closing; and
 - (c) there are no Claims by it or of which it is aware, after due inquiry, arising out of or in relation to the Existing Veridian Holdco Shareholders Agreement or in respect of the validity, enforceability or binding nature of such agreement.
- (5) a certificate of a senior officer of Veridian LDC and Veridian Holdco dated as of the Closing Date certifying that:
 - (a) the representations and warranties of each of Veridian LDC and Veridian Holdco herein are true and correct in all respects as at the Closing Time as though made at such time; and
 - (b) Veridian LDC and Veridian Holdco have complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by each of them on or prior to the Closing;
- (6) a copy of the by-law, resolution or other authorizing instrument duly passed by Ajax's Council, Belleville's Council, Clarington's Council, and Pickering's Council, certified by an officer of the applicable Municipality, authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by the applicable Municipality in connection with this Agreement and completion of the Amalgamations;
- (7) copies of the corporate resolutions of Veridian LDC and Veridian Holdco, certified by a respective director or senior officer of Veridian LDC or Veridian Holdco, authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by Veridian LDC or Veridian Holdco in connection with this Agreement and completion of the Amalgamations;

- (8) a certificate of status for each of Veridian LDC and Veridian Holdco under the laws of Ontario;
- (9) a certificate of incumbency for each of Veridian LDC and Veridian Holdco;
- (10) a copy of the Merged Holdco Shareholders Agreement executed by Ajax, Belleville, Clarington and Pickering;
- (11) promissory notes in the form attached as Schedule 3.2(11) amending and restating each of the Veridian Shareholder Promissory Notes (the "Amended and Restated Veridian Shareholder Promissory Notes"); and
- (12) such other documentation as Whitby LDC or Whitby Holdco may reasonably request in order to effect the completion of the Amalgamations and the taking of all corporate proceedings in connection with the Amalgamations, in each case in form and substance satisfactory to Whitby LDC and Whitby Holdco acting reasonably.

3.3 Whitby Closing Deliveries

At Closing, Whitby LDC and Whitby Holdco shall deliver, or cause to be delivered, to Veridian LDC and Veridian Holdco, the following:

- (1) the share certificates representing all of the issued and outstanding shares of Whitby LDC and Whitby Holdco;
- (2) original share registers, share transfer ledgers, minute books and corporate seals (if any) of Whitby LDC and Whitby Holdco;
- (3) copies of any and all Whitby Third Party Consents;
- (4) a certificate of a senior officer of Whitby dated as of the Closing Date certifying that:
 - (a) the representations and warranties of Whitby herein are true and correct in all respects as at the Closing Time as though made at such time; and
 - (b) Whitby has complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by it on or prior to the Closing;
- (5) a certificate of a senior officer of each of Whitby LDC and Whitby Holdco dated as of the Closing Date certifying that:
 - (a) the representations and warranties of each of Whitby LDC and Whitby Holdco herein are true and correct in all respects as at the Closing Time as though made at such time; and

- (b) Whitby LDC and Whitby Holdco have complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by each of them on or prior to the Closing;
- (6) a copy of the by-law, resolution or other authorizing instrument duly passed by Whitby's Council certified by a municipal officer of Whitby authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by Whitby in connection with this Agreement and completion of the Amalgamations;
- (7) copies of the corporate resolutions of Whitby LDC and Whitby Holdco, certified by a respective director or senior officer of Whitby LDC or Whitby Holdco, authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by Whitby LDC or Whitby Holdco in connection with this Agreement and completion of the Amalgamations;
- (8) a certificate of status for each of Whitby LDC and Whitby Holdco under the laws of Ontario;
- (9) a certificate of incumbency for each of Whitby LDC and Whitby Holdco;
- (10) a copy of the Merged Holdco Shareholders Agreement executed by Whitby;
- (11) promissory notes in the form attached as Schedule 3.2(11) amending and restating each of the Whitby Promissory Notes (the "Amended and Restated Whitby Shareholder **Promissory Notes**"); and
- (12) such other documentation as Veridian LDC or Veridian Holdco may reasonably request in order to effect the completion of the Amalgamations and the taking of all corporate proceedings in connection with the Amalgamations, in each case in form and substance satisfactory to Veridian LDC and Veridian Holdco acting reasonably.

ARTICLE 4 CONDITIONS OF CLOSING

4.1 Conditions in Favour of Veridian LDC and Veridian Holdco

- (1) Veridian LDC, Veridian Holdco, Ajax, Belleville, Clarington and Pickering shall be obliged to complete the Amalgamations only if each of the following conditions precedent has been satisfied in full, or waived in accordance with Section 4.1(2)(b), at or before the Closing Time (each of which conditions precedent is acknowledged to be for the exclusive benefit of such Parties):
 - (a) all of the representations and warranties of Whitby, Whitby LDC and Whitby Holdco made in or pursuant to this Agreement shall be true and correct in all material respects (and for this purpose only all materiality qualifications in such

representations and warranties will be disregarded) as at the Closing Time with the same effect as if made at and as of the Closing Time (except as those representations and warranties may be affected by events or transactions (i) expressly permitted by this Agreement, or (ii) approved in writing by Veridian LDC and Veridian Holdco);

- (b) each of Whitby, Whitby LDC and Whitby Holdco shall have complied with or performed in all material respects all of the obligations, covenants and agreements under this Agreement to be complied with or performed by Whitby, Whitby LDC and Whitby Holdco or any of them at or before the Closing Time, including delivery of the Closing deliveries specified in Section 3.3;
- (c) Ajax, Belleville, Clarington and Pickering shall have approved the Amalgamations and such approval shall be in full force and effect;
- (d) all Whitby Third Party Consents described in Schedule 5.5(40) shall have been obtained, in each case in form and substance satisfactory to Veridian LDC and Veridian Holdco, acting reasonably;
- (e) except as contemplated by this Agreement, no Material Adverse Effect in respect of Veridian LDC or Whitby LDC shall have occurred since the date of this Agreement;
- (f) there shall be no downgrade or adverse change in outlook in respect of the credit rating of Veridian LDC or Veridian Holdco as a result of the proposed Amalgamations and no Material Adverse Effect as a result of the announcement thereof;
- (g) as a result of the proposed Amalgamations there shall be no adverse change in the ability of LDC Mergeco (as the successor to Veridian LDC) or Merged Holdco (as the successor to Veridian Holdco), as applicable, to honour the Amended and Restated Veridian Shareholder Promissory Notes;
- (h) if the Veridian Credit Agreements are not terminated in connection with Closing, the banking and financing arrangements applicable to Merged Holdco, LDC Mergeco and the Non-Regulated Affiliates shall not be incompatible with or cause a default under the provisions of the Veridian Credit Agreements; and
- (i) Whitby shall have waived its right to repayment of the Whitby Promissory Notes in connection with the consummation of the transactions contemplated in this agreement.
- (2) If any of the conditions in Sections 4.1(1) or 4.3 shall not be satisfied or fulfilled in full at or before the Closing Time to the satisfaction of Veridian LDC and Veridian Holdco, acting reasonably, Veridian LDC and Veridian Holdco in their sole discretion may,

without limiting any rights or remedies available to Veridian LDC and Veridian Holdco at law or in equity, either:

- (a) terminate this Agreement in accordance with Section 4.4(3); or
- (b) waive compliance with any such condition in whole or in part by notice in writing to Whitby LDC and Whitby Holdco, except that no such waiver shall operate as a waiver of any other condition.

4.2 Conditions in Favour of Whitby LDC and Whitby Holdco

- (1) Whitby LDC, Whitby Holdco and Whitby shall be obliged to complete the Amalgamations only if each of the following conditions precedent has been satisfied in full, or waived in accordance with Section 4.2(2)(b), at or before the Closing Time (each of which conditions precedent is acknowledged to be for the exclusive benefit of such Parties):
 - (a) all of the representations and warranties of Ajax, Belleville, Clarington, Pickering, Veridian LDC and Veridian Holdco, made in or pursuant to this Agreement shall be true and correct in all material respects (and for this purpose only all materiality qualifications in such representations and warranties will be disregarded) as at the Closing Time with the same effect as if made at and as of the Closing Time (except as those representations and warranties may be affected by events or transactions (i) expressly permitted by this Agreement, or (ii) approved in writing by Whitby LDC and Whitby Holdco);
 - (b) each of Ajax, Belleville, Clarington, Pickering, Veridian LDC and Veridian Holdco shall have complied with or performed in all material respects all of the obligations, covenants and agreements under this Agreement to be complied with or performed by Ajax, Belleville, Clarington, Pickering, Veridian LDC and Veridian Holdco or any of them at or before the Closing Time, including the Closing deliveries specified in Section 3.2;
 - (c) Whitby shall have approved the Amalgamations and such approval shall be in full force and effect;
 - (d) all Veridian Third Party Consents described in Schedule 5.3(40) shall have been obtained, in each case in form and substance satisfactory to Whitby LDC and Whitby Holdco, acting reasonably;
 - (e) except as contemplated by this Agreement, no Material Adverse Effect in respect of Veridian LDC or Whitby LDC shall have occurred since the date of this Agreement;
 - (f) there shall be no downgrade or adverse change in outlook in respect of the credit rating of Whitby LDC or Whitby Holdco as a result of the proposed

Amalgamations and no Material Adverse Effect as a result of the announcement thereof;

- (g) there shall be no adverse change in the ability of LDC Mergeco as the successor to Whitby LDC to honour the Amended and Restated Whitby Shareholder Promissory Notes as a result of the proposed Amalgamations; and
- (h) if the Whitby Credit Agreements are not terminated in connection with Closing, the banking and financing arrangements applicable to Merged Holdco, LDC Mergeco and the Non-Regulated Affiliates shall not be incompatible with or cause a default under the provisions of the Whitby Credit Agreements.
- (2) If any of the conditions in Sections 4.2(1) or 4.3 shall not be satisfied or fulfilled in full at or before the Closing Time to the satisfaction of Whitby LDC and Whitby Holdco, acting reasonably, Whitby LDC and Whitby Holdco in their sole discretion may, without limiting any rights or remedies available to Whitby LDC and Whitby Holdco at law or in equity, either:
 - (a) terminate this Agreement in accordance with Section 4.4(4); or
 - (b) waive compliance with any such condition in whole or in part by notice in writing to Veridian LDC and Veridian Holdco, except that no such waiver shall operate as a waiver of any other condition.

4.3 Mutual Conditions

- (1) The obligations of each of the Parties to complete the Amalgamations shall be subject to the fulfilment of all of the following conditions on or before the Closing Date:
 - (a) no injunction or other order or judgment by a Governmental Authority which prohibits either of the Amalgamations shall have been issued and remain in effect;
 - (b) no Applicable Law shall have been enacted (or introduced) which prohibits (or would prohibit) either of the Amalgamations or has (or once enacted will have) a Material Adverse Effect on Veridian Holdco, Veridian LDC, Whitby Holdco or Whitby LDC or will have a Material Adverse Effect on Merged Holdco or LDC Mergeco after the Amalgamations;
 - (c) either:
 - (i) the Commissioner shall have issued an advance ruling certificate under Section 102 of the Competition Act in respect of the Amalgamations; or
 - (ii) the Parties shall have filed the notices to the Commissioner required under Section 114 of the Competition Act and the applicable waiting period under Section 123 of the Competition Act shall have expired or the

Commissioner shall have provided the Parties with a waiver from compliance with Part IX of the Competition Act pursuant to subsection 113(c) of Competition Act, and the Parties shall have been advised in writing by the Commissioner that the Commissioner has determined that grounds do not exist for an application for an order under Section 92 of the Competition Act in respect of the Amalgamations and that any terms and conditions attached to any such advice shall be acceptable to the Parties;

- (d) the OEB shall have approved the Amalgamations in accordance with the MAAD Application provided that no terms or conditions required by the OEB in connection therewith shall have a Material Adverse Effect on Merged Holdco or LDC Mergeco;
- (e) no Transfer Tax, Income Tax, PILS or Harmonized Sales Tax is payable by a Party as a result of the Amalgamations; and
- (f) both Merged Holdco and LDC Mergeco will, immediately following the Amalgamations, be exempt under Section 149(1) of the Tax Act and Subsection 27(2) of the *Taxation Act*, 2007 (Ontario) from the payment of Tax under these statutes.

4.4 Termination

- (1) This Agreement may be terminated at any time prior to Closing by mutual written consent of the Parties.
- (2) This Agreement may be terminated by Veridian LDC and Veridian Holdco, on the one hand, or Whitby LDC and Whitby Holdco, on the other hand, by written notice to the other Parties if the Closing contemplated by this Agreement shall have not occurred on or before the earlier of (a) the second anniversary of the date of this Agreement, and (b) 90 days following OEB approval of the Amalgamations. Upon such termination the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3(8), 6.3(9) and 6.4 provided that the right to terminate this Agreement under this Section 4.4(2) shall not be available to a Party if the acts or omissions of that Party or any of its Affiliates (for certainty, including the applicable Municipality(ies)) have been the cause of, or result in, the failure of the Closing to occur on or before such date.
- (3) If any condition in Section 4.1 or 4.3 is not satisfied on or before the Closing Date, Veridian LDC and Veridian Holdco may, by notice to Whitby LDC and Whitby Holdco, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3(8), 6.3(9) and 6.4; provided that Veridian LDC and Veridian Holdco may also bring a Direct Claim against Whitby LDC and Whitby Holdco in accordance with Section 7.2(9) for Indemnifiable Losses asserted against or suffered by Veridian LDC

and Veridian Holdco, or either of them, as a result of the failure to Close the Amalgamations, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Whitby LDC or Whitby Holdco.

(4) If any condition in Section 4.2 or 4.3 is not satisfied on or before the Closing Date, Whitby LDC and Whitby Holdco may, by notice to Veridian LDC and Veridian Holdco, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 6.3(8), 6.3(9) and 6.4; provided that Whitby LDC and Whitby Holdco may also bring a Direct Claim against Veridian LDC or Veridian Holdco in accordance with Section 7.2(9) for Indemnifiable Losses asserted against or suffered by Whitby LDC and Whitby Holdco, or either of them, as a result of the failure to Close the Amalgamations, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Veridian LDC or Veridian Holdco.

ARTICLE 5 <u>REPRESENTATIONS AND WARRANTIES</u>

5.1 Representations and Warranties Relating to Municipalities

Each Municipality severally represents and warrants to each other Municipality, as to itself, as follows and acknowledges that each other Municipality is relying on these representations and warranties in connection with this Agreement and the Amalgamations:

- (1) <u>Organization and Status</u>. It is a corporation duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) <u>Corporate Power</u>. It has all necessary corporate and statutory power and authority to own or lease or dispose of its undertakings, property and assets, to enter into this Agreement, the Merged Holdco Shareholders Agreement and any other Contracts required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) <u>Authorization</u>. All necessary actions, steps and other proceedings have been taken by it or on its part to authorize the execution and delivery of this Agreement, the Merged Holdco Shareholders Agreement and any other Contracts required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) <u>Enforceability</u>. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. The Merged Holdco Shareholders Agreement will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable

against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (5) <u>Bankruptcy</u>. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (6) <u>Absence of Conflict</u>. The execution, delivery and performance by it of this Agreement and the Merged Holdco Shareholders Agreement, and the completion of the Amalgamations will not (whether after the passage of time or notice or both), result in:
 - (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of their respective obligations, under:
 - (i) any Contract to which it is a party or by which any of its undertakings, property or assets are bound or affected;
 - (ii) any resolution of its Council; or
 - (iii) any Applicable Law; or
 - (b) the requirement of any Third Party Consents from any of its creditors.
- (7) <u>Litigation</u>. There are no Claims (whether or not purportedly on its behalf) pending or outstanding or, to its Knowledge, threatened against it which could affect its ability to perform its obligations under this Agreement. To its Knowledge there is no factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.
- (8) <u>Ownership of Holdco Shares</u>
 - (a) Ajax is the registered and beneficial owner of 3,210 Common shares of Veridian Holdco, free and clear of any Encumbrances, other than Permitted Encumbrances.
 - (b) Belleville is the registered and beneficial owner of 1,330 Common shares of Veridian Holdco, free and clear of any Encumbrances, other than Permitted Encumbrances.

- (c) Clarington is the registered and beneficial owner of 1,360 Common shares of Veridian Holdco, free and clear of any Encumbrances, other than Permitted Encumbrances.
- (d) Pickering is the registered and beneficial owner of 4,100 Common shares of Veridian Holdco, free and clear of any Encumbrances, other than Permitted Encumbrances.
- (e) Whitby is the sole registered and beneficial owner of all of the issued and outstanding shares of Whitby Holdco, free and clear of any Encumbrances other than Permitted Encumbrances.

5.2 Representations and Warranties Relating to Veridian Holdco

Veridian Holdco represents and warrants to Whitby as follows and acknowledges that Whitby is relying on these representations and warranties in connection with this Agreement and the Amalgamations:

- (1) <u>Organization and Status</u>. It is a corporation duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) <u>Corporate Power</u>. It has all necessary corporate power and authority to own or lease or dispose of its undertakings, property and assets, to enter into this Agreement, the Holdco Amalgamation Agreement, the Merged Holdco Shareholders Agreement and the other Contracts required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) <u>Authorization</u>. All necessary corporate action has been taken by it or on its part to authorize the execution and delivery of this Agreement, the Holdco Amalgamation Agreement, the Merged Holdco Shareholders Agreement and the other Contracts required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. The Holdco Amalgamation Agreement and Merged Holdco Shareholders Agreement will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (5) <u>Bankruptcy</u>. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (6) <u>Absence of Conflict</u>. The execution, delivery and performance by it of this Agreement, the Holdco Amalgamation Agreement and the Merged Holdco Shareholders Agreement, as applicable, and the completion of the Holdco Amalgamation will not (whether after the passage of time or notice or both), result in:
 - (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - (i) any Contract to which it is a party or by which any of its undertakings, property or assets are bound or affected;
 - (ii) any provision of its Constating Documents or resolutions of its board of directors (or any committee thereof) or shareholders;
 - (iii) to the Knowledge of Veridian Holdco, any resolution of Ajax Council, Belleville Council, Clarington Council, or Pickering Council; or
 - (iv) any Applicable Law; or
 - (b) the requirement of any Third Party Consents from any of its creditors, other than pursuant to the Veridian Credit Agreements.
- (7) <u>Litigation</u>. There are no Claims (whether or not purportedly on its behalf) pending or outstanding or, to its Knowledge, threatened against it which could affect its ability to perform its obligations under this Agreement. To its Knowledge there is no factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.

(8) <u>Ownership of Shares of Veridian LDC and Veridian Non-Regulated Affiliates</u>

- (a) It is the sole registered and beneficial owner of all of the issued and outstanding shares of Veridian LDC, free and clear of any Encumbrances, other than Permitted Encumbrances.
- (b) Except as specified in Schedule 5.2(8)(b), it is the sole registered and beneficial owner of all of the issued and outstanding shares of each of the Veridian Non-

Regulated Affiliates, free and clear of any Encumbrances other than Permitted Encumbrances.

(9) <u>Assets and Liabilities of Veridian Holdco</u>. The only assets of Veridian Holdco as at the date hereof are (a) the issued and outstanding shares of Veridian LDC and the Veridian Non-Regulated Affiliates, (b) the Veridian LDC-Holdco Promissory Note and (c) the Veridian Energy Promissory Note. The only liabilities of Veridian Holdco are those shown on the Veridian Holdco 2017 Financial Statements.

5.3 Other Representations and Warranties of Veridian Holdco

Veridian Holdco represents and warrants to Whitby as follows and acknowledges that Whitby is relying on these representations and warranties in connection with this Agreement and the Amalgamations:

- (1) <u>Organization and Status</u>. Each of Veridian LDC and the Veridian Non-Regulated Affiliates is duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2)Corporate Power, Authorization and Enforceability. Each of Veridian LDC and the Veridian Non-Regulated Affiliates have all necessary corporate power and authority to own or lease its assets and to carry on the Veridian Business as now being conducted by it. Veridian LDC has all necessary corporate power and authority to enter into this Agreement, the LDC Amalgamation Agreement and the other Contracts required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder. All necessary corporate action has been taken by Veridian LDC or on its part to authorize the execution and delivery of this Agreement, the LDC Amalgamation Agreement and the other Contracts required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by Veridian LDC and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of Veridian LDC enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. The LDC Amalgamation Agreement will at the Closing Time have been duly executed and delivered by Veridian LDC and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(3) <u>Authorized and Issued Capital</u>.

(a) The authorized capital of Veridian LDC consists of an unlimited number of Common shares of which 56,312 Common shares are duly issued and outstanding as fully paid and non-assessable. Veridian Holdco is the registered and beneficial

owner of all such shares of Veridian LDC with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Without limiting the generality of the foregoing, none of such shares of Veridian LDC is subject to any voting trust, shareholder agreement or voting agreement other than the Existing Veridian Holdco Shareholders Agreement which will be replaced or superseded upon the Amalgamations by the Merged Holdco Shareholders Agreement.

- (b) The authorized capital of Veridian Holdco consists of an unlimited number of Common shares of which 10,000 Common shares are duly issued and outstanding as fully paid and non-assessable. Ajax is the registered and beneficial owner of 3,210 of the issued and outstanding Common shares of Veridian Holdco with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Belleville is the registered and beneficial owner of 1,330 of the issued and outstanding Common shares of Veridian Holdco with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Clarington is the registered and beneficial owner of 1,360 of the issued and outstanding Common shares of Veridian Holdco with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Pickering is the registered and beneficial owner of 4,100 of the issued and outstanding Common shares of Veridian Holdco with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Without limiting the generality of the foregoing, none of the classes of shares of Veridian Holdco are subject to any voting trust, shareholder agreement or voting agreement other than the Existing Veridian Holdco Shareholders Agreement which will be replaced or superseded upon the Amalgamations by the Merged Holdco Shareholders Agreement.
- (4) <u>No Options</u>. Except as set out in Schedule 5.3(4), no Person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warranties or convertible obligations of any nature, for:
 - (a) the purchase, subscription, allotment or issuance of, or conversion into, any of the unissued shares in the capital of Veridian LDC, Veridian Holdco or any of the Veridian Non-Regulated Affiliates;
 - (b) the purchase, transfer or assignment of any of the issued and outstanding shares of Veridian LDC, Veridian Holdco or any of the Veridian Non-Regulated Affiliates; or
 - (c) the purchase or other acquisition from Veridian LDC, Veridian Holdco or any of the Veridian Non-Regulated Affiliates of any of its undertaking, property or assets related to or used in connection with the Veridian Business, other than in the Ordinary Course of the Veridian Business.

- (5) <u>Subsidiaries</u>. Veridian Holdco has only two wholly-owned subsidiaries being Veridian LDC and Veridian Energy Inc., and holds shares in certain Persons all of which are specified in Schedule 5.2(8)(b). Veridian LDC does not own and does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any Person, and Veridian LDC does not have any agreements to acquire or lease any other business operations.
- (6) <u>Absence of Conflict</u>. The execution, delivery and performance of this Agreement and the LDC Amalgamation Agreement by Veridian LDC and the completion of the LDC Amalgamation will not (whether after the passage of time or notice or both), result in:
 - (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - (i) any Contract to which Veridian LDC is a party or by which the Veridian Business or any of Veridian LDC's assets are bound or affected;
 - (ii) any provision of the Constating Documents or resolutions of the board of directors (or any committee thereof) or shareholders of Veridian LDC;
 - (iii) any judgement, decree, order or award of any Governmental Authority having jurisdiction over Veridian LDC;
 - (iv) any Third Party Consents issued to or held by Veridian LDC or held for the benefit of or necessary to the operation of Veridian LDC; or
 - (v) any Applicable Law;
 - (b) the creation or imposition of any Encumbrance over any of the assets of Veridian LDC; or
 - (c) the requirement of any Third Party Consents from any of its creditors, other than pursuant to the Veridian Credit Agreements.
- (7) <u>Conduct of Business</u>. To the Knowledge of Veridian Holdco, Veridian LDC has in all Material respects complied with, and has conducted and is conducting the Veridian Business in compliance with, all Applicable Laws. The Veridian Business is the only business operation carried on by Veridian LDC and the assets of Veridian LDC are sufficient to permit the continued operation of the Veridian Business in substantially the same manner as conducted in the one year preceding the date of this Agreement. During the two year period preceding the date of this Agreement, there has not been any Material interruption of operations (being an interruption of more than one day) of the Veridian Business due to inadequate maintenance of any of the assets of Veridian LDC.
- (8) <u>Bankruptcy</u>. Veridian LDC is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its

creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. Veridian LDC has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of Veridian LDC or any of the assets of Veridian LDC, nor have proceedings been commenced in connection with any of the foregoing.

- (9) Location of Real Property. Part I(A) of Schedule 5.3(9) is a true, accurate and complete list of all Veridian Real Property owned by Veridian LDC or the Veridian Non-Regulated Affiliates that is the site of either an office building, maintenance or storage facility or transmission sub-station operated by Veridian LDC or a Veridian Non-Regulated Affiliate for the Veridian Business.
- (10)Real Property Leases. Part II of Schedule 5.3(9) is a true, accurate and complete list of all leases and agreements in the nature of a lease (including all renewals, assignments and subleases and agreements to lease in respect of any real property or Appurtenances to which Veridian LDC or the Veridian Non-Regulated Affiliates is a party (the "Veridian Real Property Leases"), whether as lessor or lessee. Part II of Schedule 5.3(9) sets out, in respect of each Veridian Real Property Lease, the parties thereto, its dates of execution and expiry, any options to renew, the locations of the leased lands and premises and the rent payable. Veridian LDC and the Veridian Non-Regulated Affiliates have not been a party to, and have not agreed to enter into, any lease or agreement in the nature of a lease in respect of any real property or Appurtenances, whether as lessor or lessee, other than the Veridian Real Property Leases. True, accurate and complete copies of all Veridian Real Property Leases have been provided by Veridian Holdco to Whitby Holdco, all such Veridian Real Property Leases are valid and enforceable in accordance with their terms and neither Veridian LDC nor the Veridian Non-Regulated Affiliates is in breach of any Material covenant or term thereof, and is not aware of any default or breach by any other party thereto.
- (11) <u>Title to Veridian Real Property and Leased Property Matters</u>. Except as disclosed in Part I(B) of Schedule 5.3(9), Veridian LDC or a Veridian Non-Regulated Affiliate has the exclusive right to possess, use and occupy, and has good and marketable title in fee simple to all the Veridian Real Property, free and clear of all Encumbrances or other restrictions of any kind other than the Permitted Encumbrances. Except as described in Part II of Schedule 5.3(9), Veridian LDC or a Veridian Non-Regulated Affiliate occupies the Veridian Leased Property and has the exclusive right to use and occupy the Veridian Leased Property. To the Knowledge of Veridian Holdco, all Appurtenances situated on the Veridian Real Property or the Veridian Leased Property are, in all Material respects in good operating condition and in a state of good maintenance and repair, are adequate and suitable for the purposes for which they are currently being used, are located within the boundaries of such Veridian Real Property and Veridian LDC or the Veridian Non-Regulated Affiliate, as applicable, has adequate rights of ingress and egress for the operation of the Veridian Business in the Ordinary Course in all Material respects. To

the Knowledge of Veridian Holdco, none of those Appurtenances (or any equipment therein), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law, or encroaches on any property owned by others in such a manner as would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing:

- (a) to the Knowledge of Veridian Holdco, with respect to the Veridian Real Property and the Veridian Leased Property, the current uses of and the conduct of the Veridian Business on those properties comply in all Material respects with all Applicable Laws including those dealing with zoning, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety and Environmental Law;
- (b) to the Knowledge of Veridian Holdco, other than in the Ordinary Course no alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Veridian Real Property or the Veridian Leased Property or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works thereon by any Governmental Authority, which alteration, repair, improvement or other work has not been completed in all Material respects, and to the Knowledge of Veridian Holdco, no written notification has been given to Veridian LDC or any Veridian Non-Regulated Affiliate of any such outstanding work being ordered, directed or requested, other than those that have been complied with in all Material respects;
- (c) to the Knowledge of Veridian Holdco, all accounts for work and services performed and materials placed or furnished on or in respect of the Veridian Real Property or the Veridian Leased Property at the request of Veridian LDC or a Veridian Non-Regulated Affiliate, as applicable, have been fully paid and satisfied in all Material respects, and no Person is entitled to claim a lien against any of the Veridian Real Property or the Veridian Leased Property or any part thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (d) to the Knowledge of Veridian Holdco, there are no amounts owing in respect of the Veridian Real Property or the Veridian Leased Property by Veridian LDC or any Veridian Non-Regulated Affiliate, as the case may be, to any municipal corporation or to any other corporation or commission owning or operating a utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (e) to the Knowledge of Veridian Holdco, no part of the Veridian Real Property or the Veridian Leased Property has been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced;

- (f) to the Knowledge of Veridian Holdco, except for the Encumbrances listed in Part 1 of Schedule 5.3(11)(f) (the "**Veridian Encumbrances**") and other Permitted Encumbrances, there are no Encumbrances;
- (g) to the Knowledge of Veridian Holdco, each of the Veridian Real Property and the Veridian Leased Property (including all Appurtenances) is free of Material defects (patent or latent) and is fit for its present use, and there are no material or structural repairs or replacements that are necessary or advisable and, without limiting the foregoing, there are no repairs to, or replacements of, the roof or the mechanical, electrical, heating, ventilating, air-conditioning, plumbing or drainage equipment or systems thereon that are necessary or advisable, and none of the Veridian Real Property or the Veridian Leased Property is currently undergoing any Material alteration or renovation nor is any such alteration or renovation contemplated; and
- (h) to the Knowledge of Veridian Holdco, each of the Veridian Real Property and Veridian Leased Property is fully serviced and has suitable access to public roads, and there are no outstanding levies, charges or fees assessed against the Veridian Real Property or the Veridian Leased Property by any public authority (including development or improvement levies, charges or fees).
- (12) <u>Personal Property</u>. To the Knowledge of Veridian Holdco, Veridian LDC either owns or has rights to use, all of the personal property currently used in the Veridian Business, free and clear of all Encumbrances, other than Permitted Encumbrances and the Encumbrances listed in Part 2 of Schedule 5.3(11)(f) which are all of the Encumbrances that effect the personal property of Veridian LDC.
- (13) <u>Personal Property Leases</u>. The Veridian Equipment Leases described in Schedule 5.3(13) are all of the leases of personal property used in the Veridian Business. Veridian LDC is entitled to all rights and benefits as lessee under the Veridian Equipment Leases, and Veridian LDC has not sublet, assigned, licensed or otherwise conveyed any rights in those Veridian Equipment Leases or in the property leased thereunder to any other Person. All payments and other obligations required to be paid and performed by Veridian LDC under the Veridian Equipment Leases have been duly paid and performed. Veridian LDC is not in Material default of any of its obligations under the Veridian Equipment Leases is in Material default of any of its obligations thereunder.
- (14) <u>Accounts Receivable</u>. All Accounts Receivable of Veridian LDC are *bona fide* and good and have been incurred in the Ordinary Course and subject to an allowance for doubtful accounts that has been reflected on the books of Veridian LDC in accordance with IFRS. All Accounts Receivable of Veridian LDC are collectible in the Ordinary Course.

(15) <u>Intellectual Property</u>.

- (a) To the Knowledge of Veridian Holdco, Veridian LDC either owns the right, title and interest in, to and under, or has acquired a licence to use in respect of the Veridian Business, any and all Intellectual Property that is used in the conduct of the Veridian Business in the manner that the Veridian Business has heretofore been conducted.
- (b) To the Knowledge of Veridian Holdco, there is no infringement or breach of any industrial or intellectual property rights of any other Person by Veridian LDC, and Veridian LDC has not received any notice that the conduct of the Veridian Business, including the use of the Intellectual Property, infringes on or breaches any industrial or intellectual property rights of any other Person and Veridian Holdco does not have any Knowledge of any infringement or violation of any of its rights or the rights of Veridian LDC in the Intellectual Property. To the Knowledge of Veridian Holdco, the conduct of the Veridian Business does not, in any Material respect, infringe on the patents, trademarks, licences, trade names, business names, copyright or other industrial or intellectual property rights, domestic or foreign, of any other Person.
- (c) To the Knowledge of Veridian Holdco, Veridian LDC has not received any notice of any adverse claim, litigation or assertion of infringement, invalidity or unenforceability in respect of the Intellectual Property that is used in the conduct of the Veridian Business and Veridian LDC is not a party to any litigation alleging that the conduct of the Veridian Business, as now carried on by Veridian LDC, infringes upon or breaches the rights of any other Person in Intellectual Property which would reasonably be expected to have a Material Adverse Effect.
- (16) <u>Insurance</u>. The assets of Veridian LDC are partially self-insured and otherwise covered by fire and other insurance with responsible insurers against such risks and in such amounts as are reasonable for prudent owners of comparable assets. Schedule 5.3(16) sets out true, accurate and complete particulars of all insurance policies maintained by Veridian LDC (the "Veridian Insurance Policies"), specifying in each case, the name of the insurer, the risks insured against, the amount of the coverage, the policy number and any pending Claims thereunder. Veridian LDC is not in default, whether as to the payment of premiums or with respect to any other provision contained in any Veridian Insurance Policy and has not failed to give any notice or present any Claim under any Veridian Insurance Policies set out in Schedule 5.3(16) have been provided to Whitby Holdco. The Veridian Insurance Policies also provide for certain liability coverage for Veridian Holdco.
- (17) <u>Expropriation and Public Improvements</u>. To the Knowledge of Veridian Holdco, none of the Veridian Real Property or Veridian Leased Property is subject to any pending suit for expropriation, condemnation or other taking by any Governmental Authority, and no such expropriation, condemnation or other taking has been threatened. To the

Knowledge of Veridian Holdco, no public improvements with respect to any Veridian Real Property or Veridian Leased Property have been ordered to be made by any Governmental Authority which have not been completed, assessed and paid for in all Material respects.

(18) <u>Material Contracts and Other Contracts</u>.

Except as set out in Schedule 5.3(18):

- (a) Each Material Contract:
 - (i) constitutes a legal, valid, binding and enforceable obligation of Veridian LDC and, to the Knowledge of Veridian Holdco, of the other parties thereto, in accordance with its terms; and
 - (ii) is in full force and effect.
- (b) To the Knowledge of Veridian Holdco, there is not, under any of the Material Contracts, any default or event which, with notice or lapse of time or both, would constitute a default on the part of Veridian LDC, or, to the Knowledge of Veridian Holdco, any of the other parties thereto, or permit the other parties thereto to terminate, cancel or accelerate such Material Contract, whether on notice or otherwise except such events of default and other events:
 - (i) as to which requisite waivers or consents have been obtained; or
 - (ii) which would not individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.
- (c) True and complete copies of all of the Material Contracts, and all amendments thereto, have been provided to Whitby Holdco.
- (19) <u>Government Filings</u>. To the Knowledge of Veridian Holdco, Veridian LDC has filed or caused to be filed with all Governmental Authorities all Government Filings relating to Veridian LDC, except where the failure to do so would not be reasonably expected to have a Material Adverse Effect. All of the Government Filings of Veridian LDC complied in all Material respects with all Applicable Laws in effect on the date that each of the Government Filings was filed, and there are no material misstatements or omissions relating to the Veridian Business in the Government Filings of Veridian LDC.
- (20) <u>Permits</u>.
 - (a) To the Knowledge of Veridian Holdco, Veridian LDC has all Permits (collectively, the "**Veridian Permits**"), that are required by Applicable Law in connection with the Veridian Business, except for those Veridian Permits, the failure of which to obtain would not, individually or in the aggregate, have a

Material Adverse Effect. To the Knowledge of Veridian Holdco, Veridian LDC has not received any written notification that it is in violation of any such Veridian Permits, or any Applicable Law, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Veridian Holdco, Veridian LDC is in compliance with all Veridian Permits and Applicable Law in respect of the Veridian Business, except for violations which would not, individually or in the aggregate, result in a Material Adverse Effect.

- (b) Schedule 5.3(20) sets forth a list of all Veridian Permits (other than the Veridian Environmental Permits) that are Material and applicable to the Veridian Business.
- (21) <u>Financial Statements</u>. The Veridian LDC 2016 Financial Statements, the Veridian Holdco 2016 Financial Statements, the Veridian LDC 2017 Financial Statements and the Veridian Holdco 2017 Financial Statements have been prepared in accordance with IFRS consistently applied throughout the periods indicated and fairly, completely and in all Material respects present the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Veridian LDC and Veridian Holdco, respectively, as at the respective dates indicated and the sales, earnings and results of operations of Veridian LDC and Veridian Holdco, respectively, throughout the periods indicated.
- (22) <u>Books and Records</u>. The Books and Records of Veridian LDC and Veridian Holdco fairly present and disclose the financial position of Veridian LDC and Veridian Holdco as at the date of this Agreement and all financial transactions of Veridian LDC and Veridian Holdco have in all Material respects been accurately recorded in the Books and Records. The system of internal accounting controls is sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain accountability for assets.
- (23) <u>Corporate Records</u>. The minute books of Veridian LDC contain, in all Material respects, true, accurate and complete records of all of its Constating Documents and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee of either of them. No meeting of shareholders, the board of directors or any committee of either of them has been held for which minutes have not been prepared and are not contained in those minute books. The share certificate book, register of shareholders, register of directors and officers, securities register and register of transfer of Veridian LDC are true, accurate and complete in all Material respects.
- (24) <u>Undisclosed Liabilities</u>. Veridian LDC has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person, that are not disclosed in the Veridian LDC 2017 Financial Statements or disclosed in the Schedules to this Agreement, other than liabilities,

obligations, indebtedness and commitments in respect of trade or business obligations incurred after the date of the Veridian LDC 2017 Financial Statements in the Ordinary Course, that in the aggregate would not reasonably be expected to have a Material Adverse Effect on Veridian LDC.

- (25) <u>No Debentures</u>.
 - (a) Veridian LDC does not have any obligation relating to a regional or municipal debenture issued by or for the benefit of the Veridian Business other than as set out in the Veridian LDC 2017 Financial Statements.
 - (b) Neither Veridian Holdco nor Veridian LDC has any debentures issued and outstanding.
 - (c) All of the Veridian Shareholder Promissory Notes, the Veridian LDC-Holdco Promissory Note and the Veridian Energy Promissory Note have been duly issued.
- (26) <u>Absence of Changes</u>. Since December 31, 2017, to the Knowledge of Veridian Holdco there has not been any:
 - (a) change in the financial affairs, business, assets, liabilities, financial condition, operations or prospects of Veridian LDC or in the condition of the Veridian Business which would constitute a Material Adverse Effect; or
 - (b) damage, destruction or casualty loss, investigation by a Governmental Authority, or any other event, development or condition of any character, whether or not covered by insurance, in respect of Veridian LDC or the Veridian Business, which individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.
- (27) <u>Absence of Unusual Transactions</u>. Except as described in Schedule 5.3(27), since December 31, 2017, Veridian LDC and Veridian Holdco have not:
 - (a) transferred, assigned, sold or otherwise disposed of any of its assets or cancelled any debts or entitlements except, in Veridian LDC's case, in the Ordinary Course of the Veridian Business;
 - (b) incurred or assumed any obligation or liability (fixed or contingent), except, in Veridian LDC's case, unsecured current obligations and liabilities incurred in the Ordinary Course of Veridian Business;
 - (c) suffered an operating loss or any extraordinary loss, waived or omitted to take any action in respect of any rights, or entered into any commitment or transaction, except, in Veridian LDC's case, in the Ordinary Course of the Veridian Business;

- (d) granted any bonuses or short-term and/or long-term incentive awards, whether monetary or otherwise, or made any wage or salary or perquisites increases in respect of its officers, directors or Veridian Employees, other than as provided for in the Veridian Collective Agreement, or changed the terms of employment for any officer or Veridian Employee, except, in Veridian LDC's case, in the Ordinary Course of the Veridian Business and consistent with past practice; or
- (e) encumbered any of its assets or property whether tangible or intangible except, in Veridian LDC's case, in the Ordinary Course of the Veridian Business or pursuant to Permitted Encumbrances.
- (28) <u>Taxes</u>.
 - (a) Each of Veridian Holdco and Veridian LDC is exempt from tax under the Tax Act and the *Taxation Act*, 2007 (Ontario). Each of Veridian Holdco and Veridian LDC, respectively, qualify as a "municipal electricity utility" for purposes of Part VI of the Electricity Act.
 - (b) Each of Veridian LDC and Veridian Holdco has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions before the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. Each of Veridian LDC and Veridian Holdco has never been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Each of Veridian LDC and Veridian Holdco has paid all Taxes and all instalments of Taxes due on or before the Closing Date.
 - (c) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Veridian Holdco, threatened against Veridian LDC or Veridian Holdco, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. Veridian Holdco is not aware of any contingent liability of Veridian LDC or Veridian Holdco for Taxes or any grounds that could prompt an assessment or reassessment for Taxes other than an assessment in respect of current Tax Returns for which no assessment has been received as at the date of this Agreement, and Veridian LDC or Veridian Holdco has not received any indication from any Governmental Authority that any assessment or reassessment is proposed.
 - (d) Each of Veridian LDC and Veridian Holdco has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom Veridian LDC or Veridian Holdco was not dealing with at Arm's Length. Each of Veridian LDC and Veridian Holdco has not acquired property from any Person in circumstances where Veridian LDC or Veridian Holdco did or could have become liable for any Taxes payable by that Person.

- (e) There are no agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of Veridian LDC or Veridian Holdco. Each of Veridian LDC and Veridian Holdco is not party to any agreements or undertakings with respect to Taxes.
- (f) Veridian Holdco and Veridian LDC have withheld from each payment made or amount credited to any Person (including any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the Tax Act) all amounts required by Applicable Law to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Veridian LDC has remitted all Canada Pension Plan contributions, employment insurance premiums, employee health Taxes and other Taxes payable by it in respect of Veridian Employees and has remitted such amounts to the proper Governmental Authority within the time required under Applicable Law.
- (g) Each of Veridian LDC and Veridian Holdco has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply, transfer or delivery whatsoever, made by it. For greater certainty, each of Veridian LDC and Veridian Holdco has, in the manner and within the time prescribed by the Electricity Act, notified the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act and has ensured the payment of any Transfer Tax exigible in respect of such transfer.
- (h) None of Sections 80 to 80.04, both inclusive, of the Tax Act have applied or will apply to Veridian LDC or Veridian Holdco at any time up to and including the Closing Date. Each of Veridian LDC and Veridian Holdco does not have any unpaid amounts that may be required to be included in income under Section 78 of the Tax Act.
- (i) To the Knowledge of Veridian Holdco, each of Veridian LDC and Veridian Holdco has computed its liability for PILS, Transfer Tax or other special payments under Part VI of the Electricity Act in accordance with the Electricity Act and the regulations thereunder and has made on a timely basis all payments required to be made thereunder.
- (29) <u>Litigation</u>. Except as described in Schedule 5.3(29), there are no Claims (whether or not purportedly on behalf of Veridian LDC) pending or, to the Knowledge of Veridian Holdco, threatened against or affecting, Veridian Holdco, Veridian LDC or their respective assets. To the Knowledge of Veridian Holdco there is not any factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.

- (30) <u>Non-Arm's Length Transactions</u>. Except as described in Schedule 5.3(30), each of Veridian LDC and Veridian Holdco has not made any payment or loan to, or borrowed any moneys from nor is otherwise indebted to, any officer, director, employee, shareholder or any other Person not dealing at Arm's Length with Veridian LDC or Veridian Holdco, except as disclosed in the Veridian LDC 2017 Financial Statements and the Veridian Holdco 2017 Financial Statements and except for usual employee reimbursements and compensation paid in the Ordinary Course. Except for Contracts of employment and the Veridian Shareholder Promissory Notes, Veridian LDC-Holdco Promissory Note and the Veridian Energy Promissory Note each of Veridian LDC and Veridian Holdco is not a party to any Contract with any officer, director, employee, shareholder or any other Person not dealing at Arm's Length with Veridian LDC and Veridian Holdco. No officer, director or shareholder of Veridian LDC and Veridian Holdco.
 - (a) owns, directly or indirectly, any interest in Veridian LDC or Veridian Holdco, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor of the Veridian Business or Veridian LDC or Veridian Holdco or a lessor, lessee, supplier, distributor, sales agent or customer of the Veridian Business or Veridian LDC or Veridian Holdco;
 - (b) owns, directly or indirectly, in whole or in part, any property that Veridian LDC or Veridian Holdco uses in the operation of the Veridian Business; or
 - (c) has any cause of action or other Claim whatsoever against, or owes any amount to, Veridian LDC or Veridian Holdco in connection with the Veridian Business, except for any liabilities reflected in the Veridian LDC 2017 Financial Statements or the Veridian Holdco 2017 Financial Statements and Claims in the Ordinary Course, such as for accrued vacation pay and accrued benefits under the Veridian Employee Plans.
- (31) <u>Environmental</u>.
 - (a) Except as described in Schedule 5.3(31)(a), to the Knowledge of Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates have, in all Material respects, been and are in compliance with all Environmental Law.
 - (b) To the Knowledge of Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates have obtained all Material Environmental Permits required for the operation of the Veridian Business, all of which are described in Schedule 5.3(31)(b) (the "Veridian Environmental Permits"). To the Knowledge of Veridian Holdco, each Veridian Environmental Permit is valid, subsisting and in good standing and neither Veridian LDC nor any Veridian Non-Regulated Affiliate is in default or breach of any Veridian Environmental Permit which default or breach would reasonably be expected to have a Material Adverse Effect and no proceeding is pending or threatened, to revoke or limit any Veridian Environmental Permit.

- (c) To the Knowledge of Veridian Holdco, neither Veridian LDC nor any Veridian Non-Regulated Affiliate has used or permitted to be used, except in Material compliance with all Environmental Law, any of its assets (including the Veridian Leased Property) or facilities or any property or facility that it has at any time owned, occupied, managed, or controlled or in which it has at any time had a legal or beneficial interest to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Substance.
- (d) Neither Veridian LDC nor any Veridian Non-Regulated Affiliate has ever received any notice of, nor been prosecuted for an offence alleging Material non-compliance with any Environmental Law, and neither Veridian LDC nor any Veridian Non-Regulated Affiliate has settled any allegation of non-compliance short of prosecution. To the Knowledge of Veridian Holdco, there are no orders or directions of any Governmental Authority relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Veridian Business or any of the assets of Veridian LDC or any Veridian Non-Regulated Affiliate, nor has Veridian LDC or any Veridian Non-Regulated Affiliate received notice of any of such orders or directions.
- Neither Veridian LDC nor any Veridian Non-Regulated Affiliate has caused or (e) permitted, and Veridian Holdco does not have any Knowledge of, the Release, in any manner whatsoever, of any Hazardous Substance on or from any assets (including the Veridian Real Property and Veridian Leased Property) or property of Veridian LDC or any Veridian Non-Regulated Affiliate or facility that Veridian LDC or any Veridian Non-Regulated Affiliate currently or previously owned or leased, except in accordance with Environmental Law, or any such Release on or from a facility owned or operated by third parties but with respect to which Veridian LDC or a Veridian Non-Regulated Affiliate is or may reasonably be alleged to have any Material liability except in accordance with Environmental Law. All Hazardous Substances and all other wastes and other materials and substances used in whole or in part by Veridian LDC or any Veridian Non-Regulated Affiliate or resulting from the Veridian Business have, in all Material respects, been disposed of, treated and stored in compliance with all Environmental Law.
- (f) Neither Veridian LDC nor any Veridian Non-Regulated Affiliate has received any notice from any Governmental Authority that it is potentially responsible for any clean-up or corrective action under any Environmental Law at any site (including the Veridian Real Property and Veridian Leased Property). Neither Veridian LDC nor any Veridian Non-Regulated Affiliate has received any request for information in connection with any federal, provincial, municipal or local inquiries as to disposal sites.
- (g) True, accurate and complete copies of all documents, including Veridian Environmental Permits, copies of all environmental audits, evaluations,

assessments, studies or tests relating to Veridian LDC or a Veridian Non-Regulated Affiliate or to any facility or property which Veridian LDC or a Veridian Non-Regulated Affiliate has at any time owned, occupied, leased, managed or controlled or in which it has at any time had a legal or beneficial interest (including the Veridian Real Property and Veridian Leased Property), that were commissioned by or for Veridian LDC or a Veridian Non-Regulated Affiliate in the previous five (5) years and any certificates or reports, issued, filed or registered, pursuant to Environmental Law with respect to the Veridian Business or the assets of Veridian LDC and the Veridian Non-Regulated Affiliates in the previous five (5) years have been provided to Whitby Holdco.

- (h) To the Knowledge of Veridian Holdco, there are no Hazardous Substances present at any of the properties or facilities owned or leased by Veridian LDC or any Veridian Non-Regulated Affiliate at levels that would reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.
- (32) <u>Employee Plans</u>.
 - Schedule 5.3(32) identifies each non-salary plan, program or arrangement (a) including deferred compensation, bonus compensation, incentive or other compensation, share option or purchase, severance, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, mortgage assistance, pension or supplemental pension, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, and any other similar plan, program or arrangement, whether funded or unfunded, formal or informal, including OMERS, that is maintained, contributed to, or required to be maintained or contributed to, by Veridian Holdco, Veridian LDC or any Veridian Non-Regulated Affiliate or to which any of them is a party, or bound by, or under which any of them has any liability or contingent liability for the benefit of directors, officers, shareholders, consultants, independent contractors and Veridian Employees or former Veridian Employees and their spouses, dependents and beneficiaries (the "Veridian **Employee Plans**").
 - (b) OMERS is the only registered pension plan under which the Veridian Employees, or any of them, accrue pension benefits, or under which former Veridian Employees (or any spouse, dependent or beneficiary of any such Veridian Employees or former Veridian Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
 - (c) A true, accurate and complete copy of each Veridian Employee Plan (as amended to date) has been provided to Whitby Holdco together with true, accurate and

complete copies of all documents, in Veridian Holdco's reasonable possession, relating to each Veridian Employee Plan, including, as applicable:

- (i) all documents establishing, creating or amending each Veridian Employee Plan, including all prior versions of those documents and amendments thereto;
- (ii) all reports, returns, filings (including Tax Returns and filings) and material correspondence with any Governmental Authority, including all approvals of the applicable pension regulator relating to contribution or premium holidays and withdrawal of surplus, in the last three years;
- (iii) all literature, booklets, summaries, notices or manuals prepared for or circulated to employees generally concerning each Veridian Employee Plan; and
- (iv) all employee data and personnel Books and Records relating to the Veridian Employee Plans.
- (d) To the Knowledge of Veridian Holdco, each of the Veridian Employee Plans is, and has been, in all Material respects, established, registered, qualified, administered and invested in compliance with:
 - (i) the terms thereof;
 - (ii) all Applicable Laws; and
 - (iii) the administrative practices of the applicable pension regulator and the CRA;

and Veridian LDC has not received, in the last three years, any notice from any Person questioning or challenging that compliance, and Veridian LDC and Veridian Holdco do not have any Knowledge of any such notice from any Person questioning or challenging that compliance prior to the last three years.

- (e) To the Knowledge of Veridian Holdco, neither Veridian LDC nor any of its agents is in breach of its fiduciary duty with respect to the Veridian Employee Plans.
- (f) To the Knowledge of Veridian Holdco, all obligations due under the Veridian Employee Plans (whether pursuant to the terms thereof or any Applicable Law) with respect to Veridian Employees, former Veridian Employees and their spouses and former spouses have been satisfied, and there are no outstanding defaults or violations thereunder by Veridian LDC nor does Veridian Holdco have any Knowledge of any default or violation by any other Person in respect of the

Veridian Employee Plans as concerns Veridian Employees, former Veridian Employees and their spouses and former spouses.

- (g) Except as disclosed in Schedule 5.3(32), there are no improvements, increases or changes to the benefits provided under the Veridian Employee Plans including, to the Knowledge of Veridian Holdco, OMERS, nor is there any pattern of *ad hoc* benefit increases and the Veridian Employee Plans, including, to the Knowledge of Veridian Holdco, OMERS, do not provide for benefit increases or the acceleration of funding obligations that are contingent or will be triggered by the entering into of this Agreement or the completion of the Amalgamations.
- (h) All employer and employee payments, contributions and premiums required to be remitted or paid to or in respect of the Veridian Employee Plans, including to the Knowledge of Veridian Holdco and as it concerns Veridian Employees, former Veridian Employees and their spouses and former spouses, OMERS, have been remitted or paid, in a timely fashion to or in respect of the Veridian Employee Plans in accordance with the terms thereof and all Applicable Laws, and no Taxes, non-Tax related interest, penalties or fees are owing or exigible under any of the Veridian Employee Plans, including, to the Knowledge of Veridian Holdco and as it concerns Veridian Employees, former Veridian Employees and their spouses and former spouses, OMERS.
- (i) To the Knowledge of Veridian Holdco, there is no Claim by any applicable Governmental Authority, including the applicable pension regulator and the CRA, or by any Person (other than routine Claims for payment of benefits) pending or, to the Knowledge of Veridian Holdco, threatened in respect of any of the Veridian Employee Plans or their assets, and, to the Knowledge of Veridian Holdco, no facts exist which could reasonably be expected to give rise to any such Claim (other than routine Claims for benefits).
- (j) To the Knowledge of Veridian Holdco, with respect to any Veridian Employee Plan which is registered under any Applicable Law, no event has occurred respecting that Veridian Employee Plan which would result in the revocation of that registration or entitle any Person (without the consent of Veridian LDC) to wind-up or terminate that Veridian Employee Plan in whole or in part, or which could otherwise reasonably be expected to adversely affect the Tax-favoured status thereof.
- (k) To the Knowledge of Veridian Holdco, Veridian LDC has provided to the OMERS Board, on a timely basis, all information known to Veridian LDC and requested from time to time by the OMERS Board in respect of the Veridian Employees, former Veridian Employees and their spouses and former spouses and which is necessary in order to enable the OMERS Board to properly administer OMERS in respect of them.

- (I) No Material changes have occurred in respect of each of the Veridian Employee Plans, including, to the Knowledge of Veridian Holdco, OMERS since the date of its most recent financial, accounting, actuarial or other report, as applicable, filed with the pension regulator, the CRA and any other applicable Governmental Authority (where applicable) in connection with that Veridian Employee Plan, nor to the Knowledge of Veridian Holdco have there been any events occurring prior to the most recent financial, accounting, actuarial or other report which are not disclosed in that report which could reasonably be expected to adversely affect the relevant report (including rendering it misleading in any material respect) or to have materially affected the financial status of that Veridian Employee Plan.
- (m) There has not been any withdrawal of, application for, or payment of, any surplus or other funds out of OMERS by Veridian Holdco or Veridian LDC except for payments made to departing employees in accordance with the terms of OMERS and the Applicable Laws.
- (n) Each of the Veridian Employee Plans including, to the Knowledge of Veridian Holdco, OMERS which purports to qualify as a particular type of plan under the Tax Act meets all requirements for that qualification in effect and has complied with the provisions of the Tax Act and the administrative practices of the CRA applicable to that plan.
- (33) <u>Employment Matters</u>.
 - (a) Except as specified in Schedule 5.3(33)(a), Veridian Holdco has no employees and has never had any employees. Except for the Veridian Collective Agreement, there are no Contracts in respect of Veridian LDC for the employment or retainer of any Veridian Employee, including, for greater certainty, Contracts with directors, officers, employees, independent contractors or agents providing personal services, other than oral Contracts of indefinite hire terminable by Veridian LDC without cause on reasonable notice.
 - (b) Veridian LDC is not a party to nor is it bound by any Contract in respect of any Veridian Employee providing for severance, termination or any other payments in connection with the Amalgamations.
 - (c) No Veridian Employees are claiming or receiving long-term disability benefits; no Veridian Employees are actively employed or otherwise have filed claims under the *Workplace Safety and Insurance Act* (Ontario); no Veridian Employees are on maternity leave; and, no Veridian Employees are on, or are claiming, extended sick leave.
 - (d) Veridian LDC has provided Whitby Holdco with access to a list of Veridian Employees (and will continue to provide Whitby Holdco with such access until the day immediately preceding the Closing Date) identifying for each Veridian Employee:

- (i) name, position, title, classification, job band, age, total length of service (and seniority date and/or hire date if different from total length of service);
- (ii) total annual compensation, including a breakdown of hourly rate of pay or annual salary, benefit entitlement(s) pursuant to any applicable Employee Plan; commission arrangements, bonus or profit sharing entitlement(s);
- (iii) employment status (unionized, non-unionized, full time, part time, casual, term, temporary, seasonal, contractual or otherwise) and the terms of any applicable flexible work arrangement; regular or standard hours of work per day and per week and eligibility with respect to payment of overtime or lieu time;
- (iv) annual vacation entitlement and number of vacation days accrued and unused;
- (v) whether they are on a statutory or approved leave of absence and if so, the type of that leave of absence (e.g., pregnancy/parental, short/long-term disability, etc.) and anticipated date of return;
- (vi) applicable Employee Plans; and
- (vii) a job description.
- (34) <u>Labour Matters</u>. Veridian LDC has made available to Whitby Holdco a true, complete and current copy of the Veridian Collective Agreement. In connection with Veridian LDC labour matters:
 - (a) Other than the Veridian Collective Agreement, Veridian LDC is not a party to or bound by any collective agreement. Except for the Veridian Employees covered by the Veridian Collective Agreement, no trade union, council of trade unions, employee bargaining agency, works council or affiliated bargaining agent holds bargaining rights with respect to any Veridian Employees or any other Person(s) who perform work or services in connection with Veridian LDC, by way of statute, certification, interim certification, voluntary recognition, designation or successor rights, has applied to be certified as the bargaining agent of any Veridian Employees or any other Person(s) who perform work or services in connection with Veridian LDC, or has applied to have Veridian LDC declared a related employer or successor employer pursuant to Applicable Laws;
 - (b) There are no actual, or, to the knowledge of Veridian LDC, threatened or pending organizing activities of any trade union, council of trade unions, employee bargaining agency, works council or affiliated bargaining agent or any actual, or to the knowledge of Veridian LDC, threatened or pending unfair labour practice complaints, strikes, work stoppages, picketing, lock-outs, boycotts, slowdowns,

arbitrations, grievances, complaints, charges or similar labour related disputes or proceedings pertaining to Veridian LDC, any Veridian Employees or any other Person(s) who performs work or services in connection with Veridian LDC, and there have not been any such activities, disputes or proceedings within the preceding three (3) calendar years;

- (c) Veridian LDC is employing all Veridian Employees in material compliance with Applicable Laws, has obtained and is maintaining all permits and/or authorizations required by any Governmental Authority pursuant to Applicable Laws in relation to the employment of the Veridian Employees and is in Material compliance with all such authorization and permits;
- (d) All accruals for employment-related Taxes, deductions, withholdings and remittances in relation to all wages, salaries, bonuses, vacation pay, overtime pay, holiday pay, commissions and/or any other forms of compensation or benefits accrued in accordance with Applicable Laws or pursuant to any Contract or any Employee Plans in relation to any former or current Veridian Employees are accurately reflected in the books and records of Veridian LDC;
- (e) To the knowledge of Veridian LDC, Veridian LDC has withheld all amounts required by Applicable Laws or pursuant to any Contract or any Employee Plans to be withheld from wages, salaries, commissions and/or any other forms of compensation or benefits in relation to any former or current Veridian Employees; is not liable for any arrears of employment-related Taxes, compensation or benefits or any penalty for failure to comply with any of the foregoing; and is not liable for any agyment to any former or current Veridian Employee, trust or other fund or to any Governmental Authority for employment-related Taxes, compensation, benefits or other obligations in relation to the employment or termination of employment of any former or current Veridian Employee;
- (f) Veridian LDC is not subject to the *Employment Equity Act* (Canada) or the federal contractors program or any similar Applicable Laws; and
- (g) Veridian LDC has not received notice of any unfair labour practice complaint or any other Employment Law complaint which is current or pending before any labour relations or similar board or any other body or tribunal in connection with the Veridian Business.
- (35) <u>Personal Information Laws</u>. To the Knowledge of Veridian Holdco, Veridian LDC is in Material compliance with the requirements of all Applicable Laws relating to its collection, use and disclosure of Personal Information, including the establishment and observance of written policies and practices. No complaint relating to Veridian LDC's alleged non-compliance with any such Applicable Law has been found by any Governmental Authority to be well-founded, no order or judgment has been made against Veridian LDC by any Governmental Authority based on any finding of non-compliance with any such Applicable Law, and no unresolved complaint or other proceeding relating

to any such alleged non-compliance is now pending by or before any Governmental Authority.

- (36) <u>No Predecessors</u>. Except (i) as provided in the Ajax Transfer By-law, the Belleville Transfer By-law, the Clarington Transfer By-law, and the Pickering Transfer By-law, and (ii) pursuant to the Articles of Amalgamation dated November 22, 2005 that effected the amalgamation of the predecessor of Veridian LDC with Gravenhurst Hydro Electric Inc., no corporation has been merged with Veridian LDC, by amalgamation, dissolution, arrangement or otherwise, in such a manner that Veridian LDC is or may become liable for any liabilities (contingent or otherwise) of any kind whatsoever of that corporation.
- (37) <u>Competition Act</u>. For the purposes of and in accordance with the requirements of Section 110 of the Competition Act, as at the Closing Date:
 - (a) the aggregate value of the assets in Canada, determined as of such time and in such manner as are prescribed by Section 110 of the Competition Act and the Notifiable Transactions Regulations under the Competition Act, in respect of Veridian LDC has been disclosed in writing to Whitby Holdco, and Whitby LDC; and
 - (b) the gross revenues from sales in or from Canada, determined for such annual period and in such manner as are prescribed by Section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, generated from the assets referred to in item (a) above, have been disclosed in writing to Whitby Holdco, and Whitby LDC.
- (38) <u>No Joint Venture Interests, etc</u>. Except as set out in Schedule 5.3(38), Veridian LDC is not a partner, beneficiary, trustee, co-tenant, joint-venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking.
- (39) <u>Condition of Assets</u>. To the Knowledge of Veridian Holdco, except as would not result in a Material Adverse Effect, the Fixtures situated on the Veridian Real Property or used in connection with the Veridian Business are in good condition, repair and proper working order, having regard to their use and age and such assets have been properly and regularly maintained in accordance with Good Utility Practices.
- (40) <u>Third Party Consents</u>. Except as described in Schedule 5.3(40) (the "Veridian Third Party Consents"), there are no Third Party Consents required to be obtained by Veridian Holdco, the Veridian Non-Regulated Affiliates or Veridian LDC in connection with the completion of the Amalgamations as contemplated by this Agreement.
- (41) <u>Residence</u>. Veridian LDC, the Veridian Non-Regulated Affiliates and Veridian Holdco are not non-residents of Canada for purposes of the Tax Act.

(42) <u>Full Disclosure</u>. Neither this Agreement or any other Contract, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by Veridian Holdco, the Veridian Non-Regulated Affiliates or Veridian LDC nor any certificate, report, statement or other document furnished by Veridian Holdco, the Veridian Non-Regulated Affiliates or Veridian LDC in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. To the Knowledge of Veridian Holdco, there has been no event, transaction or information that has come to the attention of Veridian Holdco, the Veridian Non-Regulated Affiliates or Veridian LDC that could reasonably be expected to have a Material Adverse Effect on Veridian LDC.

5.4 Representations and Warranties Relating to Whitby Holdco

Whitby Holdco represents and warrants to Ajax, Belleville, Clarington and Pickering as follows and acknowledges that Ajax, Belleville, Clarington and Pickering are relying on these representations and warranties in connection with this Agreement and the Amalgamations:

- (1) <u>Organization and Status</u>. It is a corporation duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) <u>Corporate Power</u>. It has all necessary corporate power and authority to own or lease or dispose of its undertakings, property and assets, to enter into this Agreement, the Holdco Amalgamation Agreement, the Merged Holdco Shareholders Agreement and the other Contracts required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) <u>Authorization</u>. All necessary corporate action has been taken by it or on its part to authorize the execution and delivery of this Agreement, the Holdco Amalgamation Agreement, the Merged Holdco Shareholders Agreement and the other Contracts required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. The Holdco Amalgamation Agreement and Merged Holdco Shareholders Agreement will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (5) <u>Bankruptcy</u>. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (6) <u>Absence of Conflict</u>. The execution, delivery and performance by it of this Agreement, the Holdco Amalgamation Agreement and the Merged Holdco Shareholders Agreement, and the completion of the Holdco Amalgamation will not (whether after the passage of time or notice or both), result in:
 - (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of their respective obligations, under:
 - (i) any Contract to which it is a party or by which any of its undertakings, property or assets are bound or affected;
 - (ii) any provision of its Constating Documents or resolutions of its board of directors (or any committee thereof) or shareholder;
 - (iii) to the Knowledge of Whitby Holdco, any resolution of Whitby Council; or
 - (iv) any Applicable Law; or
 - (b) the requirement of any Third Party Consents from any of its creditors, other than pursuant to the Whitby Credit Agreements.
- (7) <u>Litigation</u>. There are no Claims (whether or not purportedly on its behalf) pending or outstanding or, to its Knowledge, threatened against it which could affect its ability to perform its obligations under this Agreement. To its Knowledge there is no factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.
- (8) <u>Ownership of Shares of Whitby LDC</u>
 - (a) It is the sole registered and beneficial owner of all of the issued and outstanding shares of Whitby LDC, free and clear of any Encumbrances, other than Permitted Encumbrances.

- (b) It is the sole registered and beneficial owner of all of the issued and outstanding shares of each of the Whitby Non-Regulated Affiliates, free and clear of any Encumbrances, other than Permitted Encumbrances.
- (9) <u>Assets and Liabilities of Whitby Holdco</u>. The only assets of Whitby Holdco as at the date hereof are the issued and outstanding shares of Whitby LDC and the Whitby Non-Regulated Affiliates, and the only liabilities of Whitby Holdco are those shown on the Whitby Holdco 2017 Financial Statements.

5.5 Other Representations and Warranties of Whitby Holdco

Whitby Holdco represents and warrants to Veridian Holdco and Veridian LDC as follows and acknowledges that Veridian Holdco and Veridian LDC are relying on these representations and warranties in connection with this Agreement and the Amalgamations:

- (1) <u>Organization and Status</u>. Each of Whitby LDC and the Whitby Non-Regulated Affiliates is duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2)Corporate Power, Authorization and Enforceability. Each of Whitby LDC and the Whitby Non-Regulated Affiliates have all necessary corporate power and authority to own or lease its assets and to carry on the Whitby Business as now being conducted by it. Whitby LDC has all necessary corporate power and authority to enter into this Agreement, the LDC Amalgamation Agreement and the other Contracts required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder. All necessary corporate action has been taken by Whitby LDC or on its part to authorize the execution and delivery of this Agreement, the LDC Amalgamation Agreement and the other Contracts required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by Whitby LDC and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of Whitby LDC enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. The LDC Amalgamation Agreement will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(3) <u>Authorized and Issued Capital</u>.

(a) The authorized capital of Whitby LDC consists of an unlimited number of Common shares of which 165 Common shares are duly issued and outstanding as fully paid and non-assessable. Whitby Holdco is the registered and beneficial owner of all such shares of Whitby LDC with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Without limiting the generality of the foregoing, none of the shares of Whitby LDC is subject to any voting trust, shareholder agreement or voting agreement other than the Existing Whitby Shareholder Direction which will be replaced or superseded upon the Amalgamations by the Merged Holdco Shareholders Agreement.

- (b) The authorized capital of Whitby Holdco consists of an unlimited number of Common shares of which 3043.217598 Common shares are duly issued and outstanding as fully paid and non-assessable. Whitby is the registered and beneficial owner of all such shares of Whitby Holdco with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances. Without limiting the generality of the foregoing, none of the classes of shares of Whitby Holdco are subject to any voting trust, shareholder agreement or voting agreement other than the Existing Whitby Shareholder Direction which will be replaced or superseded upon the Amalgamations by the Merged Holdco Shareholders Agreement.
- (4) <u>No Options</u>. Except as set out in Schedule 5.5(4), no Person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warranties or convertible obligations of any nature, for:
 - (a) the purchase, subscription, allotment or issuance of, or conversion into, any of the unissued shares in the capital of Whitby LDC, Whitby Holdco or any Whitby Non-Regulated Affiliate;
 - (b) the purchase, transfer or assignment of any of the issued and outstanding shares of Whitby LDC, Whitby Holdco or any Whitby Non-Regulated Affiliate; or
 - (c) the purchase or other acquisition from Whitby LDC, Whitby Holdco or any Whitby Non-Regulated Affiliate of any of its undertaking, property or assets related to or used in connection with the Whitby Business, other than in the Ordinary Course of the Whitby Business.
- (5) <u>Subsidiaries</u>. Whitby Holdco has two subsidiaries, being Whitby LDC and Whitby Hydro Energy Services Corporation, each of which is wholly-owned by Whitby Holdco. Whitby LDC does not own and does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any Person, and Whitby LDC does not have any agreements to acquire or lease any other business operations.
- (6) <u>Absence of Conflict</u>. The execution, delivery and performance of this Agreement and the LDC Amalgamation Agreement by Whitby LDC and the completion of the LDC Amalgamation will not (whether after the passage of time or notice or both), result in:

- (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - (i) any Contract to which Whitby LDC is a party or by which the Whitby Business or any of Whitby LDC's assets are bound or affected;
 - (ii) any provision of the Constating Documents or resolutions of the board of directors (or any committee thereof) or shareholders of Whitby LDC;
 - (iii) any judgement, decree, order or award of any Governmental Authority having jurisdiction over Whitby LDC;
 - (iv) any Third Party Consents issued to or held by Whitby LDC or held for the benefit of or necessary to the operation of Whitby LDC; or
 - (v) any Applicable Law;
- (b) the creation or imposition of any Encumbrance over any of the assets of Whitby LDC; or
- (c) the requirement of any Third Party Consents from any of its creditors other than pursuant to the Whitby Credit Agreements.
- (7) <u>Conduct of Business</u>. To the Knowledge of Whitby Holdco, Whitby LDC has in all Material respects complied with, and has conducted and is conducting the Whitby Business in compliance with, all Applicable Laws. The Whitby Business is the only business operation carried on by Whitby LDC and the assets of Whitby LDC are sufficient to permit the continued operation of the Whitby Business in substantially the same manner as conducted in the one year preceding the date of this Agreement. During the two year period preceding the date of this Agreement, there has not been any Material interruption of operations (being an interruption of more than one day) of the Whitby Business due to inadequate maintenance of any of the assets of Whitby LDC.
- (8) <u>Bankruptcy</u>. Whitby LDC is not an insolvent Person within the meaning of the Bankruptcy and Insolvency Act (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. Whitby LDC has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of Whitby LDC or any of the assets of Whitby LDC and no execution or distress has been levied on any of the foregoing.
- (9) <u>Location of Real Property</u>. Part I of Schedule 5.5(8) is a true, accurate and complete list of all real property owned by Whitby LDC or the Whitby Non-Regulated Affiliates that is the site of either an office building, maintenance or storage facility or transmission

sub-station operated by Whitby LDC or a Whitby Non-Regulated Affiliate for the Whitby Business.

- (10)Real Property Leases. Part II of Schedule 5.5(8) is a true, accurate and complete list of all leases and agreements in the nature of a lease (including all renewals, assignments and subleases and agreements to lease in respect of any real property or Appurtenances to which Whitby LDC or the Whitby Non-Regulated Affiliates is a party (the "Whitby Real Property Leases"), whether as lessor or lessee. Schedule 5.5(8) sets out, in respect of each Whitby Real Property Lease, the parties thereto, its dates of execution and expiry, any options to renew, the locations of the leased lands and premises and the rent payable. Whitby LDC and the Whitby Non-Regulated Affiliates have not been a party to, and have not agreed to enter into, any lease or agreement in the nature of a lease in respect of any real property or Appurtenances, whether as lessor or lessee, other than the Whitby Real Property Leases. True, accurate and complete copies of all Whitby Real Property Leases have been provided by Whitby Holdco to Veridian Holdco, all such Whitby Real Property Leases are valid and enforceable in accordance with their terms and neither Whitby LDC nor the Veridian Non-Regulated Affiliates is in breach of any Material covenant or term thereof, and is not aware of any default or breach by any other party thereto.
- (11)Title to Whitby Real Property and Leased Property Matters. Whitby LDC or a Whitby Non-Regulated Affiliate has the exclusive right to possess, use and occupy, and has good and marketable title in fee simple to all the Whitby Real Property, free and clear of all Encumbrances or other restrictions of any kind other than the Permitted Encumbrances. Except as described in Part II of Schedule 5.5(8), Whitby LDC or a Whitby Non-Regulated Affiliate occupies the Whitby Leased Property and has the exclusive right to use and occupy the Whitby Leased Property. To the Knowledge of Whitby Holdco, all Appurtenances situated on the Whitby Real Property or the Whitby Leased Property are, in all Material respects in good operating condition and in a state of good maintenance and repair, are adequate and suitable for the purposes for which they are currently being used, are located within the boundaries of such Veridian Real Property and Whitby LDC or the Whitby Non-Regulated Affiliate, as applicable, has adequate rights of ingress and egress for the operation of the Whitby Business in the Ordinary Course in all Material respects. To the Knowledge of Whitby Holdco, none of those Appurtenances (or any equipment therein), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law, or encroaches on any property owned by others in such a manner as would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing:
 - (a) to the Knowledge of Whitby Holdco, with respect to the Whitby Real Property and the Whitby Leased Property, the current uses of and the conduct of the Whitby Business on those properties comply in all Material respects with all Applicable Laws including those dealing with zoning, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety and Environmental Law;

- (b) to the Knowledge of Whitby Holdco, other than in the Ordinary Course no alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Whitby Real Property or the Whitby Leased Property or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works thereon by any Governmental Authority, which alteration, repair, improvement or other work has not been completed in all Material respects, and to the Knowledge of Whitby Holdco, no written notification has been given to Whitby LDC or any Whitby Non-Regulated Affiliate of any such outstanding work being ordered, directed or requested, other than those that have been complied with in all Material respects;
- (c) to the Knowledge of Whitby Holdco, all accounts for work and services performed and materials placed or furnished on or in respect of the Whitby Real Property or the Whitby Leased Property at the request of Whitby LDC or a Whitby Non-Regulated Affiliate, as applicable, have been fully paid and satisfied in all Material respects, and no Person is entitled to claim a lien against any of the Whitby Real Property or the Whitby Leased Property or any part thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (d) to the Knowledge of Whitby Holdco, there are no amounts owing in respect of the Whitby Real Property or the Whitby Leased Property by Whitby LDC or any Veridian Non-Regulated Affiliate, as the case may be, to any municipal corporation or to any other corporation or commission owning or operating a utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (e) to the Knowledge of Whitby Holdco, no part of the Whitby Real Property or the Whitby Leased Property has been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced;
- (f) to the Knowledge of Whitby Holdco, except for the Encumbrances listed in Part 1 of Schedule 5.5(11)(f) (the "Whitby Encumbrances") and other Permitted Encumbrances, there are no Encumbrances;
- (g) to the Knowledge of Whitby Holdco, each of the Whitby Real Property and the Whitby Leased Property (including all Appurtenances) is free of Material defects (patent or latent) and is fit for its present use, and there are no material or structural repairs or replacements that are necessary or advisable and, without limiting the foregoing, there are no repairs to, or replacements of, the roof or the mechanical, electrical, heating, ventilating, air-conditioning, plumbing or drainage equipment or systems thereon that are necessary or advisable, and none of the Whitby Real Property or the Whitby Leased Property is currently undergoing any Material alteration or renovation nor is any such alteration or renovation contemplated; and

- (h) to the Knowledge of Whitby Holdco, each of the Whitby Real Property and Whitby Leased Property is fully serviced and has suitable access to public roads, and there are no outstanding levies, charges or fees assessed against the Whitby Real Property or the Whitby Leased Property by any public authority (including development or improvement levies, charges or fees).
- (12) <u>Personal Property</u>. To the Knowledge of Whitby Holdco, Whitby LDC either owns or has rights to use, all of the personal property currently used in the Whitby Business, free and clear of all Encumbrances, other than Permitted Encumbrances and the Encumbrances listed in Part 2 of Schedule 5.5(11)(f) which are all of the Encumbrances that effect the personal property of Whitby LDC.
- (13) <u>Personal Property Leases</u>. The Whitby Equipment Leases described in Schedule 5.5(13) are all of the leases of personal property used in the Whitby Business. Whitby LDC is entitled to all rights and benefits as lessee under the Whitby Equipment Leases, and Whitby LDC has not sublet, assigned, licensed or otherwise conveyed any rights in those Whitby Equipment Leases or in the property leased thereunder to any other Person. All payments and other obligations required to be paid and performed by Whitby LDC under the Whitby Equipment Leases have been duly paid and performed. Whitby LDC is not in Material default of any of its obligations under the Whitby Equipment Leases; and, none of the lessors of the Whitby Equipment Leases is in Material default of any of its obligations thereunder.
- (14) <u>Accounts Receivable</u>. All Accounts Receivable of Whitby LDC are *bona fide* and good and have been incurred in the Ordinary Course and subject to an allowance for doubtful accounts that has been reflected on the books of Whitby LDC in accordance with IFRS. All Accounts Receivable of Whitby LDC are collectible in the Ordinary Course.
- (15) <u>Intellectual Property</u>.
 - (a) To the Knowledge of Whitby Holdco, Whitby LDC either owns the right, title and interest in, to and under, or has acquired a licence to use in respect of the Whitby Business, any and all Intellectual Property that is used in the conduct of the Whitby Business in the manner that the Whitby Business has heretofore been conducted.
 - (b) To the Knowledge of Whitby Holdco, there is no infringement or breach of any industrial or intellectual property rights of any other Person by Whitby LDC, and Whitby LDC has not received any notice that the conduct of the Whitby Business, including the use of the Intellectual Property, infringes on or breaches any industrial or intellectual property rights of any other Person and Whitby Holdco does not have any Knowledge of any infringement or violation of any of its rights or the rights of Whitby LDC in the Intellectual Property. To the Knowledge of Whitby Holdco, the conduct of the Whitby Business does not, in any Material respect, infringe on the patents, trademarks, licences, trade names, business

names, copyright or other industrial or intellectual property rights, domestic or foreign, of any other Person.

- (c) To the Knowledge of Whitby Holdco, Whitby LDC has not received any notice of any adverse claim, litigation or assertion of infringement, invalidity or unenforceability in respect of the Intellectual Property that is used in the conduct of the Whitby Business and Whitby LDC is not a party to any litigation alleging that the conduct of the Whitby Business, as now carried on by Whitby LDC, infringes upon or breaches the rights of any other Person in Intellectual Property which would reasonably be expected to have a Material Adverse Effect.
- (16) <u>Insurance</u>. The assets of Whitby LDC are covered by fire and other insurance with responsible insurers against such risks and in such amounts as are reasonable for prudent owners of comparable assets. Schedule 5.5(16) sets out true, accurate and complete particulars of all insurance policies maintained by Whitby LDC (the "Whitby Insurance Policies"), specifying in each case, the name of the insurer, the risks insured against, the amount of the coverage, the policy number and any pending Claims thereunder. Whitby LDC is not in default, whether as to the payment of premiums or with respect to any other provision contained in any Whitby Insurance Policy and has not failed to give any notice or present any Claim under any Whitby Insurance Policy in a due and timely fashion. True, accurate and complete copies of all Whitby Insurance Policies set out in Schedule 5.5(16) have been provided to Veridian Holdco. The Whitby Insurance Policies also provide for certain liability coverage for Whitby Holdco.
- (17) <u>Expropriation and Public Improvements</u>. To the Knowledge of Whitby Holdco, none of the Whitby Real Property or Whitby Leased Property is subject to any pending suit for expropriation, condemnation or other taking by any Governmental Authority, and no such expropriation, condemnation or other taking has been threatened. To the Knowledge of Whitby Holdco, no public improvements with respect to any Whitby Real Property or Whitby Leased Property have been ordered to be made by any Governmental Authority which have not been completed, assessed and paid for in all Material respects.
- (18) <u>Material Contracts and Other Contracts</u>.

Except as set out in Schedule 5.5(18):

- (a) Each Material Contract:
 - (i) constitutes a legal, valid, binding and enforceable obligation of Whitby LDC and, to the Knowledge of Whitby Holdco, of the other parties thereto, in accordance with its terms; and
 - (ii) is in full force and effect.
- (b) To the Knowledge of Whitby Holdco, there is not, under any of the Material Contracts, any default or event which, with notice or lapse of time or both, would

constitute a default on the part of Whitby LDC, or, to the Knowledge of Whitby Holdco, any of the other parties thereto, or permit the other parties thereto to terminate, cancel or accelerate such Material Contract, whether on notice or otherwise except such events of default and other events:

- (i) as to which requisite waivers or consents have been obtained; or
- (ii) which would not individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.
- (c) True and complete copies of all of the Material Contracts, and all amendments thereto, have been provided to Veridian Holdco.
- (19) <u>Government Filings</u>. To the Knowledge of Whitby Holdco, Whitby LDC has filed or caused to be filed with all Governmental Authorities all Government Filings relating to Whitby LDC, except where the failure to do so would not be reasonably expected to have a Material Adverse Effect. All of the Government Filings of Whitby LDC complied in all Material respects with all Applicable Laws in effect on the date that each of the Government Filings was filed, and there are no material misstatements or omissions relating to the Whitby Business in the Government Filings of Whitby LDC.
- (20) <u>Permits</u>.
 - (a) To the Knowledge of Whitby Holdco, Whitby LDC has all Permits (collectively, the "Whitby Permits"), that are required by Applicable Law in connection with the Whitby Business, except for those Whitby Permits, the failure of which to obtain would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Whitby Holdco, Whitby LDC has not received any written notification that it is in violation of any such Whitby Permits, or any Applicable Law, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Whitby LDC is in compliance with all Whitby Permits and Applicable Law in respect of the Whitby Business, except for violations which would not, individually or in the aggregate, result in a Material Adverse Effect.
 - (b) Schedule 5.5(20) sets forth a list of all Whitby Permits (other than the Whitby Environmental Permits) that are Material and applicable to the Whitby Business.
- (21) <u>Financial Statements</u>. The Whitby LDC 2016 Financial Statements, the Whitby Holdco 2016 Financial Statements, Whitby LDC 2017 Financial Statements and the Whitby Holdco 2017 Financial Statements have been prepared in accordance with IFRS consistently applied throughout the periods indicated and fairly, completely and in all Material respects present the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Whitby LDC and Whitby Holdco, respectively, as

at the respective dates indicated and the sales, earnings and results of operations of Whitby LDC and Whitby Holdco, respectively, throughout the periods indicated.

- (22) <u>Books and Records</u>. The Books and Records of Whitby LDC and Whitby Holdco fairly present and disclose the financial position of Whitby LDC and Whitby Holdco as at the date of this Agreement and all financial transactions of Whitby LDC and Whitby Holdco have in all Material respects been accurately recorded in the Books and Records. The system of internal accounting controls is sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain accountability for assets.
- (23) <u>Corporate Records</u>. The minute books of Whitby LDC and Whitby Holdo contain, in all Material respects, true, accurate and complete records of all of its Constating Documents and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee of either of them. No meeting of shareholders, the board of directors or any committee of either of them has been held for which minutes have not been prepared and are not contained in those minute books. The share certificate book, register of shareholders, register of directors and officers, securities register and register of transfer of Whitby LDC and Whitby Holdco are true, accurate and complete in all Material respects.
- (24) <u>Undisclosed Liabilities</u>. Whitby LDC has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person, that are not disclosed in the Whitby LDC 2017 Financial Statements or disclosed in the Schedules to this Agreement, other than liabilities, obligations, indebtedness and commitments in respect of trade or business obligations incurred after the date of the Whitby LDC 2017 Financial Statements in the Ordinary Course, that in the aggregate would not reasonably be expected to have a Material Adverse Effect on Whitby LDC.
- (25) <u>No Debentures</u>.
 - (a) Whitby LDC does not have any obligation relating to a regional or municipal debenture issued by or for the benefit of the Whitby Business other than as set out in the Whitby LDC 2017 Financial Statements.
 - (b) Neither Whitby Holdco nor Whitby LDC has any debentures issued and outstanding.
 - (c) Whitby LDC has issued to Whitby the Whitby Promissory Notes.

- (26) <u>Absence of Changes</u>. Since December 31, 2017, to the Knowledge of Whitby Holdco there has not been any:
 - (a) change in the financial affairs, business, assets, liabilities, financial condition, operations or prospects of Whitby LDC or in the condition of the Whitby Business which would constitute a Material Adverse Effect; or
 - (b) damage, destruction or casualty loss, investigation by a Governmental Authority, or any other event, development or condition of any character, whether or not covered by insurance, in respect of Whitby LDC or the Whitby Business, which individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.
- (27) <u>Absence of Unusual Transactions</u>. Except as described in Schedule 5.5(27), since December 31, 2017, Whitby LDC and Whitby Holdco have not:
 - (a) transferred, assigned, sold or otherwise disposed of any of its assets or cancelled any debts or entitlements except, in Whitby LDC's case, in the Ordinary Course of the Whitby Business;
 - (b) incurred or assumed any obligation or liability (fixed or contingent), except, in Whitby LDC's case, unsecured current obligations and liabilities incurred in the Ordinary Course of Whitby Business;
 - (c) suffered an operating loss or any extraordinary loss, waived or omitted to take any action in respect of any rights, or entered into any commitment or transaction, except, in Whitby LDC's case, in the Ordinary Course of the Whitby Business;
 - (d) granted any bonuses, or short-term and/or long-term incentive awards, whether monetary or otherwise, or made any wage or salary or perquisites increases in respect of its officers, directors or Whitby Employees, other than as provided for in the Whitby Collective Agreements, or changed the terms of employment for any officer or Whitby Employee, except, in Whitby LDC's case, in the Ordinary Course of the Whitby Business and consistent with past practice; or
 - (e) encumbered any of its assets or property whether tangible or intangible except, in Whitby LDC's case, in the Ordinary Course of the Whitby Business or pursuant to Permitted Encumbrances.
- (28) <u>Taxes</u>.
 - (a) Each of Whitby Holdco and Whitby LDC is exempt from tax under the Tax Act and the *Taxation Act, 2007* (Ontario). Each of Whitby Holdco and Whitby LDC, respectively, qualify as a "municipal electricity utility" for purposes of Part VI of the Electricity Act.

- (b) Each of Whitby LDC and Whitby Holdco has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions before the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. Each of Whitby LDC and Whitby Holdco has never been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Each of Whitby LDC and Whitby Holdco has paid all Taxes and all instalments of Taxes due on or before the Closing Date.
- (c) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Whitby Holdco, threatened against Whitby LDC or Whitby Holdco, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. Whitby Holdco is not aware of any contingent liability of Whitby LDC or Whitby Holdco for Taxes or any grounds that could prompt an assessment or reassessment for Taxes other than an assessment in respect of current Tax Returns for which no assessment has been received as at the date of this Agreement, and Whitby LDC or Whitby Holdco has not received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (d) Each of Whitby LDC and Whitby Holdco has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom Whitby LDC or Whitby Holdco was not dealing with at Arm's Length. Each of Whitby LDC and Whitby Holdco has not acquired property from any Person in circumstances where Whitby LDC or Whitby Holdco did or could have become liable for any Taxes payable by that Person.
- (e) There are no agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of Whitby LDC or Whitby Holdco. Each of Whitby LDC and Whitby Holdco is not party to any agreements or undertakings with respect to Taxes.
- (f) Whitby Holdco and Whitby LDC have withheld from each payment made or amount credited to any Person (including any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the Tax Act) all amounts required by Applicable Law to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Whitby LDC has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health Taxes and other Taxes payable by it in respect of Whitby Employees and

has remitted such amounts to the proper Governmental Authority within the time required under Applicable Law.

- (g) Each of Whitby LDC and Whitby Holdco has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply, transfer or delivery whatsoever, made by it. For greater certainty, each of Whitby LDC and Whitby Holdco has, in the manner and within the time prescribed by the Electricity Act, notified the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act and has ensured the payment of any Transfer Tax exigible in respect of such transfer.
- (h) None of Sections 80 to 80.04, both inclusive, of the Tax Act have applied or will apply to Whitby LDC or Whitby Holdco at any time up to and including the Closing Date. Each of Whitby LDC and Whitby Holdco does not have any unpaid amounts that may be required to be included in income under Section 78 of the Tax Act.
- (i) To the Knowledge of Whitby Holdco, each of Whitby LDC and Whitby Holdco has computed its liability for PILS, Transfer Tax or other special payments under Part VI of the Electricity Act in accordance with the Electricity Act and the regulations thereunder and has made on a timely basis all payments required to be made thereunder.
- (29) <u>Litigation</u>. Except as described in Schedule 5.5(29), there are no Claims (whether or not purportedly on behalf of Whitby LDC) pending or, to the Knowledge of Whitby Holdco, threatened against or affecting, Whitby Holdco, Whitby LDC or their respective assets. To the Knowledge of Whitby Holdco there is not any factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.
- (30) <u>Non-Arm's Length Transactions</u>. Except as described in Schedule 5.5(30), each of Whitby LDC and Whitby Holdco has not made any payment or loan to, or borrowed any moneys from nor is otherwise indebted to, any officer, director, employee, shareholder or any other Person not dealing at Arm's Length with Whitby LDC or Whitby Holdco, except as disclosed in the Whitby LDC 2017 Financial Statements and the Whitby Holdco 2017 Financial Statements and except for usual employee reimbursements and compensation paid in the Ordinary Course. Except for Contracts of employment and the Whitby Promissory Notes, each of Whitby LDC and Whitby Holdco is not a party to any Contract with any officer, director, employee, shareholder or any other Person not dealing at Arm's Length with Whitby LDC and Whitby Holdco. No officer, director or shareholder of Whitby LDC and Whitby Holdco and no entity that is an Affiliate or Associate of one or more of those Persons:
 - (a) owns, directly or indirectly, any interest in Whitby LDC or Whitby Holdco, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor of the Whitby Business or Whitby LDC or Whitby

Holdco or a lessor, lessee, supplier, distributor, sales agent or customer of the Whitby Business or Whitby LDC or Whitby Holdco;

- (b) owns, directly or indirectly, in whole or in part, any property that Whitby LDC or Whitby Holdco uses in the operation of the Whitby Business; or
- (c) has any cause of action or other Claim whatsoever against, or owes any amount to, Whitby LDC or Whitby Holdco in connection with the Whitby Business, except for any liabilities reflected in the Whitby LDC 2017 Financial Statements or the Whitby Holdco 2017 Financial Statements and Claims in the Ordinary Course, such as for accrued vacation pay and accrued benefits under the Whitby Employee Plans.
- (31) <u>Environmental</u>.
 - (a) Except as described in Schedule 5.5(31)(a), to the Knowledge of Whitby Holdco, Whitby LDC and the Whitby Non-Regulated Affiliates have, in all Material respects, been and are in compliance with all Environmental Law.
 - (b) To the Knowledge of Whitby Holdco, Whitby LDC and the Whitby Non-Regulated Affiliates have obtained all Material Environmental Permits required for the operation of the Whitby Business, all of which are described in Schedule 5.5(31)(b) (the "Whitby Environmental Permits"). To the Knowledge of Whitby Holdco, each Whitby Environmental Permit is valid, subsisting and in good standing and neither Whitby LDC nor any Whitby Non-Regulated Affiliate is in default or breach of any Whitby Environmental Permit which default or breach would reasonably be expected to have a Material Adverse Effect and no proceeding is pending or threatened, to revoke or limit any Whitby Environmental Permit.
 - (c) To the Knowledge of Whitby Holdco, neither Whitby LDC nor any Whitby Non-Regulated Affiliate has used or permitted to be used, except in Material compliance with all Environmental Law, any of its assets (including the Whitby Leased Property) or facilities or any property or facility that it has at any time owned, occupied, managed, or controlled or in which it has at any time had a legal or beneficial interest to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Substance.
 - (d) Neither Whitby LDC nor any Whitby Non-Regulated Affiliate has ever received any notice of, nor been prosecuted for an offence alleging non-compliance with any Environmental Law, and neither Whitby LDC nor any Whitby Non-Regulated Affiliate has settled any allegation of non-compliance short of prosecution. To the Knowledge of Whitby Holdco, there are no orders or directions of any Governmental Authority relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Whitby Business or any of the assets of Whitby LDC or any Whitby Non-

Regulated Affiliate, nor has Whitby LDC or any Whitby Non-Regulated Affiliate received notice of any of such orders or directions.

- (e) Neither Whitby LDC nor any Whitby Non-Regulated Affiliate has caused or permitted, and Whitby Holdco does not have any Knowledge of, the Release, in any manner whatsoever, of any Hazardous Substance on or from any assets (including the Whitby Real Property and Whitby Leased Property) or property of Whitby LDC or any Whitby Non-Regulated Affiliate or facility that Whitby LDC or any Whitby Non-Regulated Affiliate currently or previously owned or leased, except in accordance with Environmental Law, or any such Release on or from a facility owned or operated by third parties but with respect to which Whitby LDC or a Whitby Non-Regulated Affiliate is or may reasonably be alleged to have liability except in accordance with Environmental Law. All Hazardous Substances and all other wastes and other materials and substances used in whole or in part by Whitby LDC or any Whitby Non-Regulated Affiliate or resulting from the Whitby Business have, in all Material respects, been disposed of, treated and stored in compliance with all Environmental Law.
- (f) Neither Whitby LDC nor any Whitby Non-Regulated Affiliate has received any notice from any Governmental Authority that it is potentially responsible for any clean-up or corrective action under any Environmental Law at any site (including the Whitby Real Property and Whitby Leased Property). Neither Whitby LDC nor any Whitby Non-Regulated Affiliate has received any request for information in connection with any federal, provincial, municipal or local inquiries as to disposal sites.
- (g) True, accurate and complete copies of all documents, including Whitby Environmental Permits, copies of all environmental audits, evaluations, assessments, studies or tests relating to Whitby LDC or a Whitby Non-Regulated Affiliate or to any facility or property which Whitby LDC or a Whitby Non-Regulated Affiliate has at any time owned, occupied, leased, managed or controlled or in which it has at any time had a legal or beneficial interest (including the Whitby Real Property and Whitby Leased Property), that were commissioned by or for Whitby LDC or a Whitby Non-Regulated Affiliate in the previous five (5) years and any certificates or reports, issued, filed or registered, pursuant to Environmental Law with respect to the Whitby Business or the assets of Whitby LDC and the Whitby Non-Regulated Affiliates in the previous five (5) years have been provided to Veridian Holdco.
- (h) To the Knowledge of Whitby Holdco, there are no Hazardous Substances present at any of the properties or facilities owned or leased by Whitby LDC or any Whitby Non-Regulated Affiliate at levels that would reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

(32) <u>Employee Plans</u>.

- Schedule 5.5(32) identifies each non-salary plan, program or arrangement (a) including deferred compensation, bonus compensation, incentive or other compensation, share option or purchase, severance, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, mortgage assistance, pension or supplemental pension, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, and any other similar plan, program or arrangement, whether funded or unfunded, formal or informal, including OMERS, that is maintained, contributed to, or required to be maintained or contributed to, by Whitby Holdco, Whitby LDC, or any Whitby Non-Regulated Affiliate or to which any of them is a party, or bound by, or under which any of them has any liability or contingent liability for the benefit of directors, officers, shareholders, consultants, independent contractors and Whitby Employees or former Whitby Employees and their spouses, dependents and beneficiaries (the "Whitby **Employee Plans**").
- (b) OMERS is the only registered pension plan under which the Whitby Employees, or any of them, accrue pension benefits, or under which former Whitby Employees (or any spouse, dependent or beneficiary of any such Whitby Employees or former Whitby Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
- (c) A true, accurate and complete copy of each Whitby Employee Plan (as amended to date) has been provided to Veridian Holdco together with true, accurate and complete copies of all documents, reasonably in the possession of Whitby Holdco, relating to each Whitby Employee Plan, including, as applicable:
 - (i) all documents establishing, creating or amending each Whitby Employee Plan, including all prior versions of those documents and amendments thereto;
 - (ii) all reports, returns, filings (including Tax Returns and filings) and material correspondence with any Governmental Authority, including all approvals of the applicable pension regulator relating to contribution or premium holidays and withdrawal of surplus, in the last three years;
 - (iii) all literature, booklets, summaries, notices or manuals prepared for or circulated to employees generally concerning each Whitby Employee Plan; and

- (iv) all employee data and personnel Books and Records relating to the Whitby Employee Plans.
- (d) To the Knowledge of Whitby Holdco, each of the Whitby Employee Plans is, and has been, in all Material respects, established, registered, qualified, administered and invested in compliance with:
 - (i) the terms thereof;
 - (ii) all Applicable Laws; and
 - (iii) the administrative practices of the applicable pension regulator and the CRA;

and Whitby LDC has not received, in the last three years, any notice from any Person questioning or challenging that compliance, and Whitby LDC and Whitby Holdco do not have any Knowledge of any such notice from any Person questioning or challenging that compliance prior to the last three years.

- (e) To the Knowledge of Whitby Holdco, neither Whitby LDC nor any of its agents is in breach of its fiduciary duty with respect to the Whitby Employee Plans.
- (f) To the Knowledge of Whitby Holdco, all obligations due under the Whitby Employee Plans (whether pursuant to the terms thereof or any Applicable Law) with respect to Whitby Employees, former Whitby Employees and their spouses and former spouses, have been satisfied, and there are no outstanding defaults or violations thereunder by Whitby LDC nor does Whitby Holdco have any Knowledge of any default or violation by any other Person in respect of the Whitby Employee Plans as concerns Whitby Employees, former Whitby Employees and their spouses and former spouses.
- (g) Except as disclosed in Schedule 5.5(32), there are no improvements, increases or changes to the benefits provided under the Whitby Employee Plans including, to the Knowledge of Whitby Holdco, OMERS, nor is there any pattern of *ad hoc* benefit increases and the Whitby Employee Plans, including to the Knowledge of Whitby Holdco, OMERS do not provide for benefit increases or the acceleration of funding obligations that are contingent or will be triggered by the entering into of this Agreement or the completion of the Amalgamations.
- (h) All employer and employee payments, contributions and premiums required to be remitted or paid to or in respect of the Whitby Employee Plans, including to the Knowledge of Whitby Holdco and as it concerns Whitby Employees, former Employees and their spouses and former spouses, OMERS, have been remitted or paid, in a timely fashion to or in respect of the Whitby Employee Plans in accordance with the terms thereof and all Applicable Laws, and no Taxes, non-Tax related interest, penalties or fees are owing or exigible under any of the

Whitby Employee Plans including, to the Knowledge of Whitby Holdco and as it concerns Whitby Employees, former Employees and their spouses and former spouses, OMERS.

- (i) To the Knowledge of Whitby Holdco, there is no Claim by any applicable Governmental Authority, including the applicable pension regulator and the CRA, or by any Person (other than routine Claims for payment of benefits) pending or, to the Knowledge of Whitby Holdco, threatened in respect of any of the Whitby Employee Plans or their assets, and, to the Knowledge of Whitby Holdco, no facts exist which could reasonably be expected to give rise to any such Claim (other than routine Claims for benefits).
- (j) To the Knowledge of Whitby Holdco, with respect to any Whitby Employee Plan which is registered under any Applicable Law, no event has occurred respecting that Whitby Employee Plan which would result in the revocation of that registration or entitle any Person (without the consent of Whitby LDC) to wind-up or terminate that Whitby Employee Plan in whole or in part, or which could otherwise reasonably be expected to adversely affect the Tax-favoured status thereof.
- (k) To the Knowledge of Whitby Holdco, Whitby LDC has provided to the OMERS Board, on a timely basis, all information known to Whitby LDC and requested from time to time by the OMERS Board in respect of the Whitby Employees, former Whitby Employees and their spouses and former spouses and which is necessary in order to enable the OMERS Board to properly administer OMERS in respect of them.
- (1) No Material changes have occurred in respect of each of the Whitby Employee Plans, including, to the Knowledge of Whitby Holdco, OMERS since the date of its most recent financial, accounting, actuarial or other report, as applicable, filed with the pension regulator, the CRA and any other applicable Governmental Authority (where applicable) in connection with that Whitby Employee Plan, nor to the Knowledge of Whitby Holdco have there been any events occurring prior to the most recent financial, accounting, actuarial or other report which are not disclosed in that report which could reasonably be expected to adversely affect the relevant report (including rendering it misleading in any material respect) or to have materially affected the financial status of that Whitby Employee Plan.
- (m) There has not been any withdrawal of, application for, or payment of, any surplus or other funds out of OMERS by Whitby Holdco or Whitby LDC except for payments made to departing employees in accordance with the terms of OMERS and the Applicable Laws.
- (n) Each of the Whitby Employee Plans including, to the Knowledge of Whitby Holdco, OMERS which purports to qualify as a particular type of plan under the Tax Act meets all requirements for that qualification in effect and has complied

with the provisions of the Tax Act and the administrative practices of the CRA applicable to that plan.

(33) <u>Employment Matters</u>.

- (a) Whitby Holdco has no employees and has never had any employees. Except for the Whitby Collective Agreements, there are no Contracts in respect of Whitby LDC for the employment or retainer of any Whitby Employee, including, for greater certainty, Contracts with directors, officers, employees, independent contractors or agents providing personal services, other than oral Contracts of indefinite hire terminable by Whitby LDC without cause on reasonable notice.
- (b) Whitby LDC is not a party to nor is it bound by any Contract in respect of any Whitby Employee providing for severance, termination or any other payments in connection with the Amalgamations.
- (c) No Whitby Employees are claiming or receiving long-term disability benefits; no Whitby Employees actively employed or otherwise have filed claims under the *Workplace Safety and Insurance Act* (Ontario); no Whitby Employees are on maternity leave; and, no Whitby Employees are on, or are claiming, extended sick leave.
- (d) Whitby LDC has provided Veridian Holdco with access to a list of Whitby Employees (and will continue to provide Veridian Holdco with such access until the day immediately preceding the Closing Date) identifying for each Whitby Employee:
 - (i) name, position, title, classification, job band, age, total length of service (and seniority date and/or hire date if different from total length of service);
 - (ii) total annual compensation, including a breakdown of hourly rate of pay or annual salary, benefit entitlement(s) pursuant to any applicable Employee Plan; commission arrangements, bonus or profit sharing entitlement(s);
 - (iii) employment status (unionized, non-unionized, full time, part time, casual, term, temporary, seasonal, contractual or otherwise) and the terms of any applicable flexible work arrangement; regular or standard hours of work per day and per week and eligibility with respect to payment of overtime or lieu time;
 - (iv) annual vacation entitlement and number of vacation days accrued and unused;

- (v) whether they are on a statutory or approved leave of absence and if so, the type of that leave of absence (e.g., pregnancy/parental, short/long-term disability, etc.) and anticipated date of return;
- (vi) applicable Employee Plans; and
- (vii) a job description.
- (34) <u>Labour Matters</u>. Whitby LDC has made available to Veridian Holdco true, complete and current copies of the Whitby Collective Agreements. In connection with Whitby LDC labour matters:
 - (a) Other than the Whitby Collective Agreement, Whitby LDC is not a party to or bound by any collective agreement. Except for the Whitby Employees covered by the Whitby Collective Agreement, no trade union, council of trade unions, employee bargaining agency, works council or affiliated bargaining agent holds bargaining rights with respect to any Whitby Employees or any other Person(s) who perform work or services in connection with Whitby LDC, by way of statute, certification, interim certification, voluntary recognition, designation or successor rights, has applied to be certified as the bargaining agent of any Whitby Employees or any other Person(s) who perform work or services in connection with Whitby LDC, or has applied to have Whitby LDC declared a related employer or successor employer pursuant to Applicable Laws.
 - (b) There are no actual, or, to the knowledge of Whitby LDC, threatened or pending organizing activities of any trade union, council of trade unions, employee bargaining agency, works council or affiliated bargaining agent or any actual, or to the knowledge of Whitby LDC, threatened or pending unfair labour practice complaints, strikes, work stoppages, picketing, lock-outs, boycotts, slowdowns, arbitrations, grievances, complaints, charges or similar labour related disputes or proceedings pertaining to Whitby LDC, any Whitby Employees or any other Person(s) who performs work or services in connection with Whitby LDC, and there have not been any such activities, disputes or proceedings within the preceding three (3) calendar years.
 - (c) Whitby LDC is employing all Whitby Employees in material compliance with Applicable Laws, has obtained and is maintaining all permits and/or authorizations required by any Governmental Authority pursuant to Applicable Laws in relation to the employment of the Whitby Employees and is in Material compliance with all such authorization and permits.
 - (d) All accruals for employment-related Taxes, deductions, withholdings and remittances in relation to all wages, salaries, bonuses, vacation pay, overtime pay, holiday pay, commissions and/or any other forms of compensation or benefits accrued in accordance with Applicable Laws or pursuant to any Contract or any

Employee Plans in relation to any former or current Whitby Employees are accurately reflected in the books and records of Whitby LDC;

- (e) To the knowledge of Veridian LDC, Veridian LDC has withheld all amounts required by Applicable Laws or pursuant to any Contract or any Employee Plans to be withheld from wages, salaries, commissions and/or any other forms of compensation or benefits in relation to any former or current Whitby Employees; is not liable for any arrears of employment-related Taxes, compensation or benefits or any penalty for failure to comply with any of the foregoing; and is not liable for any agreement to any former or current Whitby Employee, trust or other fund or to any Governmental Authority for employment-related Taxes, compensation, benefits or other obligations in relation to the employment or termination of employment of any former or current Whitby Employee.
- (f) Whitby LDC is not subject to the *Employment Equity Act* (Canada) or the federal contractors program or any similar Applicable Laws.
- (g) Whitby LDC has not received notice of any unfair labour practice complaint or any other Employment Law complaint which is current or pending before any labour relations or similar board or any other body or tribunal in connection with the Whitby Business;
- (35) <u>Personal Information Laws</u>. To the Knowledge of Whitby Holdco, Whitby LDC is in Material compliance with the requirements of all Applicable Laws relating to its collection, use and disclosure of Personal Information, including the establishment and observance of written policies and practices. No complaint relating to Whitby LDC's alleged non-compliance with any such Applicable Law has been found by any Governmental Authority to be well-founded, no order or judgment has been made against Whitby LDC by any Governmental Authority based on any finding of non-compliance with any such Applicable Law, and no unresolved complaint or other proceeding relating to any such alleged non-compliance is now pending by or before any Governmental Authority.
- (36) <u>No Predecessors</u>. Except as provided in the Whitby Transfer By-law, no corporation has been merged with Whitby LDC, by amalgamation, dissolution, arrangement or otherwise, in such a manner that Whitby LDC is or may become liable for any liabilities (contingent or otherwise) of any kind whatsoever of that corporation.
- (37) <u>Competition Act</u>. For the purposes of and in accordance with the requirements of Section 110 of the Competition Act, as at the Closing Date:
 - (a) the aggregate value of the assets in Canada, determined as of such time and in such manner as are prescribed by Section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, in respect of Whitby LDC has been disclosed in writing to Veridian Holdco and Veridian LDC; and

- (b) the gross revenues from sales in or from Canada, determined for such annual period and in such manner as are prescribed by Section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, generated from the assets referred to in item (a) above, have been disclosed in writing to Veridian Holdco and Veridian LDC.
- (38) <u>No Joint Venture Interests, etc</u>. Except as set out in Schedule 5.5(38), Whitby LDC is not a partner, beneficiary, trustee, co-tenant, joint-venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking.
- (39) <u>Condition of Assets</u>. To the Knowledge of Whitby Holdco, except as would not result in a Material Adverse Effect, the Fixtures situated on the Whitby Real Property or used in connection with the Whitby Business are in good condition, repair and proper working order, having regard to their use and age and such assets have been properly and regularly maintained in accordance with Good Utility Practices.
- (40) <u>Third Party Consents</u>. Except as described in Schedule 5.5(40) (the "Whitby Third Party Consents"), there are no Third Party Consents required to be obtained by Whitby Holdco, the Whitby Non-Regulated Affiliates or Whitby LDC in connection with the completion of the Amalgamations as contemplated by this Agreement.
- (41) <u>Residence</u>. Whitby LDC, Whitby Holdco and Whitby Non-Regulated Affiliates are not non-residents of Canada for purposes of the Tax Act.
- (42) <u>Full Disclosure</u>. Neither this Agreement or any other Contract, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by Whitby Holdco, the Whitby Non-Regulated Affiliates or Whitby LDC nor any certificate, report, statement or other document furnished by Whitby Holdco, the Whitby Non-Regulated Affiliates or Whitby LDC in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. To the Knowledge of Whitby Holdco, there has been no event, transaction or information that has come to the attention of Whitby Holdco, the Whitby Non-Regulated Affiliates or Whitby LDC that could reasonably be expected to have a Material Adverse Effect on Whitby LDC.

ARTICLE 6 COVENANTS

6.1 Covenants of Veridian Holdco and Veridian LDC

Each of Veridian Holdco and Veridian LDC covenants and agrees with the other Parties that each of Veridian Holdco and Veridian LDC will do or cause to be done the following:

- (1) <u>Conduct Prior to Closing</u>. Without in any way limiting any other obligations of each of Veridian Holdco and Veridian LDC hereunder, except as specifically provided in this Agreement or with the prior written consent of Whitby LDC and Whitby Holdco during the Interim Period:
 - (a) Veridian Holdco and Veridian LDC shall, and Veridian Holdco shall cause the Veridian Non-Regulated Affiliates to, conduct the Veridian Business and the operations and affairs of Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates only in the Ordinary Course, and each of Veridian Holdco and Veridian LDC shall not, and Veridian Holdco shall not permit the Veridian Non-Regulated Affiliates to, without the prior written consent of Whitby LDC and Whitby Holdco, enter into any transaction or undertake any action that, if effected before the Closing Date, would constitute a breach of any representation, warranty, covenant or other obligation of Veridian Holdco or Veridian LDC in this Agreement and, without limiting the generality of the foregoing, Veridian Holdco and Veridian LDC shall, and Veridian Holdco shall cause the Veridian Non-Regulated Affiliates, to:
 - not amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares and assets of any Person, not to acquire or lease or agree to acquire or lease any business operations in any other Person;



- (iii) not make any Material modification to its usual sales, human resource, accounting, software, or management practices, processes or systems; and
- (iv) not enter into, or amend, any Interim Period Material Contract.
- (b) Veridian Holdco and Veridian LDC shall, and Veridian Holdco shall cause the Veridian Non-Regulated Affiliates, to:
 - (i) continue to maintain in full force and effect all the Veridian Insurance Policies or renewals thereof currently in effect; and
 - (ii) report all Claims with a value greater than \$100,000 or known circumstances or events which may give rise to a Claim with a value greater than \$100,000 to its insurers under the Veridian Insurance Policies in a due and timely manner prior to the Closing Date and to provide copies of those reports to Whitby Holdco.

- (c) Veridian Holdco and Veridian LDC shall use their commercially reasonable efforts to give or obtain, and Veridian Holdoc shall cause the Veridian Non-Regulated Affiliates to give or obtain, the Veridian Third Party Consents.
- (d) Each of Veridian Holdco and Veridian LDC shall use commercially reasonable efforts, and Veridian Holdoc shall cause the Veridian Non-Regulated Affiliates, to preserve intact, their respective assets, operations and affairs and the Veridian Business, and to carry on the Veridian Business as currently conducted, and to promote and preserve the goodwill of suppliers, customers and others having business relations with Veridian Holdco, Veridian LDC or the Veridian Non-Regulated Affiliates;
- (e) Each of Veridian Holdco and Veridian LDC shall, and Veridian Holdco cause the Veridian Non-Regulated Affiliates, to pay and discharge their respective liabilities in the Ordinary Course in accordance and consistent with their respective previous practices, except those contested in good faith by Veridian LDC, Veridian Holdco, or the Veridian Non-Regulated Affiliates, as the case may be.
- (f) Veridian Holdco and Veridian LDC shall use commercially reasonable efforts to take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the Amalgamations and to cause all necessary meetings of directors and shareholders of Veridian Holdco and Veridian LDC to be held for that purpose.
- (g) Each of Veridian Holdco and Veridian LDC shall use its commercially reasonable efforts to satisfy the conditions contained in Section 4.2 and 4.3.
- (2) <u>Rights of Access</u>. During the Interim Period, Veridian Holdco and Veridian LDC shall, and Veridian Holdco shall cause the Veridian Non-Regulated Affiliates, to provide:
 - (a) during ordinary business hours and upon reasonable notice and subject to compliance with all Applicable Laws and confidentiality agreements, Whitby Holdco and its Representatives with reasonable access to Veridian LDC's and the Veridian Non-Regulated Affiliates' management, Books and Records, Contracts, Intellectual Property, insurance policies, premises, properties (including the Veridian Real Property and Veridian Leased Property) and other information relating to Veridian LDC, the Veridian Non-Regulated Affiliates and otherwise to the Veridian Business; and
 - (b) as Whitby Holdco may reasonably request, such updated financial and operating data relating to Veridian Holdco, and such data relating to Veridian LDC or the Veridian Non-Regulated Affiliates as Veridian LDC or the Veridian Non-Regulated Affiliates, as the case may be, provides to Veridian Holdco.

- (3) <u>No Amendment to Articles</u>. Neither Veridian LDC nor the Veridian Non-Regulated Affiliates shall make any amendment to their respective articles of incorporation or amalgamation, as applicable, or by-laws, and Veridian Holdco shall not require or authorize the same.
- (4) <u>MOF Notification</u>. Veridian LDC shall, in the manner and within the time prescribed by the Electricity Act, notify the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act in connection with the Amalgamations.
- (5) <u>Employees.</u> All of the Veridian Employees shall become employees of LDC Mergeco effective as at the Closing Time.
- (6) <u>Veridian LDC Dividends</u>. Notwithstanding any provision of this Agreement to the contrary, during the Interim Period Veridian LDC may declare and pay dividends in amounts consistent with Veridian LDC's dividend policy in effect on the date hereof;
- (7) <u>Veridian Work Plan</u>. Veridian LDC shall complete, or cause to be completed, the work set forth in the work plan attached here to as Schedule 6.1(7) (the "Veridian Work Plan") prior to the Closing Date regardless of whether the actual cost of completing the work set forth in the Veridian Work Plan exceeds the estimates therefor set forth in the Veridian Work Plan. Veridian Holdco shall upon the earlier of (a) the 5th Business Day following completion of the Veridian Work Plan; or (b) on the Closing Date, deliver to Whitby Holdco a certificate of a senior officer of Veridian Holdco confirming the completion of the work set forth in the Veridian Work Plan. If Veridian fails to complete any of the Veridian Work Plan work prior to the Closing Date, Whitby's sole remedy in respect of such failure to complete shall be an adjustment pursuant to Section 2.2(13).

6.2 Covenants of Whitby Holdco and Whitby LDC

Each of Whitby Holdco and Whitby LDC covenants and agrees with the other Parties that each of Whitby Holdco and Whitby LDC will do or cause to be done the following:

- (1) <u>Conduct Prior to Closing</u>. Without in any way limiting any other obligations of each of Whitby Holdco and Whitby LDC hereunder, except as specifically provided in this Agreement or with the prior written consent of Veridian LDC and Veridian Holdco during the Interim Period:
 - (a) Whitby Holdco and Whitby LDC shall, and Whitby Holdoc shall cause the Whitby Non-Regulated Affilites to, conduct the Whitby Business and the operations and affairs of Whitby Holdco, Whitby LDC and the Whitby Non-Regulated Affiliates only in the Ordinary Course, and each of Whitby Holdco and Whitby LDC shall not, and Whitby Holdco shall not permit the Whitby Non-Regulated Affiliates to, without the prior written consent of Veridian LDC and Veridian Holdco, enter into any transaction or undertake any action that, if effected before the Closing Date, would constitute a breach of any representation, warranty, covenant or other obligation of Whitby Holdco or Whitby LDC in this

Agreement and, without limiting the generality of the foregoing, Whitby Holdco and Whitby LDC shall, and Whitby Holdco shall cause the Whitby Non-Regulated Affiliates, to:

 not amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares and assets of any Person, not to acquire or lease or agree to acquire or lease any business operations in any other Person;



- (iii) not make any Material modification to its usual sales, human resource, accounting, software, or management practices, processes or systems; and
- (iv) not enter into, or amend, any Interim Period Material Contract.
- (b) Whitby Holdco and Whitby LDC shall, and Whitby Holdco shall cause the Whitby Non-Regulated Affiliates, to:
 - (i) continue to maintain in full force and effect all the Whitby Insurance Policies or renewals thereof currently in effect; and
 - (ii) report all Claims with a value greater than \$100,000 or known circumstances or events which may give rise to a Claim with a value greater than \$100,000 to its insurers under the Whitby Insurance Policies in a due and timely manner prior to the Closing Date and to provide copies of those reports to Veridian Holdco.
- (c) Whitby Holdco and Whitby LDC shall use their commercially reasonable efforts to give or obtain, and Whitby Holdco shall cause the Whitby Non-Regulated Affiliates to give or obtain, the Whitby Third Party Consents.
- (d) Each of Whitby Holdco and Whitby LDC shall use commercially reasonable efforts, and Whitby Holdco shall cause the Whitby Non-Regulated Affiliates, to preserve intact, their respective assets, operations and affairs and the Whitby Business, and to carry on the Whitby Business as currently conducted, and to promote and preserve the goodwill of suppliers, customers and others having business relations with Whitby Holdco, Whitby LDC or the Whitby Non-Regulated Affiliates;
- (e) Each of Whitby Holdco and Whitby LDC shall, and Whitby Holdco shall cause the Whitby Non-Regulated Affiliates, to pay and discharge their respective liabilities in the Ordinary Course in accordance and consistent with their respective previous practices, except those contested in good faith by Whitby

LDC, Whitby Holdco, or the Whitby Non-Regulated Affiliates, as the case may be.

- (f) Whitby Holdco and Whitby LDC shall use commercially reasonable efforts to take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the Amalgamations and to cause all necessary meetings of directors and shareholders of Whitby Holdco and Whitby LDC to be held for that purpose.
- (g) Each of Whitby Holdco and Whitby LDC shall use its commercially reasonable efforts to satisfy the conditions contained in Section 4.1 and 4.3.
- (2) <u>Rights of Access</u>. During the Interim Period, Whitby Holdco and Whitby LDC shall, and shall cause the Whitby Non-Regulated Affiliates, to provide:
 - (a) during ordinary business hours and upon reasonable notice and subject to compliance with all Applicable Laws and confidentiality agreements, Veridian Holdco and its Representatives with reasonable access to Whitby LDC's and the Whitby Non-Regulated Affiliates' management, Books and Records, Contracts, Intellectual Property, insurance policies, premises, properties (including the Whitby Real Property and Whitby Leased Property) and other information relating to Whitby LDC, the Whitby Non-Regulated Affiliates and otherwise to the Whitby Business; and
 - (b) as Veridian Holdco may reasonably request, such updated financial and operating data relating to Whitby Holdco, and such data relating to Whitby LDC or the Whitby Non-Regulated Affiliates, as Whitby LDC or the Whitby Non-Regulated Affiliates, as the case may be, provides to Whitby Holdco.
- (3) <u>No Amendment to Articles</u>. Neither Whitby LDC nor the Veridian Non-Regulated Affiliates shall make any amendment to its articles of incorporation or amalgamation, as the case may be, or by-laws, and Whitby Holdco shall not require or authorize the same.
- (4) <u>MOF Notification</u>. Whitby LDC shall, in the manner and within the time prescribed by the Electricity Act, notify the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act in connection with the Amalgamations.
- (5) <u>Employees.</u> All of the Whitby Employees shall become employees of LDC Mergeco effective as at the Closing Time.
- (6) <u>Whitby LDC Dividends</u>. Notwithstanding any provision of this Agreement to the contrary, during the Interim Period Whitby LDC may declare and pay dividends in amounts consistent with Whitby LDC's dividend policy in effect on the date hereof.

6.3 Mutual Covenants

- (1) <u>Transition Planning</u>. During the Interim Period, the Parties shall co-operate in good faith and use reasonable commercial efforts to develop and implement a detailed plan for integrating the Parties' operations (the "**Transition Plan**"), which may include without limitation the following items:
 - (a) agreeing on names of Merged Holdco, LDC Mergeco and Non-Regulated Affiliates and logo and branding strategy for LDC Mergeco;
 - (b) selection of LDC Mergeco and Merged Holdco directors and senior officers in accordance with the Merged Holdco Shareholders Agreement;
 - (c) determining the plan for post-Closing Merged Holdco, LDC Mergeco and Non-Regulated Affiliates banking arrangements, including determining treatment of Veridian Credit Agreements and Whitby Credit Agreements, and security related thereto, and obtaining any necessary commitments in respect of any proposed new credit facilities;
 - (d) consolidation and co-ordination of insurance policies of Veridian LDC, Whitby LDC and the Non-Regulated Affiliates to ensure proper insurance coverage for LDC Mergeco and the Non-Regulated Affiliates;
 - (e) operational and human resource support arrangements between LDC Mergeco and the Non-Regulated Affiliates to be in effect after the Closing Date;
 - (f) employee retention plans for each of Veridian LDC and Whitby LDC to be agreed by the Parties;
 - (g) co-ordination of timing and content of public information process and public statements regarding this Agreement and the Amalgamations;
 - (h) review of treatment of regulatory assets and OEB related issues;
 - (i) the accounting policies to be applicable to Merged Holdco, LDC Mergeco and the Non-Regulated Affiliates ("**Accounting Policies**");
 - (j) preparation of Merged Holdco and LDC Mergeco pro forma financial statements;
 - (k) consolidation and co-ordination of employee benefit plans and development of benefit plan transition arrangements;
 - (1) preparation of an employee code of conduct to govern employees of LDC Mergeco and Non-Regulated Affiliates; and

- (m) development and co-ordination of dividend and financing policies and financing, credit and banking arrangements to the extent not addressed in the Merged Holdco Shareholders Agreement.
- (2) <u>Co-operation and Compliance</u>. Subject to the terms and conditions of this Agreement and Applicable Law, each of the Parties shall use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as reasonably practicable, the Amalgamations and other transactions contemplated hereby, including using commercially reasonable efforts to ensure satisfaction of the conditions precedent to each Party's obligations under this Agreement.
- (3) <u>Holdco Amalgamation Agreement</u>. On Closing, each of Veridian Holdco and Whitby Holdco shall execute and deliver the Holdco Amalgamation Agreement and the articles of amalgamation and related documentation required to be filed pursuant to the OBCA to give effect to the Holdco Amalgamation.
- (4) <u>LDC Amalgamation Agreement</u>. On Closing, each of Veridian LDC and Whitby LDC shall execute and deliver the LDC Amalgamation Agreement and the articles of amalgamation and related documentation required to be filed pursuant to the OBCA to give effect to the LDC Amalgamation.
- (5) <u>Merged Holdco Shareholders Agreement</u>. On Closing, each of Veridian Holdco, and Whitby Holdco shall execute and deliver, and shall cause Merged Holdco to execute and deliver, the Merged Holdco Shareholders Agreement.
- (6) <u>Cooperation with Competition Act Application</u>. Each of the Parties shall cooperate with one another to prepare and submit to the Competition Bureau within ten (10) Business Days following execution of this Agreement an application requesting an advance ruling certificate or no action letter under the Competition Act in respect of the Amalgamations.
- (7) <u>Cooperation with OEB MAAD Application</u>. Each of the Parties shall cooperate with one another to prepare and submit to the OEB as soon as possible following execution of this Agreement an application (the "MAAD Application") requesting approval of the Amalgamations and any corresponding (i) amendment of the electricity distribution licences held by Veridian LDC and Whitby LDC; and (ii) related approvals determined to be required by and from the OEB.
- (8) <u>Confidentiality</u>. The Parties shall treat as confidential this Agreement, the terms and conditions set out herein and all information provided to one another in accordance with this Agreement. All such information shall be kept in the strictest confidence and shall not be divulged to any unrelated third party or used by the Municipalities, Veridian Holdco, Veridian LDC, Whitby Holdco or Whitby LDC except for purposes of the Amalgamations. The Parties acknowledge that Veridian Holdco and Whitby Holdco executed the Confidentiality Agreement and that such confidentiality agreement continues in full force and effect for all purposes of this section.

- (9) <u>Public Statements</u>. Prior to Closing, no Party shall issue or make any public announcement or press release (a "**Public Announcement**") with respect to this Agreement or the Amalgamations or other transactions contemplated hereby without the prior written consent of Veridian Holdco and Whitby Holdco which consent shall not be unreasonably withheld or delayed, except as may be required by Applicable Law or a Governmental Authority. If such disclosure is required by Applicable Law or a Governmental Authority, the Party required to make such disclosure shall, if practicable, provide prior notice to the other Parties of such requirement, the nature thereof, and the nature of the proposed disclosure, and shall limit the scope of such disclosure to the Amalgamations, the Parties shall issue a mutually acceptable press release.
- (10) <u>Third Party Consents</u>. Each Party shall have the right to review in advance information which appears in any application, notice, petition or filing made seeking Third Party Consents required in connection with the Amalgamations and other transactions contemplated hereby.
- (11) <u>Opening Balance Sheet.</u> Within 120 days after the Closing Date, the auditor of Merged Holdco shall complete and distribute to the Municipalities an audited balance sheet of Merged Holdco (prepared on a consolidated basis including LDC Mergeco and the Non-Regulated Affiliates) as at the Closing Date, prepared based on the Accounting Policies.
- (12) <u>Post Closing Tax Obligations</u>. The Municipalities shall, on a timely basis, cause Merged Holdco and LDC Mergeco to: (i) prepare and file with the appropriate Governmental Authorities all Tax Returns required to be filed by Veridian Holdco, Veridian LDC, Whitby Holdco, and Whitby LDC for all periods prior to and ending on the day immediately preceding the Closing Date; and (ii) pay or remit all amounts in respect of Taxes required to be paid or remitted by Veridian Holdco, Veridian LDC, Whitby Holdco, and Whitby LDC for all periods prior to and ending on the day immediately preceding the Closing Date; and (ii) pay or remit all amounts in respect of Taxes required to be paid or remitted by Veridian Holdco, Veridian LDC, Whitby Holdco, and Whitby LDC for all periods prior to and ending on the day immediately preceding the Closing Date.
- (13) <u>Existing Intercorporate Services Agreements</u>. The Parties agree that all agreements with respect to the provision of services by Veridian LDC and Whitby LDC to, respectively, Veridian Holdco and Whitby Holdco and to their respective Non-Regulated Affiliates, as set out in Schedule 6.3(13), shall be transferred to and assumed by LDC Mergeco unless specifically excluded pursuant to this Agreement.
- (14) <u>Significant Community Presence</u>. Veridian Holdco, Veridian LDC, Whitby Holdco and Whitby LDC agree that after the Closing they will co-operate and use commercially reasonable efforts to ensure that there is a significant community presence in each of the communities served by LDC Mergeco.
- (15) <u>Future Opportunities</u>. During the Interim Period, each of Veridian Holdco and Whitby Holdco agree to continue in good faith to work to complete the Amalgamations contemplated by this Agreement and not to directly or indirectly pursue any transaction which would be an alternative to the Amalgamations. Each of Veridian Holdco and

Whitby Holdco further acknowledge that they shall consult with each other concerning other merger or acquisition opportunities which would result in a transaction following the Amalgamations and may, on a joint basis, encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person concerning any acquisition by or merger of Merged Holdco or LDC Mergeco with, or investment in Merged Holdco or LDC Mergeco by, any other Person. Veridian Holdco and Whitby Holdco shall notify each other promptly if any such discussions or negotiations are sought or if any proposal for a sale or purchase, of any portion of the business of Merged Holdco or LDC Mergeco, post-Amalgamations, is received.

6.4 Transaction Costs

The Parties acknowledge that they have jointly engaged consultants in connection with the Amalgamations, including as contemplated in the MOU. Upon Closing of the Amalgamations, the costs of all such jointly engaged consultants shall be transferred to LDC Mergeco and shall become the responsibility of LDC Mergeco. In the event that this Agreement is terminated prior to Closing, then Veridian LDC shall bear 68% of such costs and Whitby LDC shall bear 32% of such costs.

ARTICLE 7 INDEMNIFICATION

7.1 Indemnification

- (1) Subject to Sections 7.1(6), 7.1(8) and 7.1(9), and subject to the *Limitations Act, 2002* (Ontario), Ajax, Belleville, Clarington and Pickering, on a several basis, shall indemnify, defend and hold harmless Whitby and each of its councillors, officers, directors, employees, shareholders and agents (each, a "Whitby Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, assessments, reassessments, charges, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' and other professionals' and experts' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by any Whitby Indemnitee, respectively, relating to, in connection with or resulting from or arising out of any Direct Claim or Third Party Claim in respect of:
 - (a) any breach by Ajax, Belleville, Clarington or Pickering of any representation and warranty made by it in respect of itself under Section 5.1

- (b) any breach by Veridian Holdco of any representation and warranty made by it in respect of itself, Veridian LDC or the Veridian Non-Regulated Affiliates under Sections 5.2 and 5.3;
- (c) any breach by Veridian Holdco of any representation and warranty contained in this Agreement, or incorrectness in any certificate furnished by Veridian Holdco or Veridian LDC in accordance with this Agreement; or
- (d) any breach by Veridian Holdco and Veridian LDC, or either of them, of any covenants or agreements contained in this Agreement provided such breach was not caused by the breach by Whitby Holdco, or Whitby LDC of its covenants or agreements contained in this Agreement;

provided that in the case of (a), (b), (c) or (d) the Claim is brought within the time limits set out in Section 8.3.

- (2) It is the intention of Ajax, Belleville, Clarington and Pickering to constitute Whitby as trustee for the Whitby Indemnitees that are not party to this Agreement of the covenants of Ajax, Belleville, Clarington and Pickering in this Section 7.1. Whitby agrees to accept such trust and to hold and enforce such covenants on behalf of the Whitby Indemnitees.
- (3) Subject to Sections 7.1(7), 7.1(8) and 7.1(9), and subject to the *Limitations Act, 2002* (Ontario), Whitby shall indemnify, defend and hold harmless, Ajax and each of its councillors, officers, directors, employees, shareholders and agents (each, an "Ajax Indemnitee"), Belleville and each of its councillors, officers, directors, employees, shareholders and agents (each, a "Belleville Indemnitee"), Clarington and each of its councillors, officers, directors, employees, shareholders and agents (each, a "Belleville Indemnitee"), Clarington and each of its councillors, officers, directors, employees, shareholders and agents (each, a "Clarington Indemnitee"), Pickering and each of its councillors, officers, directors, employees, shareholders and agents (each, a "Pickering Indemnitee") from and against any Indemnifiable Loss, asserted against or suffered by any Ajax Indemnitee, Belleville Indemnitee, Clarington Indemnitee or Pickering Indemnitee, respectively, relating to, in connection with or resulting from or arising out of any Direct Claim or Third Party Claim in respect of:
 - (a) any breach by Whitby of any representation and warranty made by it in respect of itself under Section 5.1;
 - (b) any breach by Whitby Holdco of any representation and warranty made by it in respect of itself, Whitby LDC or the Whitby Non-Regulated Affiliates under Sections 5.4 and 5.5;
 - (c) any breach by Whitby Holdco of any representation and warranty contained in this Agreement, or incorrectness in any certificate furnished by Whitby Holdco or Whitby LDC in accordance with this Agreement; or

(d) any breach by Whitby Holdco and Whitby LDC, or either of them, of any covenants or agreements contained in this Agreement provided such breach was not caused by the breach by Veridian Holdco or Veridian LDC, of its covenants or agreements contained in this Agreement;

provided that in the case of (a), (b), (c) or (d) the Claim is brought within the time limits set out in Section 8.3.

- (4) It is the intention of Whitby to constitute Ajax as trustee for the Ajax Indemnitees that are not party to this Agreement of the covenants of Whitby in this Section 7.1, to constitute Belleville as trustee for the Belleville Indemnitees that are not party to this Agreement of the covenants of Whitby in this Section 7.1, to constitute Clarington as trustee for the Clarington Indemnitees that are not party to this Agreement of the covenants of Whitby in this Section 7.1, to constitute Pickering as trustee for the Pickering Indemnitees that are not party to this Agreement of the covenants of Whitby in this Section 7.1. Ajax agrees to accept such trust and to hold and enforce such covenants on behalf of the Ajax Indemnitees, Belleville agrees to accept such trust and to hold and enforce such covenants on behalf of the Belleville Indemnitees, Clarington agrees to accept such trust and to hold and enforce such covenants on behalf of the Clarington Indemnitees, Pickering agrees to accept such trust and to hold and enforce such covenants on behalf of the Pickering Indemnitees.
- (5) The expiration or termination of any period of indemnification set out in Sections 7.1(1) and 7.1(3) shall not affect the Parties' obligations under this Article 7 if the Indemnitee provides to the Person required to provide indemnification under this Agreement (the "**Indemnifying Party**") with proper notice of the claim or event for which indemnification is sought prior to such expiration or termination.
- (6) The obligations of Ajax, Belleville, Clarington and Pickering under this Article 7 shall be limited as follows:



Privileged & Confidential



(7) Whitby's obligations under this Article 7 shall be limited as follows:



- (8) For greater certainty, all Indemnifiable Losses will be calculated without duplication.
- (9) Notwithstanding anything to the contrary in this Agreement:
 - (a) no Party (including a non-Party Indemnitee) shall be entitled to recover hereunder any amount in excess of the actual compensatory damages, court costs and reasonable fees and other expenses of lawyers and other professionals and experts suffered by such Party; and
 - (b) each Party waives any right to recover punitive, special and consequential damages arising in connection with or with respect to this Agreement.

The provisions of Section 7.1(9)(b) shall not apply to indemnification for a Third Party Claim.

(10) The Parties agree that, from and after Closing, this Article 7 sets out the sole and exclusive manner by which the Parties may seek compensation or other monetary relief

hereunder for any breach of representation, warranty or covenant, and is in lieu of any and all other rights and remedies which any Party may have whatsoever, for any matter in respect of which it may make a claim on account of an Indemnifiable Loss.

7.2 Defence of Claim

- (1) If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action or proceeding made or brought by any Person who is not an Indemnitee (a "**Third Party Claim**") with respect to which indemnification is to be sought from an Indemnifying Party, the Indemnitee shall give such Indemnifying Party reasonably prompt written notice thereof, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee's receipt of notice of such Third Party Claim. Such notice shall describe the nature of the Third Party Claim in reasonable detail and shall indicate the amount or, if the amount is not then determinable, an appropriate and reasonable estimate of the potential amount of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party will have the right to participate in (or by giving written notice to the Indemnifying Party's expense and by such Indemnifying Party's own counsel, provided, however, that:
 - (a) counsel for the Indemnifying Party shall conduct the defence of such Third Party Claim in a manner reasonably satisfactory to the Indemnitee; and
 - (b) if the defendants to the Third Party Claim include both the Indemnifying Party and the Indemnitee and the Indemnitee shall have reasonably concluded that there may be legal defences available to it which are different from, additional to or inconsistent with those available to the Indemnifying Party, the Indemnitee shall have the right to select separate counsel to participate in the defence of the Third Party Claim and the reasonable fees and disbursements of such counsel shall he considered Indemnifiable Losses for the purpose of this Agreement.

Notwithstanding the provisions of this Section 7.2(1), where a Third Party Claim relates to Taxes, the Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume jointly with the Indemnitee the defence of such a Third Party Claim relating to Taxes and both the Indemnifying Party and the Indemnitee shall act reasonably in connection with the conduct and management of such defence. The provisions of this Section 7.2(1) shall otherwise apply *mutatis mutandis*.

(2) If the Indemnifying Party assumes the defence in accordance with Section 7.2(1) the Indemnitee shall co-operate in good faith in such defence at such Indemnitee's own expense. If an Indemnifying Party elects not to assume control of the defence of any Third Party Claim, the Indemnitee shall be entitled to assume such control and may compromise or settle such Third Party Claim (in any manner that it determines appropriate, acting reasonably), over the objection of the Indemnifying Party's liability

pursuant to this Agreement and the Indemnifying Party shall be bound by the results obtained by the Indemnitee with respect to such Third Party Claim.

- (3) If, within twenty (20) calendar days after an Indemnitee provides written notice to the Indemnifying Party of any Third Party Claims, the Indemnitee receives written notice from the Indemnifying Party that such Indemnifying Party has elected to assume the defence of such Third Party Claim as provided in Section 7.2(1), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the defence thereof except as expressly provided in Section 7.2(1), provided, however, that if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within twenty (20) calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps, the Indemnitee may assume its own defence and the Indemnifying Party shall be liable for all reasonable expenses thereof.
- Without the prior written consent of the Indemnitee, the Indemnifying Party shall not (4) enter into any settlement of any Third Party Claim which would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification under this Agreement. The Indemnifying Party shall not settle any Third Party Claim or conduct any legal or administrative proceeding in a manner which would, in the opinion of the Indemnitee, acting reasonably, have a material adverse impact on the Indemnitee. If a final offer is made to settle a Third Party Claim and the offer creates no liability or financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification under this Agreement and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such final offer within twenty (20) calendar days after its receipt of such notice, the Indemnifying Party shall be relieved of its obligations to defend such Third Party Claim and the Indemnitee may contest or defend such Third Party Claim. In such event, the maximum liability of the Indemnifying Party as to such Third Party Claim will be the amount of such settlement offer plus reasonable costs and expenses paid or incurred by the Indemnitee up to the date of such notice.
- (5) If any Third Party Claim is of a nature such that the Indemnitee is required by Applicable Law to make a payment to any Person (a "**Third Party**") for the purposes of this Section 7.2(5) with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitee may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnitee, reimburse the Indemnitee for any such payment. If the amount of any liability under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnitee, the Indemnitee shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnifying Party.

- (6) Except in the circumstances contemplated by Section 7.2(2) or as expressly provided in Section 7.2(5), and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnitee shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld).
- (7) The Indemnitee shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice thereof and an opportunity to contest such Third Party Claim.
- (8) The Parties shall co-operate fully with each other with respect to Third Party Claims, shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available) and shall each designate a senior officer who will keep himself informed about and be prepared to discuss the Third Party Claim with his counterparts and with counsel at all reasonable times.
- (9) Any claim by an Indemnitee on account of an Indemnifiable Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, stating the nature and factual basis of the Claim in reasonable detail and indicating the amount, or if the amount is not then determinable, an approximate and reasonable estimate of the potential amount of the Direct Claim, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee becomes aware of such Direct Claim, and the Indemnifying Party shall have a period of twenty (20) calendar days within which to investigate and respond to such Direct Claim. For the purpose of such investigation, the Indemnitee shall make available to the Indemnifying Party the information relied upon by the Indemnitee to substantiate the Direct Claim. If the Indemnitee and the Indemnifying Party agree, at or prior to the expiration of such twenty (20) calendar day period, to the validity and amount of the Direct Claim, the Indemnifying Party shall immediately pay to the Indemnitee the full agreed upon amount of the Direct Claim. If the Indemnifying Party does not respond within such twenty (20) calendar day period, the Indemnifying Party shall be deemed to have accepted the Direct Claim. If the Indemnifying Party rejects such Direct Claim, the Indemnitee will be free to seek enforcement of its right to indemnification under this Agreement and shall be entitled to submit the Dispute to the Dispute arbitration procedure referred to in Section 8.2.
- (10) If the amount of any Indemnifiable Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by, from or against any other entity (including, without limitation, relating to any increase in distribution rates specifically to allow such recovery or from a reduction in taxes), the amount of such reduction, together with any interest earned on such amount, if applicable, less any deductibles, costs or expenses incurred in connection therewith, shall promptly be repaid by the Indemnitee to the Indemnifying Party.

(11) A failure to give timely notice as provided in this Section 7.2 shall not affect the rights or obligations of any Party under this Agreement except if, and only to the extent that, as a result of such failure, the party which was entitled to receive such notice was actually prejudiced.

7.3 Duty to Mitigate and Right to Recover

- (1) Nothing in this Agreement in any way restricts or limits the obligation under Applicable Law of an Indemnitee to mitigate any Loss which it may suffer or incur by reason of any breach by an Indemnifying Party of any representation, warranty, covenant or obligation of the Indemnifying Party under this Agreement.
- (2) Before an Indemnitee seeks recovery from an Indemnifying Party under this section 7.3(2) for any or all Losses for a Claim, the Indemnitee shall notify Merged Holdco of such Claim and the board of directors of Merged Holdco shall determine, acting reasonably, if any amounts with respect to such Losses are recoverable by the Indemnitee under insurance policies, indemnities, reimbursement arrangements or similar contracts. If Merged Holdco determines that there is a reasonable likelihood of recovery of such Losses under insurance policies, indemnities, reimbursement arrangements or similar Contracts, Merged Holdco on behalf of such Indemnitee shall make commercially reasonable efforts to recover such Losses in such manner prior to the Indemnitee seeking recovery from an Indemnifying Party for such Losses under this section 7.3(2). The amount of any and all Losses under this section 7.3(2) is to be determined net of any amounts so recovered or recoverable by the Indemnitee.

ARTICLE 8 GENERAL PROVISIONS

8.1 Notices

Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as provided below. Any such notice or other communication, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand, shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this Section 8.1. Notices and other communications shall be addressed as follows:

(a) in the case of Veridian Holdco and Veridian LDC:

55 Taunton Road West Ajax, ON L1T 3V3

Attention:Michael AngemeerEmail:mangemeer@veridian.on.ca

(b) in the case of Whitby Holdco and Whitby LDC:

100 Taunton Road East Whitby, ON L1N 5R8

Attention:John SandersonEmail:jsanderson@whitbyhydro.on.ca

Notwithstanding the foregoing, any notice or other communication required or permitted to be given by any Party pursuant to or in connection with any arbitration procedures contained in this Agreement or in any Schedule to this Agreement may only be delivered by hand. The failure to send or deliver a copy of a notice to counsel shall not invalidate any notice given under this Section 8.1.

8.2 Arbitration Procedures

- (a) **Disputes:** Each Party shall appoint one or more representatives who shall be responsible for administering this Agreement on its behalf and for representing its respective interests in disputes relating to this Agreement (other than a dispute pursuant to Section 2.2(7) which shall be resolved in accordance with the procedure set forth in Section 2.2(8), or a dispute pursuant to Section 2.2(12) which shall be resolved in accordance with the procedure set forth in Section 2.2(8), or a dispute pursuant to Section 2.2(12) which shall be resolved in accordance with the procedure set forth in such section) ("**Disputes**"). Any Dispute between the Parties relating to this Agreement that is not resolved within ten (10) Business Days of the date that one Party notifies the other Party or Parties of such Dispute shall be referred by the Parties' representatives in writing to the senior management of each Party for resolution. Such senior management shall use good faith efforts to resolve the Dispute for a period of up to ten (10) Business Days.
- (b) <u>Arbitration</u>: Any Dispute that is not resolved by the procedure set forth in Section 8.2(a) above may be referred to and resolved by arbitration by a single arbitrator in accordance with the provisions of the *Arbitration Act, 1991* (Ontario), subject to the following modifications and additions:
 - (i) the arbitration shall take place in Whitby or Ajax, Ontario, and shall be conducted in English;
 - (ii) the arbitration shall be conducted by a single arbitrator having no financial, business or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the Parties. In the event the Parties are unable to agree on the appointment of the arbitrator within ten (10) days after

notice of a demand for arbitration is given by a Party, then the arbitrator shall be selected pursuant to the provisions of the *Arbitration Act*, 1991 (Ontario);

- (iii) the arbitrator shall have the authority to award any remedy or relief that a court could order or grant in accordance with this Agreement including, without limitation, specific performance of any obligation, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process; and
- (iv) the arbitral award shall be in writing, stating the reasons for the award and be final and binding on the Parties with no rights of appeal.

8.3 Survival of Representations and Warranties, Covenants and Obligations

- (a) The representations and warranties given or made by any Party in this Agreement or in any certificate or other writing furnished in connection with this Agreement shall survive the Closing for a period of eighteen (18) months after the Closing Date and shall thereafter terminate and be of no further force or effect, except that
 - (i) any Claim relating a breach of the representations and warranties in Sections 5.1(1), 5.1(2), 5.1(3), 5.1(8), 5.2(1), 5.2(2), 5.2(3), 5.2(8), 5.3(1), 5.3(2), 5.3(3), 5.4(1), 5.4(2), 5.4(3), 5.4(8), 5.5(1), 5.5(2) or 5.5(3) or that is based on fraud or fraudulent misrepresentation, may be brought at any time;
 - (ii) any Claim relating to a breach of the representations and warranties in Sections 5.3(28) and 5.5(28) will survive until 60 days following the applicable period of reassessment under Applicable Law in respect of any taxation period ending on or prior to the Closing Date or in which the Closing Date occurs; and
 - (iii) any representation and warranty as to which a Claim (including a contingent Claim) shall have been asserted during the survival period shall continue in effect with respect to such Claim until such Claim shall have been finally resolved or settled. Each Party shall be entitled to rely upon the representations and warranties of the other Parties set forth in this Agreement, notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any party to complete the Closing;
- (b) the covenants and obligations of the Parties set forth in this Agreement, including the indemnification obligations of Veridian Holdco and Whitby Holdco under Article 7, shall survive the Closing indefinitely, unless such covenants and obligations by their terms expire on or before the Closing or on a specified day after the Closing, and each Party shall be entitled to the full performance thereof

by the other Parties without limitation as to time or amount (except as otherwise specifically set forth in this Agreement); and

(c) subject to Sections 8.3(a) and (b), all of the provisions upon which a claim is made under this Agreement shall survive until such claim has been disposed of in accordance with this Agreement.

8.4 No Personal Liability Re: Certificates

All certificates delivered by a corporate officer or director of Veridian Holdco, Whitby Holdco, Veridian LDC or Whitby LDC, or an officer or other representative of any Municipality in accordance with this Agreement, shall be delivered in such official capacity without personal liability to any such individual.

8.5 Entire Agreement

This Agreement, the agreements, declarations and instruments contemplated hereby and the Confidentiality Agreement constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the Parties, written or oral, in respect thereof, including the MOU.

8.6 Further Assurances

Each Party hereby covenants and agrees that at any time and from time to time after the Closing Date it will, upon the request of the other Parties, or any one of them, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, assignments, transfers, conveyances and assurances as may be required for the better carrying out and performance of all the terms of this Agreement.

8.7 **Remedies Cumulative**

The rights and remedies of the Parties under this Agreement are cumulative and in addition to and not in substitution for any rights or remedies provided by law. Any single or partial exercise by any Party hereto of any right or remedy for default or breach of any term, covenant or condition of this Agreement does not waive, alter, affect or prejudice any other right or remedy to which such Party may be lawfully entitled for the same default or breach.

8.8 Waiver, Amendment

(1) No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties. No waiver of any provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, no such waiver shall constitute a waiver of any other provision of this Agreement nor constitute a continuing waiver, or operate as a waiver of, or estoppel with respect to, any subsequent failure to comply. (2) The Municipalities shall be promptly notified of each proposed modification of or amendment to this Agreement. Notwithstanding the provisions of Section 8.8(1), any modification of or amendment that would result in a material change to this Agreement, shall not be effective or binding unless approved in writing by each of the Municipalities.

8.9 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same agreement.

8.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable therein. The Parties agree that the courts of Ontario shall have exclusive jurisdiction to determine all disputes and claims arising under or pursuant to this Agreement.

8.11 Commercially Reasonable Efforts

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any Party to use commercially reasonable efforts to obtain any waiver, consent, approval, permit, licence or other document shall not require such Party to make any payment to any Person for the purpose of procuring the same, other than payments for amounts otherwise due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any Applicable Law or regulation.

8.12 Time of Essence

Time shall be of the essence hereof.

8.13 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

8.14 No Partnership

Nothing contained in this Agreement nor any acts of the Parties hereunder shall be deemed to constitute any Party as a partner of any other Party.

8.15 Assignment

The rights of the Parties hereunder shall not be assignable.

8.16 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors. Nothing herein, express or implied, is intended to confer upon any Person, other than the Parties hereto and their respective successors, any rights remedies, obligations or liabilities under or by reason of this Agreement.

8.17 Covenant of the Parties

Each of Veridian Holdco, Veridian LDC, Whitby Holdco, Whitby LDC and each of the Municipalities is entering into this Agreement to confirm its undertaking and agreement to be bound by all of the provisions of this Agreement and that it will act to give effect to the terms and conditions of this Agreement.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties have duly authorized and executed this Merger Participation Agreement as of the day and year first above written.

By:

THE CORPORATION OF THE TOWN OF AJAX

Title: mAYOR By:

Name: STEVE PARISH

Imper Name: NICOLE COOPER

Title: CLERK

THE CORPORATION OF THE CITY OF BELLEVILLE

By: Name: Title:

By: ______ Name: ______ Title:

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

By:			
Name:			
Title:			
111101			

By:			
Name:			
Title:	a		

IN WITNESS WHEREOF the Parties have duly authorized and executed this Merger Participation Agreement as of the day and year first above written.

THE CORPORATION OF THE TOWN OF AJAX

By: Name:			
Name:			
Title:			

By:	
Name:	
Title:	

THE CORPORATION OF THE CITY OF By: Name: COUNCINOF Panauk Title: Prime: MAT MEW MACDONALD Title: CITY CLERK

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

By:	
Name:	
Title:	

By:	
Name:	
Title:	

IN WITNESS WHEREOF the Parties have duly authorized and executed this Agreement as of the day and year first above written.

THE CORPORATION OF THE TOWN OF AJAX

By:			
Name:	 	<u> </u>	
Title:			

By: Name: Title:

THE CORPORATION OF THE CITY OF **BELLEVILLE**

By: Name: Title:

Name:

Title:

By:

THE CORPORATION OF THE **MUNICIPALITY OF CLARINGTON**

By: Name: Adrian Foster Title:

Mayor

By: Name: C. Anne Greentree Title:

Clerk

THE CORPORATION OF THE CITY OF PICKERING

By:	Dan	
Name: Title:	DAVE Ryan Mayor	

By: D. Shields Name: Debbie Shields Title: City Clerk

THE CORPORATION OF THE TOWN OF WHITBY

By: Name: Title:

VERIDIAN CORPORATION

By:		
By: Name:		
Title:		
By:		
By: Name:	10 1	

Title:

THE CORPORATION OF THE CITY OF PICKERING

By:		
Name:	2	
Title:		

By:

Name:

Title:

THE CORPORATION OF THE TOWN OF WHITBY

 $\overline{}$ hitchell By:

Name: Don Mitchell Title: Mayor

By:

Name: Christopher Harris Title: Town Clerk

VERIDIAN CORPORATION

By:			×
Name:			
Title:			

By:
Name:

Title:

THE CORPORATION OF THE CITY OF PICKERING

By:	
Name:	
Title:	

By:	
Name:	
Title:	

THE CORPORATION OF THE TOWN OF WHITBY

By:			
Name:			
Title:			

By:	
Name:	
Title:	

VERIDIAN CORPORATION

By:	M. c. Angemec
Name:	MICHAEL ANGEMEER
Title:	PRESIDENT & CEO

By:	 			
Name:				
Title:				

THE CORPORATION OF THE CITY OF PICKERING

_

By:	
Name:	
Title:	

THE CORPORATION OF THE TOWN OF WHITBY

By:	
Name:	
Title:	

By:	
Name:	
Title	

VERIDIAN CORPORATION

By: Name:	
Name:	
Title:	5
Bv:	45
By: Name:	
Title:	ATKIANT FOOTER, CHAR

Privileged & Confidential

VERIDIAN CONNECTIONS INC.

By:	m.c. Angemes
Name: [–]	MICHAEL ANGEMEER
Title:	PRESIDENT & CEO

By:	 		
Name:		· · · · ·	
Title:			

WHITBY HYDRO ENERGY CORPORATION

By:				
Name:	 	·	••••••••	
Title:				
By: ·				
Dy.	 			

Name: Title:

WHITBY HYDRO ELECTRIC CORPORATION

.

By:		
By: Name: Title:	 	
By:		

Name: Title:

VERIDIAN CONNECTIONS INC.

By:	
Name:	
Title:	
	11 X
By:	(A)
Name:	ADLIM FOSTED, CHAIL
Title	- Transit Toster - time

WHITBY HYDRO ENERGY CORPORATION

By: Name:			
Name:			
Title:			
By:			
By:			
Title:			

WHITBY HYDRO ELECTRIC CORPORATION

By:	
By:Name:	
Title:	
By:	
By:Name:	
Title	

VERIDIAN CONNECTIONS INC.

By:			
Name:			
Title:			

By:	
Name:	
Title:	

WHITBY HYDRO ENERGY CORPORATION

	$\langle \rangle \rangle$	
By:	Adandum	
Name:	John L. Sanderson	
Titler		

Title: President and CEO

By:	
Name:	
Title:	

WHITBY HYDRO ELECTRIC CORPORATION

By:

Name: John L. Sanderson Title: President and CEO

By: Name:

Title:

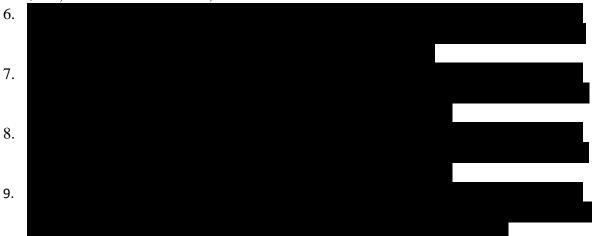
(111)

Schedule 1.1(a) Veridian – Credit Agreements

- 1. Veridian Connections Inc. Credit Facility with The Toronto-Dominion Bank dated December 22, 2014.
 - a. ISDA 2002 Master Agreement between The Toronto-Dominion Bank and Veridian Connections Inc. dated October 20, 2011.



- 4. Irrevocable Standby Letter of Credit No. 1805-9520715-05 issued by The Toronto-Dominion Bank to the Independent Electricity System Operator as beneficiary and Veridian Connections Inc. as applicant in the amount of \$806,730.00 on July 13, 2010.
- Irrevocable Letter of Credit No. 0272-9520715-15 issued by The Toronto-Dominion Bank to Her Majesty the Queen in Right of Ontario as Represented by the Minister of the Environment as beneficiary and Veridian Connections Inc. as applicant in the amount of \$100,000.00 on December 8, 2014.



- 10. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax on March 30, 2010, for a Principal Amount of \$14,060,000.00 and with a Maturity Date of November 1, 2039.
- 11. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering on March 30, 2010, for a Principal Amount of \$17,974,000.00 and with a Maturity Date of November 1, 2039.
- 12. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington on March 30, 2010, for a Principal Amount of \$5,966,000.00 and with a Maturity Date of November 1, 2039.

- Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville on March 30, 2010, for a Principal Amount of \$5,588,000.00 and with a Maturity Date of November 1, 2039.
- 14. First Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation on March 30, 2010, for a Principal Amount of \$21,000,000.00 and with a Maturity Date of December 17, 2039.
- 15. First Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation on December 9, 2014, for a Principal Amount of \$15,000,000.00 and with a Maturity Date of December 9, 2024.

Schedule 1.1(a)

Credit Agreements

Whitby LDC

Creditor	Agreement Date	Credit Contract Arrangements	Note
Toronto Dominion Bank	March 12, 2018	Operating Line of Credit facility/ Standby Letter of Credit	The Operating Line of Credit facility increased to \$10 million/ drops to \$5 million on January 1, 2019 / Standby Letter of Credit \$6.9 million compliance with IESO
Ontario Infrastructure and Lands Corporation	March 15, 2018	Amending Agreement (Intercreditor Amending Agreement)	Agreement also names TD Bank. Reflects Infrastructure Ontario terms and conditions as to security interest of loans with TD Bank.
Ontario Infrastructure and Lands Corporation	September 28, 2011	Borrowing of \$6 million with respect financing smart meter program	
The Corporation of the Town of Whitby	November 2000	Promissory Note #1 \$1,460,300 principal	
The Corporation of the Town of Whitby	November 2000	Promissory Note #2 \$5,061,000 principal	
The Corporation of the Town of Whitby	November 2000	Promissory Note #3 \$21,816,642 principal	

Whitby Holdco

None.

Schedule 1.1(b) Veridian - Interim Period Planned Projects

Veridian LDC:

1. All contracts for the supply of materials and services relating to the design and construction of the Seaton Transformer Station project, located in Pickering, Ontario.

Veridian Non-Regulated Affiliates:

2. <u>All contracts relating to the following initiatives:</u>



Schedule 1.1(b)

Interim Period Planned Projects

Whitby LDC:

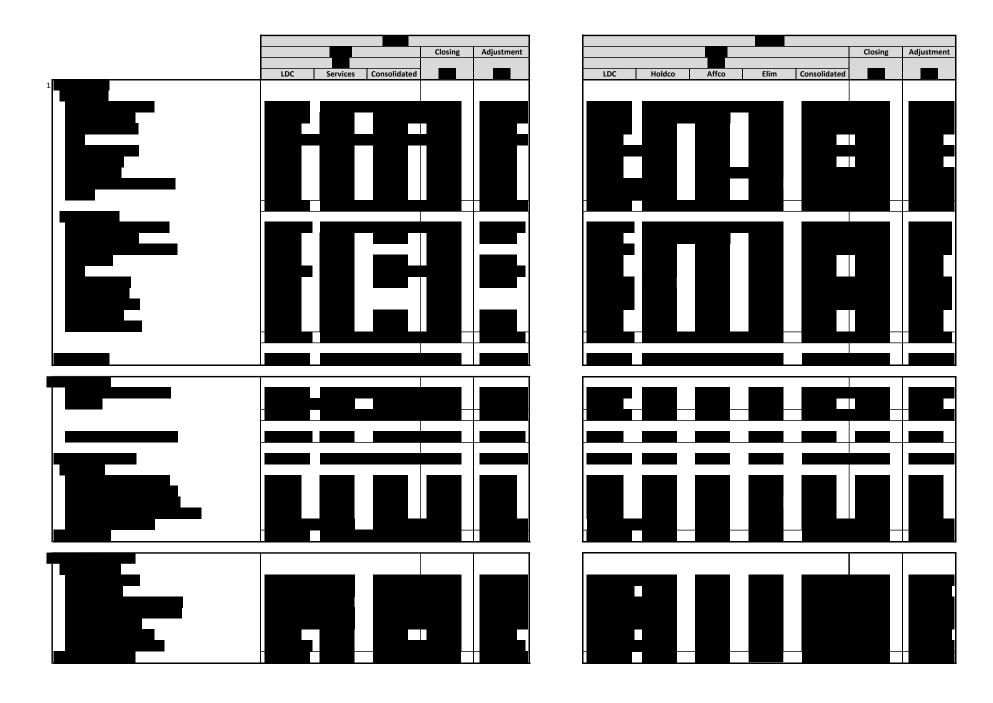
None.

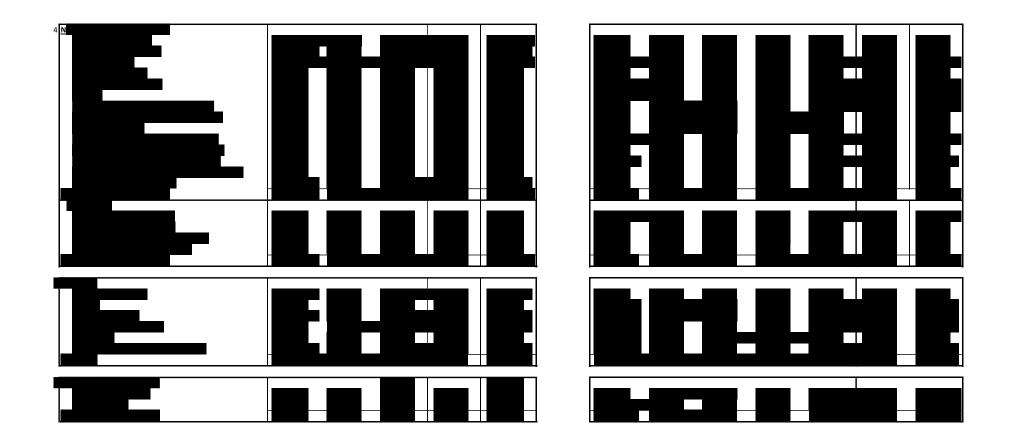
Whitby Holdco:

None.

Whitby Hydro Energy Services Corporation:

•





SCHEDULE 2.3(1) (TO THE MERGER PARTICIPATION AGREEMENT)

FORM OF HOLDCO AMALGAMATION AGREEMENT

AMALGAMATION AGREEMENT

THIS AGREEMENT dated as of _____, 20_____

BETWEEN:

VERIDIAN CORPORATION ("Amalgamating Corporation 1")

- and -

WHITBY HYDRO ENERGY CORPORATION ("Amalgamating Corporation 2")

RECITALS:

- A. Each of Amalgamating Corporation 1 and Amalgamating Corporation 2 is a corporation existing under the Act.
- B. The authorized capital of Amalgamating Corporation 1 consists of an unlimited number of common shares of which 10,000 common shares are issued and outstanding as fully paid and non-assessable shares of Amalgamating Corporation 1.
- C. The authorized capital of Amalgamating Corporation 2 consists of an unlimited number of common shares, of which 3043.217598 common shares are issued and outstanding as fully-paid and non-assessable shares of Amalgamating Corporation 2.
- D. Amalgamating Corporation 1 and Amalgamating Corporation 2 wish to amalgamate under section 174 of the Act (the "Amalgamation").

IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

1. **INTERPRETATION**

1.1 Capitalized terms not defined herein shall have the meaning given to them in the Merger Participation Agreement, and otherwise in this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:

- (a) "Act" means the *Business Corporations Act* (Ontario).
- (b) **"Agreement"** means this amalgamation agreement, including all Schedules to this amalgamation agreement, as amended from time to time in accordance with its provisions.
- (c) **"Amalgamated Corporation"** has the meaning ascribed to that term in Section 2.
- (d) **"Amalgamating Corporation 1"** means Veridian Corporation, a corporation existing under the Act.
- (e) **"Amalgamating Corporation 2"** means Whitby Hydro Energy Corporation, a corporation existing under the Act.
- (f) **"Amalgamating Corporations"** means Amalgamating Corporation 1 and Amalgamating Corporation 2, and **"Amalgamating Corporation"** means either one of them.
- (g) "Amalgamation" has the meaning ascribed to that term in the Recitals.
- (h) **"Effective Date"** means the date set out on the certificate endorsed by the Director appointed under the Act on the articles of amalgamation giving effect to the Amalgamation.
- "Merger Participation Agreement" means the merger participation agreement dated <*>, 2018 among The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, The Corporation of the Town of Whitby, Amalgamating Corporation 1, Veridian Connections Inc., Amalgamating Corporation 2, and Whitby Hydro Electric Corporation.
- (j) **"Parties"** means collectively Amalgamating Corporation 1 and Amalgamating Corporation 2, and **"Party"** means either one of them.
- (k) **"Tax Act"** means the Income Tax Act (Canada).
- 1.2 In this Agreement:
 - (a) the division into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
 - (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
 - (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Section are references to the Section of this Agreement;

- (ii) "including" or "includes" means "including (or includes) but is not limited to" and shall not be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
- (iii) references to any legislation, statutory instrument or regulation or a section thereof, unless otherwise specified, is a reference to the legislation, statutory instrument, regulation or section as amended, restated and re-enacted from time to time; and
- (iv) words in the singular include the plural and vice-versa and words in one gender include all genders.
- 1.3 The following schedules are attached to and form part of this Agreement:

Schedule 1 - Share Capital

2. <u>AMALGAMATION</u>

Subject to the provisions of this Agreement, the Amalgamating Corporations agree to amalgamate under section 174 of the Act and continue as one corporation (the "Amalgamated Corporation") on the Effective Date.

3. <u>NAME</u>

The name of the Amalgamated Corporation shall be "<*>"

4. <u>REGISTERED OFFICE</u>

The registered office of the Amalgamated Corporation shall be in the province of Ontario and shall be located at , Ontario [include full address with postal code].

5. <u>RESTRICTIONS ON BUSINESS</u>

There shall be no restrictions on the business that the Amalgamated Corporation may carry on or the powers that the Amalgamated Corporation may exercise.

6. <u>SHARE CAPITAL</u>

- 6.1 The Amalgamated Corporation is authorized to issue an unlimited number of shares to be designated as Common Shares, an unlimited number of shares to be designated as Class A Special Shares and an unlimited number of shares to be designated as Class B Special Shares.
- 6.2 The rights, privileges, restrictions and conditions attaching to each class of shares are set out in Schedule 1.

7. <u>RESTRICTIONS ON SHARE TRANSFERS</u>

The right to transfer securities of the Amalgamated Corporation (other than debt securities that are not convertible into shares of the Amalgamated Corporation) shall be restricted in that no holder of such securities shall be entitled to transfer any such securities without either:

- (a) if the transfer of such securities is restricted by any security holders' agreement, complying with such restrictions in such agreement; or
- (b) if there are no such restrictions, either:
 - the express sanction of the holders of more than 50% of the voting shares of the Amalgamated Corporation for the time being outstanding expressed by a resolution passed at a meeting of the shareholders or by an instrument or instruments in writing signed by the holders of more than 50% of such shares; or
 - (ii) the express sanction of the directors of the Amalgamated Corporation expressed by a resolution passed by the votes of a majority of the directors of the Amalgamated Corporation at a meeting of the board of directors or signed by all of the directors entitled to vote on that resolution at a meeting of directors.

8. <u>OTHER PROVISIONS</u>

8.1 There shall be no other provisions contained in the articles of the Amalgamated Corporation.

9. EXCHANGE OF SHARES

- 9.1 On the Amalgamation becoming effective:
 - (a) the 3,210 issued and fully-paid common shares of Amalgamating Corporation 1 held by The Corporation of the Town of Ajax shall be exchanged into 21,828 issued, fully-paid and non-assessable Common Shares and 21,828 issued, fully-paid and non-assessable Class A Special Shares of the Amalgamated Corporation;
 - (b) the 1,330 issued and fully-paid common shares of Amalgamating Corporation 1 held by The Corporation of the City of Belleville shall be exchanged into 9,044 issued, fully-paid and non-assessable Common Shares and 9,044 issued, fully-paid and non-assessable Class A Special Shares of the Amalgamated Corporation;
 - (c) the 1,360 issued and fully-paid common shares of Amalgamating Corporation 1 held by The Corporation of the Municipality of Clarington shall be exchanged into 9,248 issued, fully-paid and non-assessable Common Shares and 9,248 issued, fully-paid and non-assessable Class A Special Shares of the Amalgamated Corporation;

- (d) the 4,100 issued and fully-paid common shares of Amalgamating Corporation 1 held by The Corporation of the City of Pickering shall be exchanged into 27,880 issued, fully-paid and non-assessable Common Shares and 27,880 issued, fully-paid and non-assessable Class A Special Shares of the Amalgamated Corporation; and
- (e) the 3043.217598 issued and fully paid common shares of Amalgamating Corporation 2 held by The Corporation of the Town of Whitby shall be exchanged into 32,000 issued, fully-paid and non-assessable Common Shares and 32,000 issued, fully-paid and non-assessable Class B Special Shares of the Amalgamated Corporation.
- 9.2 The stated capital attributable to the:
 - (a) Common Shares issuable pursuant to Section 9.1 above upon the exchange of shares of Amalgamating Corporation 1 and Amalgamating Corporation 2 shall be the aggregate paid-up capital, within the meaning of the Tax Act, of 10,000 issued and fully-paid common shares of Amalgamating Corporation 1 and 3043.217598 issued and fully-paid common shares of Amalgamating Corporation 2, each immediately before the Effective Date, less \$2.00;
 - (b) Class A Special Shares issuable pursuant to Section 9.1 above upon the exchange of shares of Amalgamating Corporation 1 shall be \$1.00; and
 - (c) Class B Special Shares issuable pursuant to Section 9.1 above upon the exchange of shares of Amalgamating Corporation 2 shall be \$1.00.

10. <u>REPLACEMENT SHARE CERTIFICATES</u>

10.1 The shareholders of the Amalgamating Corporations shall surrender for cancellation the certificates representing the shares of the Amalgamating Corporations held by them immediately prior to the Effective Date in exchange for certificates representing the shares of the Amalgamated Corporation into which such shares were exchanged.

11. DIRECTORS AND OFFICERS

- 11.1 The Articles of the Amalgamated Corporation shall provide for the board of the Amalgamated Corporation to have a minimum number of one (1) director and a maximum number of twenty (20) directors. The initial number of directors of the Amalgamated Corporation shall be eleven (11). The size and appointment of the board of the Amalgamated Corporation shall be determined in accordance with any unanimous shareholders agreement in effect with respect to the Amalgamated Corporation and the Act.
- 11.2 The first directors of the Amalgamated Corporation shall be the following individuals:

<u>Name</u>

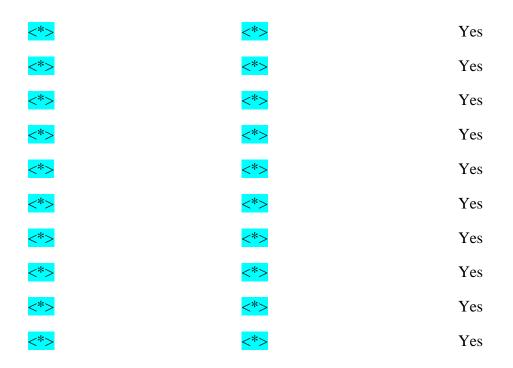
Address for Service

Resident Canadian

<*>

<*>

Yes



- 11.3 The first directors named above shall hold office until the first meeting of shareholders of the Amalgamated Corporation or until their successors are elected or appointed.
- 11.4 The officers of the Amalgamated Corporation shall be the following individuals to hold office at the pleasure of the board of directors or until their resignation, whichever occurs first:



12. <u>BY-LAWS</u>

The by-laws of the Amalgamated Corporation shall consist of By-law No. 1, a copy of which has been provided to the directors and shareholders of each Amalgamating Corporation in connection with their approval of this Agreement and the Amalgamation. A copy of the proposed By-law No. 1 may be examined at the registered office of the Amalgamated Corporation.

13. <u>FURTHER ASSURANCES</u>

Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that the other Party may

reasonably require, for the purposes of giving effect to this Agreement, including completing and sending the documents required under section 178 of the Act to the Director under the Act.

14. **TERMINATION**

At any time before the endorsement of a Certificate of Amalgamation under the Act, this Agreement may be terminated by the board of directors of any of the Amalgamating Corporations despite the approval of this Agreement by the shareholders of all or any of the Amalgamating Corporations.

15. <u>AMENDMENT</u>

This Agreement may be amended by an agreement in writing signed by each of the Amalgamating Corporations, provided the amendment is approved by a special resolution of the shareholders of each of the Amalgamating Corporations.

16. <u>ENUREMENT</u>

This Agreement shall enure to the benefit of and be binding on the respective successors of the Parties. This Agreement may not be assigned by either Party.

17. <u>GOVERNING LAW</u>

This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the law of the Province of Ontario and the laws of Canada applicable in that province.

18. <u>COUNTERPARTS</u>

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including without limitation in a portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Remainder of this page intentionally left blank]

VERIDIAN CORPORATION

By:			
By:			
	WHITBY HYDRO ENERGY CORPORATION		
By:			

By:

Signature Page – Amalgamation Agreement (Holding Corporations)

SCHEDULE 1 SHARE CAPITAL

A. COMMON SHARES

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares:

1. **Voting Rights:** The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and shall be entitled to one (1) vote per Common Share held, except meetings at which only holders of another class of shares are entitled to vote.

2. **Dividends:** The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine.

3. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to participate rateably in any distribution of the assets of the Corporation remaining after payment of the Total Class A Redemption Amount to the holders of the Class A Special Shares or the payment of the Total Class B Redemption Amount to the holders of the Class B Special Shares, as applicable.

B. CLASS A SPECIAL SHARES.

The following are the rights, privileges, restrictions and conditions attaching to the Class A Special Shares:

1. **Voting Rights:** The holders of Class A Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.

2. **No Dividends:** The holders of the Class A Special Shares shall not be entitled to receive any dividend payable by the Corporation.

3. **Redemption at the Option of the Holder:** Subject to the terms of the Merger Participation Agreement, any registered holder of Class A Special Shares may, at their option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class A Special Shares held by such holder, and the Corporation shall pay to such holder for each Class A Special Share an amount equal to the Class A Redemption Amount (as defined below). The redemption right provided for herein may be exercised by notice in writing given by any Class A Special shareholder to the Corporation within 30 days following the determination of the Net Adjustment Amount at the registered office of the Corporation or to any transfer agent or registrar for the Class A Special Shares, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class A Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify that the holder desires to

have all such Class A Special Shares redeemed. The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the aggregate of all Class A Redemption Amounts payable to the holders of Class A Special Shares ("Total Class A Redemption Amount") is less than or equal to \$2,000,000, then all such Class A Redemption Amounts shall be paid no later than 60 days following the determination of the Net Adjustment Amount. If the Total Class A Redemption Amount is greater than \$2,000,000 but less than or equal to \$3,000,000, then each such holder shall receive its Pro Rata Portion of \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, and shall receive the balance of its Class A Redemption Amount no later than 10 days following the commencement of the second fiscal year of the Corporation. If the Total Class A Redemption Amount is greater than \$3,000,000, then each such holder shall receive its Pro Rata Portion of \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, its Pro Rata Portion of \$1,000,000 no later than 10 days following the commencement of the second fiscal year of the Corporation, and its Pro Rata Portion of up to \$2,000,000 no later than 10 days following the commencement of each fiscal year thereafter until all Class A Redemption Amounts have been paid in full. If the payment of any Class A Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the Business Corporations Act (Ontario)) or would breach a covenant under the Corporation's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

"Class A Redemption Amount", for each Class A Special Share, means an amount equal to the aggregate Net Adjustment Amount payable to the holders of Class A Special Shares, if any, divided by the aggregate number of Class A Special Shares issued to all holders of Class A Special Shares pursuant to section 2.1 of the Merger Participation Agreement, provided that if there is no Net Adjustment Amount payable to the holders of Class A Special Shares, then the Class A Redemption Amount for each Class A Special Share shall be an amount equal to \$1.00 divided by the aggregate number of Class A Special Shares issued to all holders of Class A Special Shares pursuant to section 2.1 of the Merger Participation Agreement.

"Merger Participation Agreement" means the merger participation agreement dated <>>, 2018 among The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, The Corporation of the Town of Whitby, Veridian Corporation, Veridian Connections Inc., Whitby Hydro Energy Corporation, and Whitby Hydro Electric Corporation.

"Net Adjustment Amount" has the meaning given to it in the Merger Participation Agreement.

"**Pro Rata Portion**" means in respect of any holder of Class A Special Shares, such holder's ownership percentage of Class A Special Shares reflected by a fraction the numerator of which is the number of Class A Special Shares owned by such holder and the denominator of which is the total number of issued and outstanding Class A Special Shares.

"Total Class A Redemption Amount" is defined in Section B.3 above.

4. **Redemption by Corporation:** If any holder of Class A Special Shares fails to deliver a redemption notice as specified in Section B.3 above within 30 days following the determination of the Net Adjustment Amount then the Corporation may, upon giving notice as hereinafter provided,

redeem at any time and from time to time all of the then outstanding Class A Special Shares on payment of the Class A Redemption Amount for each share to be redeemed.

Idem: In the case of redemption of Class A Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to each person who at the date of mailing is a holder of the Class A Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class A Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class A Special Shares to be redeemed the aggregate Class A Redemption Amount for the Class A Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holders of the Class A Special Shares called for redemption shall cease to be entitled to any of the rights of holders of Class A Special Shares in respect thereof, unless payment of the Class A Redemption Amount for each Class A Special Share to be redeemed is not made, in which case the rights of the holders of the said Class A Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class A Special Shares to deposit the aggregate Class A Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the respective holders of such Class A Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class A Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the Total Class A Redemption Amount and any interest allowed on such amount shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class A Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class A Special Shares.

C. CLASS B SPECIAL SHARES

The following are the rights, privileges, restrictions and conditions attaching to the Class B Special Shares:

1. **Voting Rights:** The holders of Class B Special Shares shall not be entitled to receive notice of, attend or vote at any meeting of the Corporation's shareholders.

2. **No Dividends:** The holders of the Class B Special Shares shall not be entitled to receive any dividend payable by the Corporation.

3. Redemption at the Option of the Holder: Subject to the terms of the Merger Participation Agreement, the registered holder of Class B Special Shares may, at its option, upon giving notice as hereinafter described, require the Corporation, to redeem all of the Class B Special Shares held it, and the Corporation shall pay to such holder for each such Class B Special Share an amount equal to the Class B Redemption Amount (as defined below). The redemption right provided for herein may be exercised by notice in writing given by any Class B Special shareholder to the Corporation within 30 days following the determination of the Net Adjustment Amount at the registered office of the Corporation or to any transfer agent or registrar for the Class B Special Shares, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class B Special Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify that the holder desires to have all such Class B Special Shares redeemed. The holder shall pay any governmental, transfer or other tax imposed in respect of such redemption. If the Class B Redemption Amount payable to the holder of Class B Special Shares is less than or equal to \$2,000,000, then such Class B Redemption Amount shall be paid no later than 60 days following the determination of the Net Adjustment Amount. If the Class B Redemption Amount is greater than \$2,000,000 but less than or equal to \$3,000,000, then such holder shall receive \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, and shall receive the balance of its Class B Redemption Amount no later than 10 days following the commencement of the second fiscal year of the Corporation. If the Class B Redemption Amount is greater than \$3,000,000, then such holder shall receive \$2,000,000 no later than 60 days following the determination of the Net Adjustment Amount, \$1,000,000 no later than 10 days following the commencement of the second fiscal year of the Corporation, and up to \$2,000,000 no later than 10 days following the commencement of each fiscal year thereafter until the Class B Redemption Amount has been paid in full. If the payment of the Class B Redemption Amount would result in a breach by the Corporation of applicable law (including the solvency requirements of the Business Corporations Act (Ontario)) or would breach a covenant under the Corporation's financing arrangements, such payment shall not be paid but will be held in abeyance until such time that it can be paid without any such breach.

"Class B Redemption Amount", for each Class B Special Share, means an amount equal to the Net Adjustment Amount payable to the holder of Class B Special Shares, if any, divided by the aggregate number of Class B Special Shares issued to the holder of Class B Special Shares pursuant to section 2.1 of the Merger Participation Agreement, provided that if there is no Net Adjustment Amount payable to the holder of Class B Special Shares, then the Class B Redemption Amount for each Class B Special Share shall be an amount equal to \$1.00 divided by the aggregate number of Class B Special Shares issued to the holder of Class B Special Shares pursuant to section 2.1 of the Merger Participation Agreement.

4. **Redemption by Corporation:** If the holder of Class B Special Shares fails to deliver a redemption notice as specified in Section C.3 above within 30 days following the determination of

the Net Adjustment Amount then the Corporation may, upon giving notice as hereinafter provided, redeem at any time and from time to time all of the then outstanding Class B Special Shares on payment of the Class B Redemption Amount for each share to be redeemed.

Idem: In the case of redemption of Class B Special Shares by the Corporation, the Corporation shall, at least 10 days before the intended redemption date, mail to the holder of the Class B Special Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed by prepaid mail, addressed to each such holder at its address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the Class B Redemption Amount and the date on which redemption is to take place. On or after the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class B Special Shares to be redeemed the aggregate Class B Redemption Amount for the Class B Special Shares called for redemption. Such payment by the Corporation shall be made by way of a cheque payable at par at any branch of the Corporation's bankers in Canada. From and after the date specified for redemption in any such notice, the holder of the Class B Special Shares called for redemption shall cease to be entitled to any of the rights of a holder of Class B Special Shares in respect thereof, unless payment of the Class B Redemption Amount for each Class B Special Share to be redeemed is not made, in which case the rights of the holder of the said Class B Special Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem the Class B Special Shares to deposit the aggregate Class B Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named, in such notice, to be paid without interest to or to the order of the holder of such Class B Special Shares called for redemption, and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Class B Special Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holder thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest the total Class B Redemption Amount so deposited and any interest allowed on such deposit shall belong to the Corporation.

5. **Notice:** Where notice is required by the provisions hereof to be sent, the notice of the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto.

6. **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class B Special Shares will be entitled to receive from the assets of the Corporation a sum equivalent to any then-outstanding Class B Redemption Amounts (if any) owing to them before any amount is paid or any assets are distributed to the holders of the Common Shares or shares of any class ranking junior to the Class B Special Shares.

30602399.8

SCHEDULE 2.3(2) (TO THE MERGER PARTICIPATION AGREEMENT)

FORM OF LDC AMALGAMATION AGREEMENT

AMALGAMATION AGREEMENT

THIS AGREEMENT dated as of _____, 20_____

BETWEEN:

VERIDIAN CONNECTIONS INC. ("Amalgamating Corporation 1")

- and -

WHITBY HYDRO ELECTRIC CORPORATION ("Amalgamating Corporation 2")

RECITALS:

- A. Each of Amalgamating Corporation 1 and Amalgamating Corporation 2 is a corporation existing under the Act.
- B. The authorized capital of Amalgamating Corporation 1 consists of an unlimited number of common shares of which <*> common shares are issued and outstanding as fully paid and non-assessable shares of Amalgamating Corporation 1.
- C. The authorized capital of Amalgamating Corporation 2 consists of an unlimited number of common shares, of which 165 common shares are issued and outstanding as fully-paid and non-assessable shares of Amalgamating Corporation 2.
- D. Amalgamating Corporation 1 and Amalgamating Corporation 2 wish to amalgamate under section 174 of the Act (the "Amalgamation").

IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

1. **INTERPRETATION**

- 1.1 Capitalized terms not defined herein shall have the meaning given to them in the Merger Participation Agreement, and otherwise in this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:
 - (a) "Act" means the *Business Corporations Act* (Ontario).
 - (b) **"Agreement"** means this amalgamation agreement, including all Schedules to this amalgamation agreement, as amended from time to time in accordance with its provisions.
 - (c) **"Amalgamated Corporation"** has the meaning ascribed to that term in Section 2.
 - (d) **"Amalgamating Corporation 1"** means Veridian Connections Inc., a corporation existing under the Act.
 - (e) **"Amalgamating Corporation 2"** means Whitby Hydro Electric Corporation, a corporation existing under the Act.
 - (f) **"Amalgamating Corporations"** means Amalgamating Corporation 1 and Amalgamating Corporation 2, and **"Amalgamating Corporation"** means either one of them.
 - (g) "Amalgamation" has the meaning ascribed to that term in the Recitals.
 - (h) **"Effective Date"** means the date set out on the certificate endorsed by the Director appointed under the Act on the articles of amalgamation giving effect to the Amalgamation.
 - (i) "Merger Participation Agreement" means the merger participation agreement dated <*>, 2018 among The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, The Corporation of the Town of Whitby, Veridian Corporation, Amalgamating Corporation 1, Whitby Hydro Energy Corporation, and Amalgamation Corporation 2.
 - (j) **"Parties"** means collectively Amalgamating Corporation 1 and Amalgamating Corporation 2, and **"Party"** means either one of them.
 - (k) **"Tax Act"** means the Income Tax Act (Canada).
- 1.2 In this Agreement:
 - (a) the division into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;

- (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Section are references to the Section of this Agreement;
 - (ii) "including" or "includes" means "including (or includes) but is not limited to" and shall not be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) references to any legislation, statutory instrument or regulation or a section thereof, unless otherwise specified, is a reference to the legislation, statutory instrument, regulation or section as amended, restated and re-enacted from time to time; and
 - (iv) words in the singular include the plural and vice-versa and words in one gender include all genders.

2. <u>AMALGAMATION</u>

Subject to the provisions of this Agreement, the Amalgamating Corporations agree to amalgamate under section 174 of the Act and continue as one corporation (the "Amalgamated Corporation") on the Effective Date.

3. <u>NAME</u>

The name of the Amalgamated Corporation shall be "<*>"

4. <u>REGISTERED OFFICE</u>

The registered office of the Amalgamated Corporation shall be in the province of Ontario and shall be located at <>>, Ontario [include full address with postal code].

5. <u>RESTRICTIONS ON BUSINESS</u>

There shall be no restrictions on the business that the Amalgamated Corporation may carry on or the powers that the Amalgamated Corporation may exercise.

6. <u>SHARE CAPITAL</u>

- 6.1 The Amalgamated Corporation is authorized to issue an unlimited number of shares to be designated as Common Shares.
- 6.2 The following are the rights, privileges, restrictions and conditions attaching to the Common Shares:

(a) **Voting Rights:** The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Amalgamated Corporation and shall be entitled to one (1) vote per Common Share held, except meetings at which only holders of another class of shares are entitled to vote.

(b) **Dividends:** The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the board of directors of the Amalgamated Corporation out of the assets of the Amalgamated Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine.

(c) **Participation upon Liquidation, Dissolution or Winding-Up:** In the event of the liquidation, dissolution or winding-up of the Amalgamated Corporation or other distribution of assets of the Amalgamated Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to participate rateably in any distribution of the assets of the Corporation.

7. <u>RESTRICTIONS ON SHARE TRANSFERS</u>

The right to transfer securities of the Amalgamated Corporation (other than debt securities that are not convertible into shares of the Amalgamated Corporation) shall be restricted in that no holder of such securities shall be entitled to transfer any such securities without either:

- (a) if the transfer of such securities is restricted by any security holders' agreement, complying with such restrictions in such agreement; or
- (b) if there are no such restrictions, either:
 - the express sanction of the holders of more than 50% of the voting shares of the Amalgamated Corporation for the time being outstanding expressed by a resolution passed at a meeting of the shareholders or by an instrument or instruments in writing signed by the holders of more than 50% of such shares; or
 - (ii) the express sanction of the directors of the Amalgamated Corporation expressed by a resolution passed by the votes of a majority of the directors of the Amalgamated Corporation at a meeting of the board of directors or signed by all of the directors entitled to vote on that resolution at a meeting of directors.

8. <u>OTHER PROVISIONS</u>

8.1 There shall be no other provisions contained in the articles of the Amalgamated Corporation.

9. EXCHANGE OF SHARES

9.1 On the Amalgamation becoming effective:

- (a) the <*> issued and fully-paid common shares of Amalgamating Corporation 1 held by [Merged Holdco] shall be exchanged into <*> issued, fully-paid and nonassessable Common Shares of the Amalgamated Corporation; and
- (b) the 165 issued and fully paid common Shares of Amalgamating Corporation 2 held by [Merged Holdco] shall be exchanged into <*> issued, fully-paid and nonassessable Common Shares of the Amalgamated Corporation.

10. <u>REPLACEMENT SHARE CERTIFICATES</u>

10.1 The shareholders of the Amalgamating Corporations shall surrender for cancellation the certificates representing the shares of the Amalgamating Corporations held by them immediately prior to the Effective Date in exchange for certificates representing the shares of the Amalgamated Corporation into which such shares were exchanged.

11. <u>DIRECTORS AND OFFICERS</u>

- 11.1 The Articles of the Amalgamated Corporation shall provide for the board of the Amalgamated Corporation to have a minimum number of one (1) director and a maximum number of twenty (20) directors. The initial number of directors of the Amalgamated Corporation shall be seven (7). The size and appointment of the board of the Amalgamated Corporation shall be determined in accordance with any unanimous shareholders agreement in effect with respect to the Amalgamated Corporation and the Act.
- 11.2 The first directors of the Amalgamated Corporation shall be the following individuals:

Name	Address for Service	Resident Canadian
<mark><*></mark>	<mark><*></mark>	Yes
<mark><*></mark>	<mark><*></mark>	Yes
<mark><*></mark>	<mark><*></mark>	Yes
<mark><*></mark>	< <mark>*></mark>	Yes
<*>	<*>	Yes
<mark><*></mark>	<mark><*></mark>	Yes

~	*	~
\sim		/

Yes

- 11.3 The first directors named above shall hold office until the first meeting of shareholders of the Amalgamated Corporation or until their successors are elected or appointed.
- 11.4 The officers of the Amalgamated Corporation shall be the following individuals to hold office at the pleasure of the board of directors or until their resignation, whichever occurs first.

Name	Office
<*>	<*>
<*>	<*>
<*>	<*>

12. <u>BY-LAWS</u>

<*>

The by-laws of the Amalgamated Corporation shall consist of **[By-law 1]**, a copy of which has been provided to the directors and shareholders of each Amalgamating Corporation in connection with their approval of this Agreement and the Amalgamation. A copy of the proposed **[By-law 1]** may be examined at the registered office of the Amalgamated Corporation.

13. <u>FURTHER ASSURANCES</u>

Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that the other Party may reasonably require, for the purposes of giving effect to this Agreement, including completing and sending the documents required under section 178 of the Act to the Director under the Act.

14. **TERMINATION**

At any time before the endorsement of a Certificate of Amalgamation under the Act, this Agreement may be terminated by the board of directors of any of the Amalgamating Corporations despite the approval of this Agreement by the shareholders of all or any of the Amalgamating Corporations.

15. <u>AMENDMENT</u>

This Agreement may be amended by an agreement in writing signed by each of the Amalgamating Corporations, provided the amendment is approved by a special resolution of the shareholders of each of the Amalgamating Corporations.

16. <u>ENUREMENT</u>

This Agreement shall enure to the benefit of and be binding on the respective successors of the Parties. This Agreement may not be assigned by either Party.

17. GOVERNING LAW

This Agreement and any dispute arising from or in relation to this Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that province.

18. <u>COUNTERPARTS</u>

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including without limitation in portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Remainder of this page intentionally left blank]

VERIDIAN CONNECTIONS INC.

By:

By: _____

WHITBY HYDRO ELECTRIC CORPORATION

By: _____

By:

Signature Page – Amalgamation Agreement (LDCs)

30608792.6

SCHEDULE 2.4(1) (TO THE MERGER PARTICIPATION AGREEMENT)

FORM OF MERGED HOLDCO SHAREHOLDERS' AGREEMENT

See attached.

Privileged and Confidential

SHAREHOLDERS' AGREEMENT

among

The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering and The Corporation of the Town of Whitby

- and -

[Merged Holdco]

- and -

[Merged LDC]

TABLE OF CONTENTS

ARTICLE I	INTERPRETATION	3
1.1	Definitions	3
1.2	Headings	10
1.3	Entire Agreement	
1.4	Number and Gender	
1.5	Accounting Principles	
1.6	Calculation of Time	
1.7	Statutory References	11
1.8	Reclassification of Shares	11
1.9	Interpretation	11
1.10	Governing Law	11
1.11	Currency	
ARTICLE I	I BUSINESSES OF THE CORPORATION AND THE SUBSIDIARIES	
2.1	Business of the Corporation	12
2.2	Business of the LDC	
2.3	Business of the Affcos	12
2.4	LDC's Standard of Service	12
ARTICLE I	II CORPORATE AFFAIRS OF THE CORPORATION	13
3.1	Assurances	13
3.2	The Board of the Corporation	13
3.3	The Board of the LDC	15
3.4	The Boards of each Affco	16
3.5	General Provisions Regarding Boards	
3.6	Board Committees	20
3.7	Shareholders' Meetings	21
3.8	Regular Shareholders Meetings	21
3.9	Decisions of the Shareholders	21
3.10	Shareholder Representative	22
3.11	Officers	
3.12	Matters Requiring Shareholder Approval	22
3.13	Unanimous Shareholder Agreement	24
3.14	Agreement Binds Subsidiaries	24
3.15	Auditors	24
3.16	Banking	24
3.17	Financial Statements	25
3.18	Governance Review	25
ARTICLE I	V REPRESENTATIONS, WARRANTIES AND COVENANTS	25
4.1	Representations and Warranties	25

TABLE OF CONTENTS

(continued)

Page

	4.2	Covenants	26
ARTI	CLE V	PRE-EMPTIVE RIGHTS	26
	5.1	Issuance of New Shares.	26
	5.2	Additional Share Issuances	26
	5.3	Exercise of Pre-Emptive Rights	27
	5.4	Over Allotment	
	5.5	Issuance to the New Shares Prospective Purchaser	27
	5.6	Closing Procedures.	28
ARTI	CLE V	I ISSUANCE AND TRANSFER OF SHARES	28
	6.1	General Restriction on Transfer	28
	6.2	Legend on Shares	28
	6.3	Seller Liquidity Protections	28
	6.4	Rights of First Refusal	29
	6.5	Piggyback Right	31
	6.6	Indemnity	31
ARTI	CLE V	II CLOSING OF PURCHASE TRANSACTION	31
	7.1	Time and Place of Closing	31
	7.2	Documents to be delivered by the Vendor	
	7.3	Documents to be delivered by the Purchaser	32
	7.4	Failure to Complete Sale	32
	7.5	Transaction Expenses	33
ARTI	CLE V	III NON-COMPETITION AND CONFIDENTIALITY	33
	8.1	Non-Competition	33
	8.2	Confidentiality	
	8.3	Injunctive Relief	34
	8.4	Accounting for Profits	34
	8.5	Reasonableness of Restrictions	34
ARTI	CLE IX	X SALE OF CERTAIN ASSETS	35
	9.1	Right of First Offer on Sale of Surplus Assets	35
	9.2	Right of First Offer on Sale of Localized Distribution Assets	
ARTI	CLE X	BOOKS, RECORDS AND RIGHT TO INFORMATION	36
	10.1	Books and Records	36
	10.2	Right to Information	
		e	

TABLE OF CONTENTS

(continued)

Page

ARTICLE XI TERM		
11.1	Term	
ARTICLE X	II PROMISSORY NOTES	
12.1	Promissory Notes	
ARTICLE X	III GENERAL	
13.1	Notices	
13.2	Assignment and Binding Effect	
13.3	Amalgamation of Municipal Shareholders	
13.4	Arbitration	
13.5	Further Assurances	
13.6	Severability	
13.7	Amendment, Modification and Waiver	
13.8	Time of Essence	
13.9	Counterparts	
13.10	No Partnership	
13.11	Proceedings	
SCHEDULE	"A" JOINDER AGREEMENT1	
SCHEDULE	"B" LIST OF PROMISSORY NOTES1	
SCHEDULE "C" DIVIDEND POLICY PRINCIPLES1		
SCHEDULE "D" SHAREHOLDER LIQUIDITY PROTECTIONS		

BETWEEN:

THE CORPORATION OF THE TOWN OF AJAX, a

municipal corporation existing under the laws of Ontario

("Ajax")

- and -

THE CORPORATION OF THE CITY OF BELLEVILLE, a municipal corporation existing under the laws of Ontario

("Belleville")

- and -

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON, a municipal corporation existing under the laws of Ontario

("Clarington")

- and -

THE CORPORATION OF THE CITY OF PICKERING, a municipal corporation existing under the laws of Ontario

("Pickering")

- and -

THE CORPORATION OF THE TOWN OF WHITBY, a municipal corporation existing under the laws of Ontario

("Whitby")

- and -

<*>, a corporation amalgamated under the laws of Ontario

(the "Corporation")

- and -

<*>, a corporation amalgamated under the laws of Ontario

(the "LDC")

(Ajax, Belleville, Clarington, Pickering, Whitby, the Corporation and the LDC are collectively referred to herein as the "**Parties**", and each a "**Party**")

Recitals:

(1) The authorized capital of the Corporation consists of unlimited Common Shares, Class A Special Shares and Class B Special Shares of which the following are issued and outstanding, all as fully paid and non-assessable, on the date hereof:

SHAREHOLDER	NUMBER AND CLASS OF SHARES	PERCENTAGE TOTAL
Ajax	21,828 Common Shares	21.828%
	21,828 Class A Special Shares	
Belleville	9,044 Common Shares	9.044%
	9,044 Class A Special Shares	
Clarington	9,248 Common Shares	9.248%
	9,248 Class A Special Shares	
Pickering	27,880 Common Shares	27.88%
	27,880 Class A Special Shares	
Whitby	32,000 Common Shares	32%
	32,000 Class B Special Shares	

- (2) The Parties wish to enter into this Agreement to provide for the conduct of certain affairs of the Corporation and the Subsidiaries, to provide for certain restrictions on the transfer and ownership of Shares and to govern the mutual rights and obligations of the Shareholders with respect to the Corporation and each other Shareholder;
- (3) The Parties intend that the Corporation's business and activities be limited to those of a holding corporation with minimal staffing, that the LDC's business and activities be limited to regulated electricity distribution activities except where there are valid reasons to pursue other activities within the LDC, that activities not regulated by the OEB as electricity distribution activities generally be pursued by the Affcos, and that the LDC and the Affcos operate independently but with accountability to the Corporation and the Shareholders for their performance.

NOW THEREFORE in consideration of the premises, the mutual promises herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) each of the Parties agrees with each other Party as follows:

ARTICLE I INTERPRETATION

1.1 Definitions

In this Agreement the following terms shall have the following meanings unless the subject matter or context otherwise requires:

"Act" means the Business Corporations Act, R.S.O. 1990, c. B.16;

"Affco" means an affiliated corporation that is a Subsidiary of the Corporation (but not the LDC) or any Subsidiary of such affiliated corporation;

"Affco Designated Transaction" means any of the following transactions undertaken by an Affco or, where applicable, by the Corporation or LDC in respect of an Affco, other than where such transaction is with a wholly-owned Subsidiary:

- (a) the sale, lease, exchange or disposition of any undertaking or property or assets of an Affco;
- (b) the allotting, reserving, setting aside or issuance of any shares or other securities of an Affco or any of its Subsidiaries (including any partnerships in which the Affco holds a direct or indirect interest) or issuance or granting any rights, warrants or options to purchase, acquire or otherwise obtain any unissued shares or other securities of an Affco or any of its Subsidiaries (including any partnerships in which an Affco holds a direct or indirect interest);
- (c) the redemption, purchase for cancellation or otherwise retirement any the outstanding shares in or other securities of an Affco or any of its Subsidiaries;
- (d) the acquisition of or binding commitment to acquire, whether by sale, lease or otherwise, any real or personal property or other assets;
- (e) the borrowing of any money from, or giving of security to any Person;
- (f) the making of any capital expenditure;
- (g) the making of any investment, or acquisition of an interest, in any corporation or other business entity;
- (h) the granting of any direct or indirect loan or advance to, or security for or guarantee of the indebtedness of, or other financial assistance to, any Person;

- (i) the taking of any step or action which is reasonably likely to lead to additional capital contributions from the Corporation;
- (j) the entering into of a partnership, joint venture, strategic alliance or other similar agreement or arrangement, including via an amalgamation, merger or other combination;
- (k) the entering into of any services, sales, consulting, management, or similar contract or arrangement;
- (l) the Corporation's sale or other disposition of (by conveyance, transfer, lease, sale and leaseback, merger or other reorganization or transaction, mortgage, pledge, charge or otherwise granting a security interest in) any securities of, or other interest in, an Affco; and
- (m) the Corporation's taking, holding, subscribing for or agreeing to purchase or acquire securities of, or other interest in any entity that would, upon the completion of such purchase or acquisition, become an Affco;

"At-Risk Amount" means the sum of (a) the book value of the cash and other assets to be invested in the Affco Designated Transaction by the Corporation (or any Subsidiary), plus (b) the principal amount of any debt financing to be used in such Affco Designated Transaction;

"Affiliate" has the meaning given to it in the Act;

"Agreement" means this Shareholders' Agreement, all schedules attached hereto and any agreement or schedule supplementing or amending this Shareholders' Agreement. All uses of the words "hereto", "herein", "hereof', "hereby" and "hereunder" and similar expressions refer to this Shareholders' Agreement and not to any particular section or portion of it. References to an Article, Section or Schedule refer to the applicable article, section, or schedule of this Shareholders' Agreement;

"Amalgamated Shareholder" has the meaning set out in Section 13.3;

"Arbitration Act" means the Arbitration Act, 1991, S.O., 1991, c. 17;

"Arbitrator" has the meaning set out in Section 13.4(a);

"ARC" means the OEB's Affiliate Relationships Code for Electricity Distributors and Transmitters;

"**Arm's Length**" has the meaning attributed to it in the *Income Tax Act* (Canada) provided that, for the purposes of Section 6.3, each Shareholder shall be deemed to be acting at Arm's Length with each other Shareholder and the Corporation;

"Auditors" means the firm of chartered accountants appointed as auditor of the Corporation or a Subsidiary from time to time;

"Board" means the board of directors of the Corporation or a Subsidiary;

"**Board Committees**" means committees created by a Board from time to time for the purpose of overseeing specific tasks and reporting to such Board and includes the committees referred to in Section 3.6;

"**Business**" means the business of the Corporation, the LDC or the Affcos as described in Sections 2.1, 2.2 and 2.3, respectively, or as may otherwise be conducted by any of them from time to time;

"Business Day" means any day other than a Saturday, Sunday, or statutory holiday in Ontario;

"CAO" has the meaning set out in Section 3.10;

"Chair" means the director elected by a Board to serve as its chairperson from time to time;

"Closing Date" means the date on which a purchase and sale of Shares is to be completed;

"Confidential Information" means any and all information and data relating in any manner to the Business and any activities, plans, ideas, products, services, policies or intentions (including without limitation, information of an operational, business, marketing, financial or economic nature), whether or not proprietary in nature, that is of value to the Corporation, the LDC or the Affcos and is held by any of them as a trade secret and is not generally known to their competitors or to the public;

"**Debt**" means, with respect to the Corporation and the Subsidiaries, without regard to any uncapitalized interest component thereof (whether actual or imputed) that is not due and payable, the aggregate of the following amounts, each calculated in accordance with GAAP, unless the context otherwise requires:

- (a) indebtedness for money borrowed (including, without limitation, by way of overdraft) or indebtedness represented by notes payable and drafts accepted representing extensions of credit;
- (b) the face amount of all bankers' acceptances and other similar instruments;
- (c) all obligations (whether or not with respect to the borrowing of money) that are evidenced by bonds, debentures, notes or other similar instruments;
- (d) all liabilities upon which interest charges are customarily paid;

- (e) any capital stock of the Corporation (or of any Subsidiary that is not held by the Corporation or by a Subsidiary that is wholly owned, directly or indirectly), which capital stock, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the maturity date for cash or securities constituting debt;
- (f) all capital lease obligations, synthetic lease obligations, obligations under sale and leaseback transactions and purchase money obligations;
- (g) the full amount of any contingent liability under any guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business) given by another person of the type included in items (a) through (f) above, including contingent liabilities in respect of letters of credit, letters of guarantee and similar instruments; and
- (h) contingent liabilities in respect of performance bonds and surety bonds, and any other guarantee or other contingent liability of any part or all of an obligation of a Person, in each case only to the extent that the guarantee or other contingent liability is required by GAAP to be treated as a liability on a balance sheet of the guarantor or person contingently liable, provided that trade payables, operating leases and accrued liabilities that are current liabilities incurred and deposits received in the ordinary course of business do not constitute Debt;

"**Debt/Equity Ratio**" means a ratio of Debt to Equity on a consolidated basis for the Corporation and all Subsidiaries;

"**Departure Tax**" means the tax payable pursuant to Section 93 of the Electricity Act and calculated according to Section 12 of O. Reg. 162/01 Payments in Lieu of Corporate Taxes – Municipal Electricity Utilities promulgated pursuant to the Electricity Act or any similar tax or replacement or substitution thereof;

"**Dispute**" has the meaning set out in Section 13.4(a);

"Disputing Parties" has the meaning set out in Section 13.4(a);

"**Distribution Assets**" means all fixed assets forming all or part of the LDC's distribution system (as that term is defined in the Electricity Act);

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

"**Encumbrance**" means a mortgage, charge, pledge, encumbrance, hypothecation, lien (statutory or otherwise), security interest, adverse claim, assignment as security or reservation of title of any kind;

"**Equity**" means the aggregate of the equity, capital stock and surplus as such amounts appear on a consolidated balance sheet of the Corporation prepared in accordance with GAAP and as determined by the OEB. In the event there is a conflict between GAAP and the determination of the OEB, the determination of the OEB with respect to the conflict shall prevail;

"**Fair Market Value**" means the appraised value as determined by a registered appraiser or independent accounting firm, as the case may be, paid for by the Corporation and selected in accordance with Section 9.1(a) or Section 9.2, as applicable;

"Fully Exercising Shareholder" has the meaning set out in Section 5.4;

"GAAP" when used in respect of accounting terms or accounting determinations relating to a Person, means the accounting standards published in CPA Canada Handbook – Accounting, including provisions therein related to International Financial Reporting Standards, in effect from time to time in Canada in respect of such Person;

"Governance Review" has the meaning set out in Section 3.18(a);

"Governmental Authority" means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or agency, authority, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the OEB and the IESO;

"**IESO**" means the Independent Electricity System Operator established pursuant to the Electricity Act, including as successor to the Ontario Power Authority;

"**Independent**" means, in relation to a municipality, an individual that, at the time of his or her appointment to a Board and throughout his or her term as a member of such Board is not:

- (a) the Mayor of such municipality;
- (b) a member of the municipal council of such municipality;
- (c) a member of a "local board" (as defined in the *Municipal Act*, 2001) of such municipality; or
- (d) or an employee of such municipality or such local board;

"Issuance Notice" has the meaning set out in Section 5.2;

"Joinder Agreement" means a joinder agreement substantially the form attached hereto as Schedule "A";

"Laws" means applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, principles of common and civil law and equity, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, (ii) judicial, arbitral, administrative, ministerial, departmental and regulatory judgments, orders, writs, injunctions, decisions, rulings, decrees and awards of any Governmental Authority, and (iii) policies, practices, directives, rules, standards,

requirements and guidelines of, or contracts with, any Governmental Authority, whether or not having the force of law, in each case binding on or affecting the Person, or the assets of the Person, referred to in the context in which such word is used;

"Localized Distribution Assets" has the meaning set out in Section 9.2;

"Mayor" means the mayor of a Shareholder that is a municipal corporation in Ontario;

"**Mayor's Designate**" means the designate selected by the Mayor to serve on a Board in the place and stead of the Mayor, which designate shall, in relation to the Mayor's municipality, be:

- (a) a member of the municipal council of such municipality;
- (b) a member of a "local board" (as defined in the Municipal Act, 2001) of such municipality; or
- (c) or an employee of such municipality or such local board;

"New Shares" means any shares in the capital of the Corporation or other securities convertible into, or exchangeable or exercisable for, such shares, and options, warrants or other rights to acquire such shares;

"New Shares Prospective Purchaser" has the meaning set out in Section 5.2;

"Nominating Committee" has the meaning set out in Section 3.6(a);

"Notice of Sale of Surplus Assets" has the meaning set out in Section 9.1(a);

"Notice Period" has the meaning set out in Section 6.4(b) or Section 9.2(a), as applicable;

"OEB" means the Ontario Energy Board, and its successors;

"Offer" has the meaning set out in Section 6.4(a);

"Offered Shares" has the meaning set out in Section 6.4(a);

"Other Holders" has the meaning set out in Section 6.3;

"Over-Allotment Exercise Period" has the meaning set out in Section 5.4;

"Over-Allotment Notice" has the meaning set out in Section 5.4;

"**Person**" means an individual, firm, partnership, limited partnership, joint venture, syndicate, sole proprietorship, unincorporated association, company or corporation without share capital, limited liability company, bank trust, trustee, executor, administer or other personal representative, Governmental Authority or other legal entity of any kind whatsoever;

"Pre-Emptive Acceptance Notice" has the meaning set out in Section 5.3;

"Pre-Emptive Exercise Period" has the meaning set out in Section 5.3;

"**Promissory Notes**" means the promissory notes listed in Schedule "B" as amended or replaced from time to time;

"**Prospective Purchaser**" has the meaning set out in Section 6.4(a);

"Purchase Notice" has the meaning set out in Section 6.4(c) or Section 9.2(b), as applicable;

"Remaining New Shares" has the meaning set out in Section 5.4;

"ROFO Shareholder" has the meaning set out in Section 9.2;

"Selling Notice" has the meaning set out in Section 6.4(a);

"Selling Shareholder" has the meaning set out in Section 6.3;

"Share Interest" means, at any time, the respective ownership percentages of the Corporation determined for a Shareholder as the percentage reflected by a fraction (x) the numerator of which is the number of Shares owned by such Shareholder and (y) the denominator of which is the total number of issued and outstanding Shares;

"**Shareholder**" means any Person which is a registered holder of Shares, and as of the date of this Agreement includes each of Ajax, Belleville, Clarington, Pickering and Whitby;

"Shareholder Representative" has the meaning set out in Section 3.10;

"Shares" means shares issued and outstanding in the capital of the Corporation;

"**Subsidiary**" means any "subsidiary" (as that term is defined in the Act) of the Corporation including, but not limited to, the LDC and the Affcos;

"Surplus Assets" means any land or buildings owned by the Corporation or any Subsidiary that the Corporation or any Subsidiary respectively has determined to offer for sale;

"Third Party" means any Person with whom a Shareholder deals at Arm's Length;

"Third Party Independent LDC Director" has the meaning set out in Section 3.3(b)(ii);

"**Transfer**" means (and any derivatives thereof, including "**Transferred**"): (i) any transfer, sale, assignment, exchange, gift, donation or other disposition of securities where possession, legal title, beneficial ownership or the economic risk or return associated with such securities passes from one Person to another or to the same Person in a different legal capacity, whether or not for value, whether or not voluntary and however occurring, and for greater certainty includes the granting of a security interest; and (ii) any agreement, undertaking or commitment to effect any of the foregoing;

"**Transfer Tax**" means the tax payable pursuant to Section 94 of the Electricity Act or any similar tax or replacement of substitution thereof;

"Transfer Tax Reduction Amount" means the amount of the reduction in Transfer Tax calculated according to Section 94(4) of the Electricity Act or any replacement or substitution thereof;

"**Transferee Shareholder**" means any Person which acquires Shares from a Shareholder in accordance with the provisions of this Agreement;

"**Transmission**" has the meaning set out in Section 13.1(a);

"Veridian Independent Affco Director" has the meaning set out in Section 3.4(b)(i);

"Veridian Independent Holdco Director" has the meaning set out in Section 3.2(c)(iii);

"Veridian Independent LDC Director" has the meaning set out in Section 3.3(b)(ii);

"Whitby Independent Affco Director" has the meaning set out in Section 3.4(b)(i);

"Whitby Independent Holdco Director" has the meaning set out in Section 3.2(c)(iii); and

"Whitby Independent LDC Director" has the meaning set out in Section 3.3(b)(ii).

1.2 Headings

The division of this Agreement into Articles, Sections and Schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The Article, Section and Schedule headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and shall not be considered part of this Agreement.

1.3 Entire Agreement

This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, if any, written or oral. The execution of this Agreement has not been induced by, nor do any of the Parties rely upon or regard as material, any representations, warranties, conditions, other agreements or acknowledgements not expressly made in this Agreement.

1.4 Number and Gender

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5 Accounting Principles

In this Agreement, unless specified otherwise, each accounting and financial term has the meaning assigned to it under GAAP.

1.6 Calculation of Time

In this Agreement, a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Eastern time) on the last day of the period. If, however, the last day of the period does not fall on a Business Day, the period shall terminate at 5:00 p.m. (Eastern time) on the next Business Day.

1.7 Statutory References

A reference in this Agreement to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

1.8 Reclassification of Shares

The provisions of this Agreement shall apply, with any necessary changes to:

- (a) any shares or securities of any nature into which the Shares or any of them may be converted, exchanged, reclassified, redivided, redesignated, subdivided or consolidated;
- (b) any shares or securities of any nature that are received by a Shareholder as a stock dividend or distribution payable in shares, securities, warrants, rights or options of any nature of the Corporation;
- (c) any shares, securities, warrants, rights or options of any nature of the Corporation or any successor, continuing company or corporation of the Corporation that may be received by a Shareholder on a reorganization, amalgamation, arrangement, consolidation or merger of the Corporation, statutory or otherwise; and
- (d) any shares, securities, warrants, rights or options hereafter issued or allotted by the Corporation to a Shareholder, all of which shares, securities, warrants, rights or options shall be deemed to be Shares for all purposes of this Agreement.

1.9 Interpretation

If any conflict shall appear between the by-laws and the articles of the Corporation or any Subsidiary and the provisions of this Agreement, the provisions of this Agreement shall govern.

1.10 Governing Law

This Agreement shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

1.11 Currency

All dollar amounts referred to in this Agreement and all payments to be made hereunder are in Canadian funds.

ARTICLE II BUSINESSES OF THE CORPORATION AND THE SUBSIDIARIES

2.1 Business of the Corporation

The business of the Corporation shall be limited to acquiring, holding and disposing of shares and other securities issued by the Subsidiaries, exercising any voting or other rights pertaining to such securities, supervising and directing, as provided herein, the businesses of the Subsidiaries, and any other decisions and activities appropriate for a holding corporation.

2.2 Business of the LDC

The LDC may engage in the business of transmitting or distributing electricity, business activities that enhance or develop the ability of the LDC to carry on any of the foregoing, business activities the principal purpose of which is to use more effectively the assets of the LDC, providing services related to the promotion of energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources, and any other activities permitted to be carried out under applicable Laws by an OEB-licensed electricity distributor, provided that in respect of activities and investments other than those related to regulated electricity distribution activities and assets, in the absence of valid business, financial, regulatory, strategic or other reasons to the contrary, such activities and assets shall generally be pursued and owned by an Affco.

2.3 Business of the Affcos

Each Affco may engage in such business activities as may be permitted by Law and authorized by its Board from time to time, subject to the terms of this Agreement, including but not limited to Section 3.12.

2.4 LDC's Standard of Service

It is the intention of the Shareholders that the LDC shall provide service levels in accordance with industry standards, and new standards of service that are established by the OEB, where applicable, after the date of this Agreement so that each service area will enjoy common standards and derive equal benefits, including but not limited to, the following matters:

- (a) distribution, energy services and tariffs;
- (b) maintenance standards and schedules;
- (c) emergency response capabilities;
- (d) distribution system capacity;
- (e) customer convenience and accessibility;
- (f) power reliability and quality; and

(g) marketing programs and services.

ARTICLE III CORPORATE AFFAIRS OF THE CORPORATION

3.1 Assurances

The Shareholders shall cause such meetings of Shareholders to be held, votes to be cast, resolutions to be passed, by-laws to be made, confirmed and/or repealed, agreements and other documents and instruments to be executed and all other acts and things to be done, to ensure that at all times the provisions of this Article III are in effect, complied with or implemented.

3.2 The Board of the Corporation

- (a) **Shareholder Action**. Each of the Shareholders agrees to elect as members of the Board of the Corporation the individuals put forward by each other Shareholder from time to time in accordance with the provisions of this Section 3.2.
- (b) **Director Replacement**. Any Shareholder may replace any director of the Corporation selected by it at any time during the term of this Agreement, subject to Section 3.2(c)(i).
- (c) **Board of the Corporation**. The business and affairs of the Corporation shall be managed or supervised by its Board which shall consist of eleven (11) directors.
 - (i) Each Shareholder shall nominate one (1) director who shall, in its Mayor's sole discretion, be either its Mayor or its Mayor's Designate.
 - (ii) Each of the remaining six (6) directors shall be Independent and recommended to all the Shareholders by the Nominating Committee, and approved by the Shareholders pursuant to Section 3.9.
 - (iii) Notwithstanding the foregoing, the Independent directors on the initial Board of the Corporation shall be made up of: (A) four (4) Independent directors each of whom is nominated collectively by Ajax, Belleville, Clarington and Pickering upon the recommendation of the board of directors of Veridian Corporation immediately prior to the date hereof and each of whom will have previously served on the board of Veridian Corporation or Veridian Connections Inc. (each a "Veridian Independent Holdco Director"), and (B) two (2) Independent directors that are nominated by Whitby upon the recommendation of the board of directors of Whitby Hydro Energy Corporation immediately prior to the date hereof and each of whom will have previously served on the board of directors of Whitby Hydro Energy Corporation immediately prior to the date hereof and each of whom will have previously served on the board of Whitby Hydro Energy Corporation or Whitby Hydro Electric Corporation (each a "Whitby Independent Holdco Director").
- (d) **Chair of the Board of the Corporation.** The Board of the Corporation shall annually elect from its members a Chair who shall be an Independent director.

(e) **Term of Directors and Chair.**

- (i) The term of each Mayor that is a director of the Board of the Corporation shall end on the date that such Mayor ceases to hold the office of Mayor. If a director of the Board of the Corporation is a Mayor's Designate then the term of such Mayor's Designate shall end upon the earlier of the date that (A) the applicable Mayor ceases to hold the office of Mayor, (B) the Mayor's Designate ceases to hold office as a member of the applicable municipal council, ceases to be a member of a local board of the applicable municipality or ceases to be employed by such municipality or local board, as applicable, or (C) the Mayor selects a replacement Mayor's Designate. At the end of a Mayor's or Mayor Designate's term as director of the Board of the Corporation, the applicable Shareholder shall forthwith replace the Mayor or such Mayor's Designate, as applicable, with the then current Mayor or, in the sole discretion of the Mayor, a Mayor's Designate, and all the Shareholders agree to elect such Mayor or Mayor's Designate replacement as a director of the Board of the Corporation.
- (ii) The initial six (6) Independent directors of the Corporation shall be elected to serve for the following terms:
 - (A) Two (2) Veridian Independent Holdco Directors and one (1) Whitby Independent Holdco Director shall each serve for an initial term of three (3) years; and
 - (B) Two (2) Veridian Independent Holdco Directors and one (1) Whitby Independent Holdco Director shall each serve for an initial term of two (2) years.

Thereafter, the term of each Independent director of the Corporation shall be three (3) years.

- (iii) Members of the Board of the Corporation may serve a maximum of three
 (3) successive terms on the Board of the Corporation, except that any member who is a Mayor or Mayor's Designate shall not be subject to this limitation.
- (iv) The Chair may serve successive terms, which shall not exceed four (4) years in aggregate or such greater period as may be permitted by the Act.

(f) Nominees of Transferee Shareholders

Following the transfer of all of a Shareholder's Shares to a Transferee Shareholder pursuant to Article VI, the Transferee Shareholder shall be the Shareholder entitled to select a director for the Board of the Corporation pursuant to Section 3.2(c). An Amalgamated Shareholder shall not be considered a Transferee Shareholder for the purpose of this Section 3.2(f) and shall retain its rights to nominate members to the Board of the Corporation in the same manner as if the Shareholders forming the Amalgamated Shareholder had not amalgamated.

3.3 The Board of the LDC

(a) **LDC Board of Directors**. The business and affairs of the LDC shall be managed or supervised by its Board which shall consist of seven (7) directors.

(b) **Appointment of the Board of Directors of the LDC**.

- (i) The Board of the Corporation shall select and appoint to the Board of the LDC: (A) two (2) of its own Independent directors (but such two (2) shall not include the Chair of the Board of the Corporation or any director of an Affco); and (B) five (5) Independent directors (but such five (5) shall not include at any time any directors of the Corporation or an Affco). Following the establishment of the initial Board of the LDC, the Board of the LDC may recommend to the Board of the Corporation candidates for such five (5) Independent director positions (but such candidates shall not include any directors of the Corporation or the Affcos).
- (ii) Notwithstanding the foregoing, the five (5) Independent directors on the initial Board of the LDC shall be made up of: (A) one (1) Independent director nominated by the board of directors of Whitby Hydro Energy Corporation immediately prior to the date hereof ("Whitby Independent LDC Director"); (B) two (2) Independent directors nominated by the board of directors of Veridian Corporation immediately prior to the date hereof ("Veridian Independent LDC Director"); and (C) two (2) Independent directors recommended by a consultant agreed to by the Board of the Corporation ("Third Party Independent LDC Director"), provided that none of such Independent directors shall also be a director of the Corporation or an Affco.
- (c) **Compliance**. Notwithstanding the provisions of this Section 3.3, the composition of the Board of the LDC shall at all times comply with the requirements of subsection 2.1.2 of the ARC or any other requirements for the composition of boards of directors of Ontario regulated electricity distributors.
- (d) **Chair of the Board of the LDC**. The Board of the LDC will annually elect a Chair from amongst the five (5) Independent directors of the LDC who are not also directors of the Corporation.

(e) **Term of Directors and Chair**.

- (i) The initial five (5) Independent directors of the LDC who are not also directors of the Corporation shall be elected to serve for the following terms:
 - (A) One (1) Veridian Independent LDC Director, one (1) Whitby Independent LDC Director and one (1) Third Party Independent LDC Director shall each serve for an initial term of three (3) years; and

- (B) One (1) Third Party Independent LDC Director and one (1) Veridian Independent LDC Director shall each serve for an initial term of two (2) years.
- (ii) Each of the initial two (2) Independent directors of the LDC that is also a director of the Corporation shall be elected to serve an initial term that is coterminous with his or her initial term as a director of the Corporation.
- (iii) After the initial term served by each of the seven (7) initial directors, the term of each director of the LDC shall be three (3) years.
- (iv) Members of the Board of the LDC may serve a maximum of three (3) successive terms on the Board.
- (v) The Chair of the Board of the LDC may serve successive terms, which shall not exceed four (4) years, in aggregate, or such greater period as may be permitted by the Act.

3.4 The Boards of each Affco.

(a) Affco Boards of Directors. The business and affairs of each Affco shall be managed or supervised by a Board. The initial Board of each Affco shall consist of five (5) directors. Thereafter, the Board of the Corporation may adjust the number of directors on the Board of the Affcos from time to time, from a minimum of five (5) directors to a maximum of ten (10) directors, if the Board of the Corporation concludes that the business carried on by the Affcos warrants such adjustment. The Board of each Affco shall at all times be comprised of the same individuals such that each Affco Board has the same directors.

(b) **Appointment of the Board of Directors of each Affco**.

- (i) The initial Board of each Affco shall be made up of: (A) two (2) Independent directors selected by the Board of the Corporation from those Independent directors serving on the Board of the Corporation (but such two (2) shall not include the Chair of the Board of the Corporation or any director of the LDC); and (B) three (3) Independent directors made up of: (X) one (1) Independent director nominated by the board of directors of Whitby Hydro Energy Corporation immediately prior to the date hereof ("Whitby Independent Affco Director"); and (Y) two (2) Independent directors nominated by the board of directors of Veridian Corporation immediately prior to the date hereof ("Veridian Independent Affco Director"), provided that no such director shall also be a director of the Corporation or the LDC.
- (ii) Following the establishment of the initial Board of each Affco, the Board of the Corporation shall select and appoint to the Board of each Affco: (A) two (2) of its own Independent directors (but such two (2) shall not include the Chair of the Board of the Corporation or any director of the LDC); and

(B) such number of additional Independent directors as are necessary to fill the Board of each Affco based on the its then-current size as fixed by the Board of the Corporation from time to time pursuant to Section 3.4(a) (but such additional directors shall not include any director of the Corporation or the LDC).

- (iii) Following establishment of the initial Board of the each Affco, the Board of each Affco may recommend to the Board of the Corporation candidates for Independent director positions (but such candidates shall not include directors of the Corporation or the LDC).
- (c) **Chair of the Board of each Affco**. The Board of each Affco will annually each elect a Chair from amongst the Independent directors of such Affco who are not also directors of the Corporation.

(d) **Term of Directors and Chair**.

- (i) On the initial Board of each Affco, the first three (3) Independent directors who are not also directors of the Corporation shall be elected to serve the following terms:
 - (A) One (1) Veridian Independent Affco Director and one (1) Whitby Independent Affco Director shall each serve for an initial term of three (3) years; and
 - (B) One (1) Veridian Independent Affco Director shall serve for an initial term of two (2) years.

Thereafter, the term of each director of an Affco shall be three (3) years.

- (ii) Each of the initial two (2) Independent directors on the board of each Affco that is also a director of the Corporation shall be elected to serve an initial term that is coterminous with his or her initial term as a director of the Corporation.
- (iii) After the initial term served by each of the five (5) initial directors, the term of each director of the Affcos shall be three (3) years.
- (iv) Members of the Board of an Affco may serve a maximum of three (3) successive terms on the Board of such Affco.
- (v) The Chair of an Affco Board may serve successive terms, which shall not exceed four (4) years or such greater period as may be permitted by the Act.

(e) Joint Ventures.

(i) Notwithstanding Sections 3.4(a) through 3.4(d), in respect of any Affco that is a joint venture in the form of a corporation, limited partnership or other

corporate structure in which a Third Party holds a substantial equity investment, the board of directors (or other applicable governing body) of any such joint venture shall consist of such directors (or equivalents) as the parties to such joint venture may agree.

3.5 General Provisions Regarding Boards

- (a) **Director Qualifications**. In addition to the requirements of the Act, the qualifications of candidates for any Board, shall, where possible, include the following:
 - (i) business experience;
 - (ii) time availability;
 - (iii) financial skills;
 - (iv) marketing skills;
 - (v) industry knowledge;
 - (vi) independence of judgment;
 - (vii) integrity;
 - (viii) knowledge of public policy issues relating to the Corporation or the Subsidiary, as applicable; and
 - (ix) knowledge and experience concerning environmental matters, labour relations and occupational health and safety issues.
- (b) **Vacancy**. If a director on any Board ceases to be a director for any reason, the Shareholders shall fill the vacancy thereby created as soon as reasonably possible, provided that such vacancy shall be filled by an individual nominated in accordance with the provisions of this Agreement.
- (c) **Quorum**. A quorum for a meeting of a Board shall be a majority of the members of such Board. A meeting shall be adjourned for lack of a quorum and a notice of the adjourned meeting shall be sent to all directors rescheduling the meeting to a date at least 15 days following the adjourned meeting. A quorum for such rescheduled meeting shall be a majority of the members of such Board. Such rescheduled meeting shall be adjourned for lack of quorum and a notice of such adjourned rescheduled meeting shall be sent to all directors further rescheduling the meeting to a date at least 15 days following such adjourned rescheduled meeting. A quorum for such rescheduled meeting shall be sent to all directors further rescheduling the meeting to a date at least 15 days following such adjourned rescheduled meeting. A quorum for such further rescheduled meeting shall be the number of directors that attend such meeting.

- (d) **Meetings of a Board**. Meetings of a Board shall be held at least once in every calendar quarter or at the request of the Chair of such Board or of a majority of the members of such Board. All meetings of a Board shall be held in Ontario, or by such telephone or electronic communication devices as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. At least five (5) days' written notice of the time and place of the meeting and of the business to be transacted at the meeting in sufficient detail to enable each director to assess reasonably the importance of such business to the affairs of the Corporation or the Subsidiary, as applicable, shall be given to each director.
- (e) **Decisions of the Directors**. Decisions or resolutions of a Board shall require the approval of the majority of the directors present at each meeting thereof. The Chair of a Board shall not have a second or casting vote. A resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of a Board is as valid as if it had been passed at a meeting of a Board. In the event that an equal number of votes are cast at a meeting both for and against a motion, the motion shall be defeated.
- (f) **Board Duties**. Subject to those matters relating to the Corporation or Subsidiary, as applicable, and requiring Shareholder approval as set out in Section 3.12, a Board shall supervise the management of the business and affairs of the applicable corporation and, without limiting the generality of the foregoing, the Board shall be responsible for, but not limited to, overseeing the following specific matters:
 - (i) the establishment of appropriate reserves for the applicable corporation consistent with sound financial principles;
 - (ii) the development of a dividend policy and declaration of dividends or distribution of capital in respect of the Shares or the shares of the Subsidiary, as applicable, in accordance with the dividend policy principles set out in Schedule "C" attached to this Agreement;
 - (iii) with respect to the Board of the Corporation, reporting to the Shareholders on an annual basis regarding the business, affairs and financial condition of the Corporation and its Subsidiaries, including without limitation to present (but not seek approval for) the business plan of the Corporation and the 5year dividend plan of the Corporation (with reference to the business and dividend plans of the Subsidiaries) and whether any changes to such dividend plan are contemplated in the upcoming year; and
 - (iv) with respect to each Affco Board, the development and implementation of an investment policy, to be reviewed at least every 5 years, that establishes investment objectives and baseline parameters that each investment opportunity must meet.

- (g) Affco Transaction Approvals. Following the third anniversary of the date of this Agreement, the Corporation's Board will consider whether an adjustment to the Affco Transaction Limit and/or the Affco Annual Limit is desirable, including whether to move from fixed amounts to percentages of the consolidated value of the Corporation. If an adjustment is desirable the Board will recommend same to the Shareholders and the Shareholders will approve or reject such recommendation at the same time as they resolve to approve the Corporation's financial statements for the preceding year. If an adjustment to the Affco Transaction Limit or the Affco Transaction Limit is approved by the Shareholders the definition of Affco Transaction Limit or Affco Annual Limit, as applicable, shall be deemed amended accordingly.
- (i) **Dividend Policy**. The Corporation and its Subsidiaries shall develop their respective dividend policies in accordance with the principles set out in Schedule "C".
- (j) Indemnification and Insurance for Directors and Officers. Each of the Corporation and its Subsidiaries shall indemnify and save its respective directors and officers, and past directors and officers, harmless from and against any and all liability, damages, costs (including any income tax payable as a result of receiving such indemnity, reasonable counsel fees and disbursements), charges and expenses arising out of or related to any act or omission done or permitted by them to be done in connection with the execution of the duties of their office as directors or officers of the Corporation or a Subsidiary by reason of having been directors of the Corporation or a Subsidiary. The Corporation and each Subsidiary shall acquire and maintain insurance coverage for its respective directors and officers, and past directors and officers, in such amount as the Board of each such corporation may determine from time to time.
- (k) Compensation. A group of directors of a Board that are elected by such Board, shall make recommendations to such Board concerning the compensation for members of such Board, the Chair of such Board and Board Committee members and committee chairpersons (if any). Any changes in director compensation shall be subject to the approval of the applicable Board and of the Shareholders in accordance with Section 3.9. The Parties agree that the said group of directors elected by such Board, as contemplated in this Section 3.5(k), may include the Chair of such Board.

3.6 Board Committees

The Board of the Corporation or any Subsidiary may establish Board Committees from time to time and delegate certain duties to them including, without limitation, the Board Committees described below:

(a) Board of the Corporation - Nominating Committee. The Board of the Corporation shall appoint six (6) Independent directors of the Corporation to a committee whose purpose shall be to make recommendations to the Shareholders concerning Independent candidates for the Board of the Corporation (the "Nominating Committee"), provided that an Independent director of the Corporation who is in the last year of his or her term, and wishes to be re-elected for a further term, shall not be eligible to serve on the Nominating Committee in such year.

(b) **General Provisions Relating to Board Committees**. The quorum for meetings of Board Committees shall be a majority of the members from time to time of each Board Committee. Decisions of all Board Committees shall be made by a majority of the members of the respective Board Committee. Except as otherwise provided in this Section 3.6 and subject to the supervision of the applicable Board, each Board Committee shall establish its own rules of procedure for operating in an efficient and expeditious manner.

3.7 Shareholders' Meetings

- (a) A quorum for a meeting of Shareholders shall be at least three (3) individuals representing, by proxy or as otherwise permitted by the Act, (i) Whitby; (ii) a majority in number of the Shareholders; and (iii) not less than two-thirds (2/3s) of the Shares then issued and outstanding.
- (b) In the event that the Shareholders amalgamate such that only two (2), three (3) or four (4) Shareholders remain, the quorum for a meeting of shareholders shall be two (2) individuals representing (by proxy or as otherwise permitted by the Act) both (i) a majority in number of the Shareholders; and (ii) not less than two-thirds (2/3s) of the Shares then issued and outstanding.
- (c) The chair of any meeting of the Shareholders shall be the Chair of the Board of the Corporation or, in the absence of the Chair, the President of the Corporation or, in the absence of the President, such individual as the Shareholders represented at such meeting shall determine. The chair of any meeting of the sole shareholder of any Subsidiary shall be the Chair of the Board of the Subsidiary or, in the Chair's absence, such other individual as the Corporation may designate.
- (d) Any Shareholder may requisition the directors of the Corporation to call a meeting of shareholders as provided in and subject to Section 105 of the Act.

3.8 Regular Shareholders Meetings

Unless the Shareholders otherwise determine, the Shareholders shall meet at least annually at the registered office of the Corporation or at such other times or places as the Shareholders may determine.

3.9 Decisions of the Shareholders

All decisions or resolutions of the Shareholders shall require, and shall be deemed to be effective upon, the affirmative vote of Shareholders holding at least two-thirds (2/3s) of all issued and outstanding Shares. A Shareholders' resolution in writing signed by all of the Shareholders entitled

to vote on that resolution at a meeting of the Shareholders is as valid as if it had been passed at a meeting of the Shareholders.

3.10 Shareholder Representative

Each Shareholder shall designate its Chief Administrative Officer ("CAO") or an individual designated by the CAO as the legal representative of that Shareholder (the "Shareholder **Representative**") for purposes of providing any consent or approval required by this Agreement or by the Act. A Shareholder shall designate its Shareholder Representative (by proxy duly completed in accordance with the Act) as its representative to attend and vote at any meeting of Shareholders.

3.11 Officers

- (a) The officers of the Corporation shall include its Chair of the Board of the Corporation and such other officers as the Board of the Corporation may determine from time to time. It is intended that the Corporation's business be carried out by its Board, with minimal staffing. The officers of the LDC shall include a President and CEO and such other officers as its Board may determine from time to time. The LDC Board shall have the right to appoint and dismiss each such officers as the directors of each Affco may determine from time to time. Each Affco Board shall have the right to appoint and dismiss its own officers.
- (b) Each Board, other than the Board of the Corporation, will delegate responsibilities to the officers of the applicable corporation, who will report to the Board from time to time as required.

3.12 Matters Requiring Shareholder Approval

The Shareholders agree that, without Shareholder approval given in accordance with Section 3.9, the Corporation shall not:

- (a) amend its articles (within the meaning of the Act) or enact, revoke, or amend any by-law of the Corporation;
- (b) issue, or enter into any agreement to issue, any Shares of any class, or any securities convertible into any Shares of any class, or grant any option or other right to purchase any such Shares or securities convertible into Shares;
- (c) redeem, purchase for cancellation or otherwise retire any of its outstanding Shares;
- (d) sell or otherwise dispose of, by conveyance, transfer, lease, sale and leaseback, merger or other reorganization or transaction, mortgage, pledge, charge or otherwise grant a security interest in, all or substantially all of the shares in the capital of the LDC;
- (e) permit the sale of all or substantially all of the assets of the LDC;

- (i) would increase the Debt/Equity Ratio to greater than seventy percent (70%) Debt / thirty percent (30%) Equity; or
- (ii) result in Debt obligations of the Corporation or a Subsidiary and contain any non-contingent term, condition or covenant that requires the Corporation or a Subsidiary to obtain the lender's consent for any payment of dividends to the Shareholders. For clarity, any term, condition or covenant that would result in a restriction on dividend payments only if a future contingent event occurs (e.g., failure to comply with a coverage ratio) is not a term, condition or covenant that will lead to a requirement for Shareholder approval of the applicable contract, commitment or transaction;
- (g) grant security for or guarantee, or otherwise become liable for any debt, liability or obligation of any Person other than a Subsidiary;
- (h) take or institute the proceedings for any winding up, reorganization or dissolution of the Corporation;
- (i) make changes in director compensation;
- (j) adopt any amendment to the dividend policy principles set out in Schedule "C" hereto;
- (k) enter into any amalgamation, arrangement or consolidation;
- (1) apply to continue as a corporation under the laws of another jurisdiction;
- (m) permit an Affco Transaction that exceeds the Affco Transaction Limit or that, if completed, would result in the Affco Annual Limit being exceeded;
- (n) enter into any transaction, including an acquisition, that would result in the dilution of any Shareholder's Share Interest;
- (o) change the legal name or 'doing business as' name of the Corporation or the LDC;
- (i) take, hold, subscribe for or agree to purchase or acquire any securities of any local distribution company or (ii) purchase or agree to purchase all or substantially all of the assets of any local distribution company;
- (q) approve of or permit the LDC to take any of the actions contemplated in the above paragraphs (b) (issue shares), (f) (exceed Debt/Equity Ratio), (g) (give guarantees),

- (h) (wind up), (i) (change director comp), (j) (change dividend policy principles),(k) (amalgamate) or (l) (continue); or
- (r) approve of or permit any Affco to take any of the actions contemplated in the above paragraphs (f) (exceed Debt/Equity Ratio), (i) (change director comp) or (j) (change dividend policy principles).

3.13 Unanimous Shareholder Agreement

Each of the Shareholders acknowledges that this Agreement is intended to operate as a unanimous shareholder agreement with respect to the Corporation and each Subsidiary within the meaning of the Act. Pursuant to Section 108(2) or 108(3) of the Act, as applicable, the discretion and powers of the Board of the Corporation and the Board of each Subsidiary to manage or supervise the management of the business and affairs of the Corporation or each Subsidiary are hereby restricted in accordance with the provisions of this Agreement.

3.14 Agreement Binds Subsidiaries

The Corporation and LDC (by their execution of this Agreement), and each other Subsidiary (by its execution of a Joinder Agreement) agree to be bound by this Agreement, acknowledge that they have actual notice of the terms of this Agreement, consent to this Agreement and covenant with each of the Shareholders that they will at all times during the term of this Agreement:

- (a) give or cause to be given such notices and execute or cause to be executed such deeds, transfers and documents as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement;
- (b) do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement; and
- (c) take no action that would constitute a contravention of any of the terms and provisions of this Agreement.

The Corporation shall issue a direction from time to time to each Subsidiary restricting the actions of such Subsidiary so as to give effect to the terms and intent of this Agreement.

3.15 Auditors

The Auditors shall be appointed by the Shareholders from time to time.

3.16 Banking

The Corporation's bankers shall be such financial institution(s) as the Board of the Corporation shall from time to time determine. All resolutions respecting banking authority, the opening of bank accounts and the drawing on such accounts shall require the consent of the Board before becoming effective.

3.17 Financial Statements

The Corporation shall cause to be prepared and delivered as soon as reasonably practicable (and in no event later than one-hundred and eighty (180) days after the end of each fiscal year of the Corporation and its Subsidiaries) annual audited consolidated financial statements for such fiscal year prepared in accordance with GAAP and accompanied by a report of the Auditors of the Corporation.

3.18 Governance Review

- (a) The Shareholders agree to convene a governance review of the Corporation and its Subsidiaries (a "Governance Review") to be held three (3) years following the date of amalgamation of the Corporation and thereafter at least every four (4) years at the mid-term of the municipal election cycle. Each Governance Review shall consider whether to make recommendations on maintaining or changing the governance structure of the Corporation and the Subsidiaries, including moving to a Board of the Corporation comprised solely of Independent directors.
- (b) The Governance Review shall involve the following process:
 - (i) The Board of the Corporation shall engage any personnel and other resources required for the Governance Review;
 - (ii) The scope of the Governance Review shall be established by the Board of the Corporation, but is expected to be broad, shall have regard to industry best practices and shall include whether to move to a fully Independent Board;
 - (iii) The process shall involve engaging all Shareholders and directors and officers of the Corporation and the Subsidiaries;
 - (iv) Upon completion of the Governance Review, the Board shall consider the Governance Review and make recommendations to the Shareholders relating to governance of the Corporation and Subsidiaries; and
 - (v) The Board's recommendations shall be brought to the next occurring annual general meeting of the Corporation and each recommendation shall be voted on independently.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 **Representations and Warranties**

Each of the Shareholders represents and warrants as follows and acknowledges that each of the other Parties are relying on such representations and warranties in connection with the entering into of this Agreement:

- (a) it is the registered and beneficial owner of the Shares stated to be owned by such Shareholder in the recitals hereto, free and clear of all Encumbrances and there are no outstanding agreements, options, warrants or other rights capable of becoming an agreement, option or warrant to purchase such Shares;
- (b) it has the power and capacity to own its assets and to enter into and perform its obligations hereunder and has taken all necessary action to authorize the execution and delivery of this Agreement;
- (c) this Agreement and the transactions contemplated herein have been duly authorized by it and this Agreement constitutes a valid and binding obligation of it enforceable against it in accordance with its terms subject to the laws of bankruptcy and the availability of equitable remedies; and
- (d) the execution, delivery and performance of this Agreement does not and will not contravene the provisions of its articles, by-laws, constating documents or the provisions of any agreement or other instrument to which it is a Party or may be bound.

4.2 Covenants

Each of the Shareholders covenants and agrees with each other Party hereto that all of the foregoing representations and warranties pertaining to it set forth in Section 4.1 will continue to be true and correct during the continuance of this Agreement.

ARTICLE V PRE-EMPTIVE RIGHTS

5.1 Issuance of New Shares.

The Corporation hereby grants to each Shareholder a right to purchase its Share Interest (subject to its over-allotment option in Section 5.4) of any New Shares that the Corporation may from time to time propose to issue or sell to any party.

5.2 Additional Share Issuances

The Corporation shall give written notice (an "**Issuance Notice**") of any proposed issuance or sale of New Shares to the Shareholders within ten (10) Business Days following any meeting of the Shareholders at which any such issuance or sale is approved in accordance with Section 3.12(b). The Issuance Notice shall, if applicable, be accompanied by a written offer from any prospective purchaser seeking to purchase the applicable New Shares (a "**New Shares Prospective Purchaser**") and shall set forth the material terms and conditions of the proposed issuance or sale, including (a) the number and description of New Shares proposed to be issued; (b) the proposed issuance date, which shall be at least twenty (20) Business Days from the date of the Issuance Notice; and (c) the proposed purchase price per share of New Shares, and (d) all other material terms of the offer or sale.

5.3 Exercise of Pre-Emptive Rights

Each Shareholder shall, for a period of twenty (20) Business Days following the receipt of an Issuance Notice (the "**Pre-Emptive Exercise Period**"), have the right to elect irrevocably to purchase all or any portion of its Share Interest of any New Shares on the terms and conditions, including the purchase price, set forth in the Issuance Notice by delivering a written notice to the Corporation (a "**Pre-Emptive Acceptance Notice**") specifying the number of New Shares it desires to purchase up to its Share Interest. The delivery of a Pre-Emptive Acceptance Notice by a Shareholder shall be a binding and irrevocable offer by such Shareholder to purchase the New Shares described therein. The failure of a Shareholder to deliver a Pre-Emptive Acceptance Notice by the end of the Pre-Emptive Exercise Period shall constitute a waiver of its rights under this Section 5.3 with respect to the purchase of such New Shares.

5.4 Over Allotment

No later than ten (10) Business Days following the expiration of the Pre-Emptive Exercise Period, the Corporation shall give written notice (the "**Over-Allotment Notice**") to each Shareholder specifying the number of New Shares that each Shareholder has agreed to purchase (including, for the avoidance of doubt, where such number is zero) and the aggregate number of remaining New Shares, if any, not elected to be purchased by the Shareholders under Section 5.3 (the "**Remaining New Shares**"). Each Shareholder that exercised its right to purchase its Share Interest of the New Shares in full (a "**Fully Exercising Shareholder**") shall have a right of over-allotment such that, if there are any Remaining New Shares, such Fully Exercising Shareholder may purchase all or any portion of its pro rata portion of the Remaining New Shares, based on the relative Share Interest as between all Fully Exercising Shareholders. Each Fully Exercising Shareholder shall elect to purchase its allotment of Remaining New Shares it desires to purchase within ten (10) Business Days of receipt of the Over-Allotment Notice (the "**Over-Allotment Exercise Period**").

5.5 Issuance to the New Shares Prospective Purchaser

Following the expiration of the Pre-Emptive Exercise Period and, if applicable, the Over-Allotment Exercise Period, the Corporation shall be free to complete the proposed issuance or sale of New Shares described in the Issuance Notice with respect to which Shareholders declined to exercise the pre-emptive right set forth in this Article V on terms no less favourable to the Corporation than those set forth in the Issuance Notice (except that the amount of New Shares to be issued or sold by the Corporation may be reduced); provided that (a) such issuance or sale is closed within thirty (30) Business Days after the expiration of the Pre-Emptive Exercise Period and, if applicable, the Over-Allotment Exercise Period, and (b) for the avoidance of doubt, the price at which the New Shares are sold to the New Shares Prospective Purchaser is at least equal to or higher than the purchase price described in the Issuance Notice. If the Corporation has not sold such New Shares within such time period, the Corporation shall not thereafter issue or sell any New Shares without first again offering such shares to the Shareholders in accordance with the procedures set forth in this Article V.

5.6 Closing Procedures.

The closing of any issuance or sale of New Shares to any Shareholder under this Article V shall be consummated concurrently with the consummation of any issuance or sale, if any, to the New Shares Prospective Purchaser as described in the Issuance Notice. Upon the issuance or sale of any New Shares in accordance with this Article V, the Corporation shall deliver the New Shares in certificated form, free and clear of any Encumbrances (other than those arising hereunder and those attributable to the actions of the purchasers thereof). The Corporation shall represent and warrant to the purchasers thereof that the New Shares are free and clear of any such Encumbrances and further that such New Shares shall be, upon issuance thereof to such purchasers and after payment therefor, duly authorized, validly issued, fully paid and non-assessable. Each Shareholder shall deliver to the Corporation the purchase price for the New Shares purchased by it by certified cheque or bank draft or by wire transfer of immediately available funds. Each party to the purchase and sale of New Shares shall take all such other actions as may be reasonably necessary to consummate the purchase and sale, including entering into such additional agreements as may be necessary or appropriate. No issuance of any New Shares to a New Shares Prospective Purchaser shall be deemed completed until the New Shares Prospective Purchaser has entered into a Joinder Agreement.

ARTICLE VI ISSUANCE AND TRANSFER OF SHARES

6.1 General Restriction on Transfer



6.2 Legend on Shares

All share certificates representing Shares shall bear on their face the following notation:

"The shares represented by this certificate are subject to the provisions of the Shareholders' Agreement made as of <">, 20<"> among all of the shareholders of the Corporation as at that date, which agreement contains restrictions on the right to sell, transfer, pledge, mortgage, assign, vote or otherwise deal with or encumber such shares. Notice of such restrictions and the other provisions of such agreement is hereby given. A copy of such agreement is available for inspection from the Secretary of the Corporation on request."

6.3 Seller Liquidity Protections

Each of the Parties will comply with the undertakings set forth in Schedule "D".

6.4 Rights of First Refusal

if any Shareholder (in this Article VI called the "**Selling Shareholder**") wishes to initiate the process of selling all but not less than all of its Shares to a Third Party, then the other Shareholders and the Corporation (in this Article VI called the "**Other Holders**") shall have the prior right to purchase all such Shares in accordance with the following provisions:

- (a) **Notice of Offer**. No earlier than **Second Second Seco**
- (b) **Offer Open During Notice Period**. The Secretary of the Corporation shall thereupon be deemed to be the agent of the Selling Shareholder for the purposes of offering the Offered Shares to the Other Holders on the terms of payment and for the price contained in the Selling Notice and the offer by the Secretary shall be irrevocable and remain open for acceptance, as hereinafter provided, **Secretary and the Selling Notice Period**, **Secretary Shareholder**, **Secretary**

(in this Article VI called the "**Notice Period**") after receipt of the Selling Notice by the Secretary of the Corporation;

- (c) Acceptance of Offer. Secretary shall offer the Offered Shares for sale to the Other by the Secretary, the Secretary shall offer the Offered Shares for sale to the Other Holders as nearly may be in proportion to the number of Shares held by each such Other Holder respectively as at the date of such offer. The offer by the Secretary shall state that any Other Holder desiring to purchase a number of Offered Shares that is less than or in excess of its proportion shall indicate so in its notice to the Secretary (in this Article VI called the "**Purchase Notice**") stating the number of Offered Shares it desires to purchase. If, within the Notice Period, a Purchase Notice has not been received by the Secretary of the Corporation from an Other Holder, such Other Holder shall be deemed to have declined to purchase the Offered Shares being offered;
- (d) **Excess Shares.** If each Other Holder do not claim its respective proportion, any unclaimed Offered Shares shall be used to satisfy the claims of such Other Holders for Offered Shares in excess of their respective proportions. If the claims in excess are more than sufficient to exhaust such unclaimed Offered Shares, the unclaimed Offered Shares shall be divided pro rata among such Other Holders desiring Offered Shares in excess of their proportion, in proportion to the number of Shares held by them respectively as at the date of such offer, provided that any unclaimed

Offered Shares after such pro rata division shall be divided pro rata among Other Holders in proportion to their claims in excess of their respective proportions determined as aforesaid. Notwithstanding anything to the contrary, no Other Holder shall be bound to purchase any Offered Shares in excess of the amount indicated in its Purchase Notice;

- (e) **No Fractions**. If the Offered Shares are not capable, without division into fractions of Shares, of being offered to or being divided among the Other Holders in the proportions above mentioned, the same shall be offered to or divided among the Other Holders as nearly as may be in the proportions hereinbefore mentioned and any balance shall be offered to or divided among the Other Holders or some of them in such equitable manner as may be determined by the Board;
- (f) **Sale**. If all, but not less than all, of the Offered Shares are accepted by the Other Holders pursuant to the provisions of this Section 6.4, the Offered Shares shall be sold to the Other Holders for the price and for the terms contained in the Selling Notice, provided that

if OEB approval of the transaction is required in accordance with Laws, and no later than the six month anniversary of the date on which the Notice Period expired if OEB approval is not required in accordance with Laws;

- (g) Deemed Refusal. If Purchase Notices have not been received by the Secretary of the Corporation in respect of all of the Offered Shares within the Notice Period, each of the Other Holders shall be deemed to have declined to purchase the Offered Shares and, subject to the provisions of paragraph (h) below, the Selling Shareholder may but not less than all, of the Offered Shares to the Prospective Purchaser at the price and upon terms of payment which are not more favourable to the Prospective Purchaser than those specified in the Offer;
- (h) Prospective Purchaser Bound. The Selling Shareholder shall sell the Offered Shares to a Person who is not a Party only if such other Person simultaneously with any such sale executes and delivers to each of the other Parties a Joinder Agreement in which case such Person shall have the rights of a Transferee Shareholder and shall be subject to the same obligations as a party to this Agreement as if it were an original signatory in place of the Selling Shareholder or its predecessor in title originally Party to this Agreement, as applicable. Without limiting the generality of the foregoing, a Transferee Shareholder shall agree to be bound by the provisions of Section 8.1; and
- (i) **The Corporation as Purchaser**. The Other Holders, except the Corporation, may cause the Corporation to act as an Other Holder entitled to purchase such portion of Shares as the Other Holders (except the Corporation) agree.

6.5 Piggyback Right

In the event one or more Selling Shareholders receives an Offer and, in accordance with the procedures set forth in Section 6.4, the Other Holders decline or are deemed to decline to purchase the Offered Shares from the Selling Shareholder(s), and the Shares which the Selling Shareholder(s) wish to sell under the Offer(s)

then each Other Holder except the Corporation shall have the right to require that all, but not less than all, of its Shares be sold to the Prospective Purchaser, on the same terms and conditions as those set out in the Offer; provided that, if the Prospective Purchaser will not purchase the aggregate amount of Shares which the Selling Shareholder(s) and the Other Holders except the Corporation requested to be sold pursuant to the immediately preceding sentence, the number of Shares which the Selling Shareholder(s) and the Other Holders except the Corporation shall be permitted to sell to the Prospective Purchaser shall be proportionately reduced so that each may sell the same percentage of its Shares. The Other Holders except the Corporation may only exercise their right under this Section 6.5 by written notice given to the Secretary of the Corporation within the Notice Period.

6.6 Indemnity

Each Shareholder who Transfers, grants a right to purchase or otherwise purports to Transfer Shares shall:

- (a) subject to applicable Laws, only claim and credit against any Transfer Tax payable by it, its Transfer Tax Reduction Amount available at such time to the Shareholder;
- (b) indemnify and hold harmless the Corporation, each Subsidiary and each of the other Shareholders from and against any liability for tax, whether Transfer Tax, Departure Tax, income tax, capital tax or any other tax, exigible on the Corporation, the Subsidiaries or the Shareholders as a result or as a consequence of such Transfer, grant, issuance or other purported Transfer or issuance, as the case may be, provided that such liability for tax is not a result or a consequence of the allotting, reserving, setting aside or issuing of any Shares or other securities of the Corporation or any of its Subsidiaries or the issuance or grant of any rights, warrants or options to purchase, acquire or otherwise obtain any unissued Shares or other securities of the Corporation or any of its Subsidiaries which has been approved by the affirmative vote of Shareholders pursuant to Section 3.9; and
- (c) if required by the Electricity Act, pay all Transfer Tax payable in respect of such Transfer such that the Transfer shall not be void.

ARTICLE VII CLOSING OF PURCHASE TRANSACTION

7.1 Time and Place of Closing

The closing of any purchase and sale of Shares contemplated by Sections 6.3 or 6.5 of this Agreement shall unless otherwise agreed upon by the Parties to such transaction, take place at the registered office of the Corporation on the date specified in the Selling Notice.

7.2 Documents to be delivered by the Vendor

On or before the closing of a purchase and sale of Shares contemplated hereunder, the vendor shall deliver to the purchaser the following (each in form and substance satisfactory to the purchaser):

- (a) a share certificate or certificates representing the Shares being sold, duly endorsed in blank for transfer or newly issued in the name of the purchaser;
- (b) a certificate of a senior officer of the vendor certifying that any representations and warranties made by such vendor in this Agreement are true and correct as of the Closing Date;
- (c) the written resignation of such vendor's nominee(s) to the Board of the Corporation and any Subsidiaries and a release by such nominee(s) of all claims against the Corporation and any Subsidiaries, as applicable, with respect to any matter or thing arising as a result of being a director; and
- (d) the written release of the vendor of all claims against the Corporation, the Subsidiaries and the other Shareholders with respect to any matter or thing arising up to and including the Closing Date as a result of being a Shareholder.

7.3 Documents to be delivered by the Purchaser

On or before the closing of a purchase and sale of Shares contemplated hereunder, the purchaser shall deliver to the vendor the following:

- (a) a certified cheque or bank draft in an amount equal to the purchase price for the Shares being purchased;
- (b) in the event Shares are sold to a Person who is not a Shareholder pursuant to Sections 6.3 or 6.5 hereof, a duly executed Joinder Agreement; and
- (c) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

7.4 Failure to Complete Sale

In the event the vendor fails to complete the subject purchase and sale transaction, the purchaser shall have the right to deposit the purchase price for the subject Shares for the account of the vendor in an interest-bearing account at a branch of the Corporation's bankers. Thereafter, notwithstanding that the documents required pursuant to Section 7.2 have not been delivered by the vendor, the purchase and sale of the subject Shares shall be deemed to be fully completed and all right, title, benefit and interest, both at law and in equity, in and to the subject Shares shall be deemed to have been Transferred to and become vested in the purchaser and all right, title, benefit and interest, both at law and in equity, of the vendor or any other Person having an interest in and to the subject Shares shall cease and the records of the Corporation shall be amended accordingly.

7.5 Transaction Expenses

With respect to any transaction where one or more Shareholders Transfers any Shares, such Shareholder(s) shall reimburse the Corporation and the Subsidiaries for all expenses reasonably incurred by the Corporation and the Subsidiaries in completing such transaction, including without limitation expenses relating to OEB approvals.

ARTICLE VIII NON-COMPETITION AND CONFIDENTIALITY

8.1 Non-Competition

Each Shareholder covenants and agrees that it shall not, except through the Corporation or otherwise with the consent of all Shareholders, directly or indirectly,

compete with the Business of the LDC within the Province of Ontario, whether by (i) carrying on or engaging in or being concerned with or interested in; (ii) advising, investing in, lending money to, guaranteeing the debts or obligations of; or (iii) permitting the Shareholder's name or any part thereof to be used or employed by any Person engaged in or concerned with or interested in, in each case, any business within the Province of Ontario that is competitive with the Business of the LDC.

8.2 Confidentiality

Each Shareholder shall not use or disclose to any Person, directly or indirectly, any Confidential Information at any time other than to employees, officers or directors of such Shareholder provided that all such Persons shall treat such information as confidential and not disclose same to any Third Party nor use the same for any purpose other than for the purposes of the Corporation or a Subsidiary or in respect of a Shareholder's investment in the Corporation, provided, however, that nothing in this Section 8.2 shall preclude a Shareholder from disclosing or using Confidential Information if:

- (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Agreement;
- (b) disclosure of Confidential Information is required to be made by any applicable Laws or Governmental Authority;
- (c) disclosure of Confidential Information is made in connection with any arbitration pursuant to Section 13.4;
- (d) disclosure of Confidential Information is made to a court which is determining the rights of the Parties under this Agreement;
- (e) the Confidential Information is rightfully received by the Shareholder from another Person who is not in breach of any obligation of confidentiality by disclosing such information to the Shareholder;

- (f) the disclosure of Confidential Information is necessary to complete a Transfer of Shares in accordance with this Agreement;
- (g) the Confidential Information is proven to have been independently developed by a Shareholder without reliance on any disclosure by the disclosing Party; or
- (h) the Confidential Information is approved by the Corporation for disclosure prior to its actual disclosure.

Each Shareholder acknowledges and agrees that the obligations under this Section 8.2 shall remain in effect for the period of two (2) years after it ceases to be a Shareholder. Notwithstanding the foregoing restrictions, the nominees of the Shareholders on the Board shall be entitled to discuss the affairs of the Corporation with the officers, directors, employees and representatives of such Shareholder.

8.3 Injunctive Relief

Each Shareholder understands and agrees that the Corporation and Subsidiaries, and consequently the other Parties, will suffer irreparable harm in the event that a Shareholder breaches any of the obligations set out in this Article VIII and that monetary damages shall be inadequate to compensate for the breach. Accordingly, each Shareholder agrees that, in the event of a breach or threatened breach by it of any of the provisions of this Article VIII, the Corporation, the Subsidiaries and the other Parties, in addition to and not in limitation of any other rights, remedies or damages available to them at law or in equity, shall be entitled to an interim injunction, interlocutory injunction and permanent injunction in order to prevent or to restrain any such breach by the Shareholder.

8.4 Accounting for Profits

Each Shareholder agrees that in the event of a violation of any of its covenants or agreements under this Article VIII, the Corporation shall be entitled to an accounting and repayment of all profits, compensation, royalties, commissions, remunerations or benefits which the Shareholder directly or indirectly shall have realized or may realize relating to, growing out of, or in connection with any such violation(s); this remedy shall be in addition to and not in limitation of any injunctive relief or other rights or remedies to which the Corporation and the other Parties are or may be entitled at law or in equity or otherwise under this Article VIII.

8.5 Reasonableness of Restrictions

Each Shareholder acknowledges that it has given careful consideration to the provisions of Sections 8.1 to 8.4 above and, having done so, agrees that the restrictions set forth in those sections are fair and reasonable and are reasonably required for the protection of the other Shareholders' investments in the Corporation and for the protection of the interests of the Corporation, the Subsidiaries and the Business, and that it is being reasonably compensated for the imposition of such restrictions.

ARTICLE IX SALE OF CERTAIN ASSETS

9.1 Right of First Offer on Sale of Surplus Assets

(a) In the event that the Corporation or any Subsidiary intends to sell any Surplus Assets, a Shareholder who is a municipal corporation and in whose legal boundaries the Surplus Assets are located shall have a first right of refusal to purchase the Surplus Assets at their Fair Market Value. Such municipal corporation Shareholder shall receive written notice (the "**Notice of Sale of Surplus Assets**") from the Corporation or Subsidiary, as applicable, of any proposed disposition of Surplus Assets located in its legal boundaries and the proposed registered appraiser or independent accounting firm for determining the Fair Market Value of the Surplus Assets. The municipal corporation Shareholder

r to object to the proposed registered appraiser or independent accounting firm, in which case, the Corporation or Subsidiary, as applicable, and municipal corporation Shareholder will negotiate in good faith to arrive at a mutually acceptable registered appraiser or independent accounting firm. If the Corporation or Subsidiary, as applicable, and the municipal corporation Shareholder are unable to agree upon a registered appraiser or independent accounting firm

by the municipal corporation Shareholder, then the registered appraiser or independent accounting firm will be determined by the managing partner of Grant Thornton LLP. If the municipal corporation Shareholder does not object to the proposed registered appraiser or independent accounting firm within the

municipal corporation Shareholder will be deemed to have accepted the registered appraiser or independent accounting firm proposed by the Corporation in the Notice of Sale of Surplus Assets.

(b) Following completion of the determination of the Fair Market Value of the Surplus Assets by the registered appraiser or independent accounting firm, as applicable, the Corporation or Subsidiary, as applicable, shall deliver a copy of the registered appraiser's or independent accounting firm's report to all of the Shareholders. The municipal corporation Shareholder

at a purchase price

equal to their Fair Market Value, failing which the Surplus Assets may be sold by the Corporation or Subsidiary, as applicable, to any Person for a purchase price equal to or in excess of the Fair Market Value.

9.2 Right of First Offer on Sale of Localized Distribution Assets

Subject to any applicable rights of the Corporation to authorize such transaction, if the LDC wishes to sell all or substantially all of the Distribution Assets located within a particular municipal corporation Shareholder's legal boundaries (the "Localized Distribution Assets") either together with or without Distribution Assets not located within the legal boundaries of any municipal corporation Shareholder, and provided that substantially all of the Distribution Assets

proposed to be sold are located within the legal boundaries of not more than any two (2) Shareholders, then any such Shareholder (the "**ROFO Shareholder**") shall have the prior right to purchase all such Localized Distribution Assets located within the ROFO Shareholder's legal boundaries in accordance with the following provisions:

- (a) Notice of Offer. The LDC shall give each ROFO Shareholder notice in writing of its desired intention to sell the Localized Distribution Assets. The notice (the "Notice of Intention to Sell") shall contain the terms, including price, and conditions of sale that the LDC is willing to accept for the Localized Distribution Assets;
- (b) **Offer to Purchase**. Each ROFO Shareholder **after receipt of the Notice of Intention to Sell to make a binding offer to the LDC to purchase the Localized Distribution Assets at the price and on the terms contained in the Notice of Intention to Sell (the "Purchase Notice**").
- (c) Sale to ROFO Shareholder. If the Secretary of the LDC receives a Purchase Notice from the ROFO Shareholder during the Notice Period then the applicable Localized Distribution Assets shall be sold to such ROFO Shareholder for the price and on the terms contained in the Notice of Intention to Sell, provided that such transaction shall be completed no later than the first anniversary of the date on which the Notice Period expired if OEB approval of the transaction is required in accordance with Laws,

Notice Period expired if OEB approval is not required in accordance with Laws.

(d) **Sale to Third Party.** If, within the Notice Period, a Purchase Notice has not been received by the Secretary of the LDC from a ROFO Shareholder, the ROFO Shareholder shall be deemed to have declined to purchase the applicable Localized Distribution Assets, in which case the LDC shall have the right to sell such Localized Distribution Assets to such Person(s) as it sees fit, provided that such sale shall be on terms no less favourable to the LDC than the terms contained in the Notice of Intention to Sell. If the LDC does not complete such sale of Localized Distribution Assets within one year following the end of the Notice Period or following the date on which the ROFO Shareholder expressly declines to exercise its right to purchase the Localized Distribution Assets, whichever is earlier, then the LDC shall again have to comply with the provisions of this Section 9.2 in the event it wishes to sell the Localized Distribution Assets.

ARTICLE X BOOKS, RECORDS AND RIGHT TO INFORMATION

10.1 Books and Records

The Corporation and its Subsidiaries shall at all times maintain at their respective registered offices proper books of account, which shall contain accurate and complete records of all transactions, receipts, expenses, assets and liabilities of the Corporation or the Subsidiary, as the case may be.

10.2 Right to Information

The Parties covenant and agree that each Shareholder shall have rights of inspection with respect to the Corporation and its Subsidiaries as set out in Sections 140, 141, 144 and 145 of the Act.

ARTICLE XI TERM

11.1 Term

This Agreement shall come into force and effect as of the date set out on the first page of this Agreement, and shall continue in force until the earlier of:

- (a) the date on which one (1) Shareholder holds all of the Shares; and
- (b) the date on which this Agreement is terminated by written agreement of all of the Shareholders.

ARTICLE XII PROMISSORY NOTES

12.1 Promissory Notes.

- (a) Each of the Promissory Notes shall rank equally.
- (b) Except as specified in Section 12.1(c), no Shareholder may take any step to amend or exchange any Promissory Note without the agreement of each other Shareholder that holds a Promissory Note. A Shareholder that proposes to amend or exchange a Promissory Note (other than pursuant Section 12.1(c)) shall give notice in writing to the other Shareholders of its proposal to so amend or exchange the Promissory Note. Except as specified in Section 12.1(c), in the event that all Shareholders that hold a Promissory Note do not agree with the proposal, such proposing Shareholder shall not proceed with the proposed action.



(d) Notwithstanding the foregoing provisions of this Section 12.1 and for greater clarity, any Shareholder may demand repayment, in whole or part, in accordance

with the terms the applicable Promissory Note, without having to consult with the other Shareholders holding the Promissory Notes.

ARTICLE XIII GENERAL

13.1 Notices

All notices, requests, demands, consents or other communications required to be (a) given or made or provided for in this Agreement shall be in writing and shall be deemed to have been given, if: (i) delivered in person and left with the clerk's office if such notice is being delivered to a Shareholder, or in the case of notice to a non-Shareholder Party, with a responsible employee of the relevant non-Shareholder Party at the applicable address set forth below; (ii) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; (iii) sent by facsimile transmission, with confirmation of transmission by the transmitting equipment (a "Transmission"); or (iv) by e-mail

in the case of notice to Ajax addressed to it at:

Corporation of the Town of Ajax 65 Harwood Avenue South Ajax, ON L1S 2H9

Attention:	Mayor
Fax Number:	905-683-1061
E-Mail:	Steve.parish@ajax.ca

in the case of notice to Belleville addressed to it at:

Corporation of the City of Belleville 459 Sidney Street Belleville, ON K8N 2Y7

Attention: Mayor Fax Number: 613-967-3209 E-Mail: Mayor.christopher@city.belleville.on.ca

in the case of notice to Clarington addressed to it at:

Corporation of the Municipality of Clarington 40 Temperance Street Bowmanville, ON L1C 3A6

Attention: Mayor Fax Number: 905-623-5717 E-Mail: afoster@clarington.net

Privileged and Confidential

in the case of notice to Pickering addressed to it at:

Corporation of the City of Pickering 1 The Esplanade Pickering, ON L1V 3P4

Attention:MayorFax Number:905-420-9695E-Mail:dryan@pickering.ca

in the case of notice to Whitby addressed to it at:

Corporation of the Town of Whitby 575 Rossland Rd E, Whitby, ON L1N 2M8

Attention:	Mayor
Fax Number:	<*>
E-Mail:	<mark><*></mark>

In the case of notice to the Corporation and/or a Subsidiary addressed to it at:



Attention: Fax Number: E-Mail:



- (b) Any Party may change its address for notice by giving notice to the other Parties.
- (c) Any notice sent in accordance with this Section 13.1 shall be deemed to have been received:
 - (i) if delivered in person or by courier prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (ii) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth such Business Day after cessation of that disruption;
 - (iii) if sent by facsimile during normal business hours on a Business Day in the place where the Transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the

machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; and

(iv) if sent by e-mail during normal business hours on a Business Day in the place where the e-mail is received, on the same day that it was received by e-mail,

except that any notice delivered in person, sent by Transmission or e-mail not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, shall be deemed to have been received on the next succeeding Business Day in the place where the notice is received.

13.2 Assignment and Binding Effect

This Agreement is not assignable by any Party except insofar as its benefit and burden pass with the Shares transferred in accordance with its provisions. This Agreement shall be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns. Reference in this Agreement to any Party shall be deemed to include reference to such Party and its respective successors and assigns as permitted hereunder.

13.3 Amalgamation of Municipal Shareholders

Two (2) or more Shareholders that amalgamate ("**Amalgamated Shareholder**") shall retain the same rights granted under this Agreement as if the respective Shareholders had not amalgamated except as otherwise provided herein.

13.4 Arbitration

- (a) **Selection of Single Arbitrator**. The Parties agree that any controversy, dispute or claim between them or any of them arising out of or relating to this Agreement or the performance, enforcement, breach, termination or validity of it, including determination of the scope of what may be arbitrated hereunder (a "**Dispute**"), shall be determined by arbitration before a single arbitrator (the "**Arbitrator**") agreed to by all of the Parties who are party to the Dispute (the "**Disputing Parties**"). If the Disputing Parties are unable to agree on the Arbitrator, then, an application may be made under the Arbitration Act to a judge of the Ontario Superior Court of Justice for the appointment of the Arbitrator.
- (b) **Notice of Dispute**. If a Party wishes to refer a Dispute to arbitration it must first provide notice in writing to all of the Parties expressing its intention to refer the Dispute to arbitration and briefly describing the nature of the Dispute.
- (c) Attempted Settlement. Upon service of the notice referred to above, the Disputing Parties will attempt to negotiate a settlement of the Dispute amongst themselves. In the event that the Parties are unable to reach settlement by themselves within 10 days of the service of the notice referred to above, any Disputing Party may refer the Dispute to arbitration and the Disputing Parties will proceed with the arbitration

and any Disputing Parties shall be free to apply to the Arbitrator for directions as to the scheduling of the arbitration itself and the pre-hearing procedures.

- (d) **Decision Final and Binding**. The Parties agree that the award of the Arbitrator shall be final and binding without any right of appeal and shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or disputes referred to the Arbitrator.
- (e) **Powers of Arbitrator**. The Parties agree that the Arbitrator shall have the powers and jurisdiction of an arbitrator pursuant to the Arbitration Act and such power shall include the power to award interim and interlocutory injunctions and other equitable relief.
- (f) **Costs**. The Arbitrator shall have the power to award the costs of the Arbitrator's services and related costs against one or more Disputing Parties; however, each Disputing Party Party will bear the costs of its own counsel and witness fees.
- (g) **Written Notices**. All notices by one Party to another Party in connection with the arbitration shall be in writing and shall be deemed to have been duly given or made if delivered or sent by facsimile transmission to the addresses provided in this Agreement.

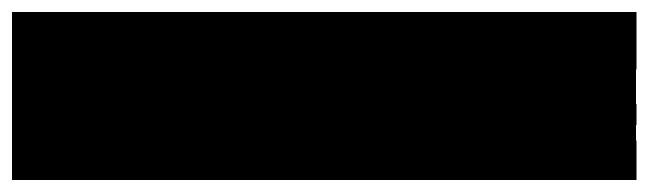
13.5 Further Assurances

Each Party hereto shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of such acts and will cause the execution of such further documents as are within its power as any other Party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement.

13.6 Severability

If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

13.7 Amendment, Modification and Waiver





13.8 Time of Essence

Time is of the essence of this Agreement.

13.9 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement.

13.10 No Partnership

Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any Party a partner of or a joint venture with any other Party.

13.11 Proceedings

The covenants, agreements and obligations herein expressed to be observed and performed by the Parties may be enforced by any of the Parties pursuant to Section 13.4 without joining the remaining Parties as parties in any proceedings.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties have duly executed this Shareholders' Agreement as of the date first above written.

THE CORPORATION OF THE TOWN OF AJAX

	~/~
	c/s
By:	2/0

_____ c/s

THE CORPORATION OF THE CITY OF BELLEVILLE

By:	- /
	c/s
By:	 c/s
	C/ S

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

By:	c/s
By:	 c/s

THE CORPORATION OF THE CITY OF PICKERING

By:	 c/s
By:	 c/s

THE CORPORATION OF THE TOWN OF WHITBY

By:	c/s

_____ c/s

By:

[[MERGED HOLDCO]]

By:	c/s
By:	

[[MERGED LDC]]

By:	 c/s
By:	 c/s

SCHEDULE "A" JOINDER AGREEMENT

TO: [MERGED HOLDCO] (the "Corporation")

AND TO: [MERGED LDC] (the "LDC")

AND TO: Each of the existing shareholders of the Corporation

RE: Shareholders' Agreement dated <*>, (as amended from time to time, the "Shareholders' Agreement") between, the Corporation, the LDC and [EXISTING SHAREHOLDERS]

Pursuant to and in accordance with Section 3.14 or 6.1 of the Shareholders' Agreement, as applicable, the undersigned hereby agrees that upon the execution of this Joinder Agreement, it shall become a party to the Shareholders' Agreement and shall be fully bound by, and subject to, all of the covenants, terms and conditions of the Shareholders' Agreement as though an original party thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of [DATE].

[TRANSFEREE SHAREHOLDER] / [APPLICABLE AFFCO]

By_____ Name: Title:

SCHEDULE "B" LIST OF PROMISSORY NOTES

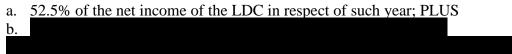


- 5. Fifth Amended and Restated Term Promissory Note issued by the LDC to Ajax in the principal amount of \$14,060,000, dated as of the date hereof;
- 6. Fifth Amended and Restated Term Promissory Note issued by the LDC to Belleville in the principal amount of \$5,588,000, dated as of the date hereof;
- 7. Fifth Amended and Restated Term Promissory Note issued by the LDC to Clarington in the principal amount of \$5,966,000, dated as of the date hereof;
- 8. Fifth Amended and Restated Term Promissory Note issued by the LDC to Pickering in the principal amount of \$17,974,000, dated as of the date hereof;
- 9. First Amended and Restated Term Promissory Note issued by the LDC to Whitby in the principal amount of \$1,460,300, dated as of the date hereof;
- 10. First Amended and Restated Term Promissory Note issued by the LDC to Whitby in the principal amount of \$5,061,000, dated as of the date hereof; and
- 11. First Amended and Restated Term Promissory Note issued by the LDC to Whitby in the principal amount of \$21,816,642, dated as of the date hereof.

SCHEDULE "C" DIVIDEND POLICY PRINCIPLES

The Board of the Corporation will set a dividend policy for the Corporation, and cause the Subsidiaries to establish their own dividend policies, consistent with the following principles:

- 1. The goal of the dividend policy will be to provide Shareholders with a minimum dividend of (a) **\$** for the Corporation's first financial year, (b) **\$** for the Corporation's second financial year, (c) **\$** for the Corporation's third financial year, and (d) an amount calculated in accordance with paragraph 2 in respect of each year thereafter (the "Dividend Target"). For clarity, the Dividend Target in each year shall be calculated without regard to paragraph 5 but the ability of the Corporation to declare and pay the dividend in such year shall be subject to paragraph 5.
- 2. The Dividend Target in respect of the fourth financial year of the Corporation and each year thereafter will be calculated as follows:



- 3. The Dividend Target in respect of each of the first three financial years of the Corporation will be the applicable amount specified in paragraph 1 above. It shall be within the sole discretion of the Corporation and the applicable Affco whether any Affco issues a dividend in respect of any of the first three financial years.
- 4. Dividends will be paid out on a quarterly basis. One half of the fourth-quarter dividend will be paid in the fourth quarter and the remaining amount will be paid upon approval of the audited financial statements in respect of the current financial year by the Board of the Corporation.
- 5. The Board of the Corporation will consider the following factors in assessing the Corporation's ability to pay a dividend at least in the amount of the Dividend Target in a given year:
 - a. the ability of the Corporation and the Subsidiaries to meet the solvency requirements of the Act in the current and following year;
 - b. the ability of the Corporation and the LDC to adhere to OEB policies and administrative decisions;
 - c. the Corporation's debt to total capitalization ratio (on a consolidated basis with the Subsidiaries) for the current and following financial year should be 70% or lower;
 - d. in the context of its regulated capital structure, the LDC's debt to capitalization ratio for the current and following financial year should be 60% or lower;
 - e. the capital expenditure requirements of the LDC in the current and following financial year;
 - f. the net income positive or negative variance to budget in the current financial year;
 - g. the ability of the Corporation and the Subsidiaries to meet financial covenants required by their respective lenders in the current and following financial year; and
 - h. the ability of the Corporation and Subsidiaries to meet their respective obligations and capital re-investment needs in the coming year.

SCHEDULE "D" SHAREHOLDER LIQUIDITY PROTECTIONS

1. Background

- (a) The Parties intend that each of the Shareholders shall be given flexibility to transfer and divest its Shares, subject to the provisions of this Agreement.
- (b) In order for each Shareholder to successfully market and sell its Shares to a prospective purchaser pursuant to the terms of this Agreement (a "**Transaction**"), it will require complete access to the corporate and financial records of the Corporation and its Subsidiaries and the active engagement and support of the management and employees of the Corporation and its Subsidiaries, all as more particularly set out in the following sections of this schedule. Reasonable, third party costs incurred by the Corporation or Subsidiaries to comply with their obligations in this schedule shall be treated as transaction costs as contemplated in Section 7.5 of the Agreement.
- 2. Application

Each of the rights and obligations of the Parties in this Schedule "D" shall come into effect only after a Shareholder has initiated discussions with a prospective purchaser in relation to a Transaction and no earlier than 18 months following the date of this Agreement.

3. Information Rights

Upon request by any Shareholder, the Corporation will, following a reasonable period of time to allow the Corporation to assemble such information, deliver to all of the Shareholders:

- (a) consolidated financial statements and a report by the Corporation's chief executive officer discussing significant variances, within 15 days following each month end;
- (b) rolling monthly cash flow forecasts;
- (c) the latest annual audited consolidated financial statements and all supporting records and materials related thereto; and
- (d) detailed annual budget and business plans including planned operating and capital expenditures,

provided that the Corporation may withhold Exempt Information.

"Exempt Information" means:

- (a) trade secrets or financial, commercial, scientific or technical information that belongs to the Corporation or its Subsidiaries;
- (b) information whose disclosure could reasonably be expected to prejudice the economic interests of the Corporation or the competitive position of, or interfere

significantly with the contractual or other negotiations of, the Corporation or its Subsidiaries;

- (c) information whose disclosure could reasonably be expected to be injurious to the financial interests of the Corporation;
- (d) plans relating to the management of personnel or the administration of an initiative that have not yet been put into operation or made public; and
- (e) information protected under privacy laws;

unless and until appropriate arrangements are entered into by, as applicable, the Corporation, the Subsidiaries, the Shareholder and any prospective purchaser of its Shares to adequately address the consequences of disclosure of such types of information keeping in mind the interests of the Corporation, following which such information shall no longer be Exempt Information.

4. Notification of Material Events

Upon request by a Shareholder but not more than once every month, the chief financial officer of the Corporation will deliver to each of the Shareholders, as soon as practicable:

- (a) a copy of any notice or statement given by the Corporation to its lenders, or received by the Corporation from its lenders, in connection with a breach of, or failure to perform, any covenant in relation to indebtedness of the Corporation for borrowed money; and
- (b) a notice of any dispute, litigation or arbitration or other proceedings involving any Governmental Authority which might have a material adverse effect on the Business, or on the assets, liabilities, financial condition, results of operations or business prospects of the Corporation.
- 5. Access Rights
 - (a) The Corporation and its Subsidiaries will, upon reasonable advance notice:
 - (i) permit the Shareholders and their representatives and agents, and any prospective Transferee Shareholder and its respective representatives and agents (collectively, a "**Prospective Acquirer**"), to visit the Corporation's premises for a reasonable amount of time and without interfering with the normal operation of the business, to observe the operations and to interview employees and service providers that are material in the context of a potential Transaction;
 - (ii) as directed by any Shareholder, make available to such Shareholder and any Prospective Acquirer for inspection and review, and permit such Shareholder and Prospective Acquirer to make and retain copies of, all business and financial records, books of account, audit work papers, correspondences, leases, agreements, deeds, contracts and any other documents of or relating to the Business, the Corporation and its Subsidiaries, other than any Exempt Information;

- (iii) permit any Prospective Acquirer designated as such by one or more Shareholders to audit the books and records of the Corporation and its Subsidiaries, provided that such audit does not unduly interfere with the normal ongoing operations of the Corporation or its Subsidiaries, and does not include any Exempt Information; and
- (iv) permit the Shareholders and their representatives and agents to disclose to any Prospective Acquirer all information received from the Corporation and its Subsidiaries for the purposes evaluating the Business, other than Exempt Information.
- 6. Good Faith Undertaking
 - (a) The Corporation and its Subsidiaries will comply with each of the obligations set forth herein in a prompt and timely manner and shall cause each of their respective employees, representatives, agents and service providers to act promptly and with good faith to provide the information, notifications and access contemplated in this schedule or as otherwise required pursuant to this Agreement or applicable Laws in support of any Transaction as permitted by this Agreement by one or more Shareholders at all stages of such Transaction.

32806229.1

SCHEDULE 2.5(1)) (TO THE MERGER PARTICIPATION AGREEMENT)

FORM OF MERGED HOLDCO GUARANTEE OF PROMISSORY NOTES

GUARANTEE

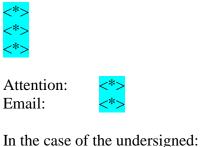
TO: THE CORPORATION OF THE **[TOWN OF AJAX/CITY OF BELLEVILLE/MUNICIPALITY OF CLARINGTON/CITY OF PICKERING/TOWN OF WHITBY]**

FOR VALUABLE CONSIDERATION, the undersigned hereby guarantees payment to The Corporation of the **[Town of Ajax/City of Belleville/Municipality of Clarington/City of Pickering/Town of Whitby]** (herein called the "**Creditor**"), forthwith after demand therefor as hereinafter provided, of all the debts and other liabilities of **[LDC Mergeco]** (herein called the "**Debtor**") owing to the Creditor pursuant to the promissory note (the "**Promissory Note**") of the Debtor made payable to the Creditor dated as of **<*>**, 20**<*>** and in the principal amount of **<*>** Dollars (**\$<*>**), whether incurred or arising before or after the date hereof.

AND THE UNDERSIGNED HEREBY AGREES WITH THE CREDITOR AS FOLLOWS:

- 1. This guarantee shall be a continuing guarantee and shall secure the present debts and other liabilities and all debts and other liabilities incurred or arising after the date hereof of the Debtor to the Creditor under the Promissory Note and shall be binding as a continuing obligation of the undersigned.
- 2. The Creditor shall not be bound to exhaust its recourse against the Debtor or others or any security (which word as used herein includes other guarantees) it may hold nor to value such security before being entitled to payment from the undersigned.
- 3. This guarantee shall be in addition to and without prejudice to any other security by whomsoever given, held at any time by the Creditor and the Creditor shall be under no obligation to marshal in favour of the undersigned any such security or any of the funds or assets the Creditor may be entitled to receive or have a claim upon, and the Creditor may in its absolute discretion and without diminishing the liability hereunder of the undersigned, grant extensions of time or other indulgences to the Debtor or others and give up or modify, vary, exchange, renew or abstain from perfecting or taking advantage of any security and may discharge any party or parties and accept or make any compositions or arrangements and realize any security, when and in such manner as the Creditor may see fit and in no case shall the Creditor be responsible or shall the undersigned be released either in whole or in part for any act or omission in connection with the registration or filing of any security under any law or statute or otherwise or the realization of any security or the postponement of such realization or having sold any security at an undervalue.

- 4. The undersigned shall make payment to the Creditor of the amount of its liability to the Creditor forthwith after demand therefor is made in writing. All payments hereunder shall be made to the Creditor at the address noted below or at the office of its legal counsel or as the Creditor may otherwise direct.
- 5. The undersigned shall be liable to the Creditor for the total amount of all debts and other liabilities of the Debtor to the Creditor under the Promissory Note whether such debts and other liabilities are incurred prior to or subsequent to the notice demanding payment together with interest thereon at the same rate as is then payable by the Debtor in respect of the indebtedness herein guaranteed from the date of demand for payment or, in case of debts and other liabilities incurred or arising subsequent to such demand, from the date of the incurring or arising of such debts and other liabilities.
- 6. Any demand, notice or other communication in connection with this guarantee shall be in writing and shall be personally delivered to the addressee (or, where the addressee is a corporation, partnership, sole proprietorship or like entity, an officer or other responsible agent, representative or employee of the addressee), mailed by registered mail or sent by direct written electronic means such as email, charges prepaid, at or to the address or email address of the party set out below:
 - (a) In the case of the Creditor:



(b) In the case of the undersi



Attention:	<*:
Email:	<*:

or to such other address or addresses as either party may from time to time designate to the other party in such manner. Any demand, notice or other communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a business day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the business day next following such date of delivery. Any demand, notice or other communication mailed as aforesaid shall be deemed to have been validly and effectively given on the fifth business day following the date of mailing provided that, in the event of an interruption in postal services before such fifth business day, such communication shall be given by one of the other means. Any demand, notice or other communication which is transmitted by email as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a business day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly given on the business day next following such date of delivery. For the purposes of the foregoing, a "business day" shall mean a day that is not a Saturday or a Sunday and on which banks are open for business in the City of Toronto.

- 7. The undersigned acknowledges that this guarantee has been delivered free of any conditions and that no representations have been made to the undersigned affecting the liability of the undersigned hereunder other than those contained herein. This guarantee is in addition to and not in substitution for any other guarantee held or which may hereafter be held by the Creditor.
- 8. The undersigned may not assign or transfer this guarantee, any of its rights hereunder or any part thereof without the express written consent of the Creditor. This guarantee shall extend to and enure to the benefit of the Creditor and its successors and assigns, and shall extend to and be binding upon the undersigned and its successors and assigns.
- 9. The limitation period on this guarantee shall not begin to run until express demand is made hereunder, and the undersigned agrees that:
 - (a) any limitation period is expressly excluded and waived entirely if permitted by applicable law, and if not so permitted, is extended to the maximum length permitted by applicable law;
 - (b) any applicable limitation period shall begin afresh upon any payment or other acknowledgment of the obligations by the undersigned; and
 - (c) this Agreement is a "business agreement" as defined in the *Limitations Act*, 2002 (Ontario).
- 10. This guarantee shall rank equally in all respects as to the payment of any amounts guaranteed hereunder with guarantees issued by the undersigned in favour of **[INSERT OTHER 4 MUNICIPALITIES]** in respect of the Other Promissory Notes. "Other Promissory Notes" means the Promissory Notes as such term is defined in the unanimous shareholders' agreement among **[Merged Holdco]**, **[LDC Mergeco]**, the Creditor and **[INSERT OTHER 4 MUNICIPALITIES]** dated on or around the date hereof, as it may be amended or replaced from time to time (the "USA").
- 11. Any disputes arising in respect of this Guarantee shall be resolved in accordance with the general dispute resolution provisions of the USA.
- 12. In this guarantee words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and words importing persons shall include firms and corporations and vice versa.

- 13. This guarantee shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
- 14. This guarantee may be executed and delivered by electronic transmission, which when so executed and delivered shall be deemed to be an original of this instrument

[signature page follows]

IN WITNESS WHEREOF the undersigned has executed these presents this _____ day of ______, 20____.

[MERGED HOLDCO]

By:	
Name:	
Title:	
I have authority to bind the Corporation	

32489170.3

SCHEDULE 3.2(11) (TO THE MERGER PARTICIPATION AGREEMENT)

FORM OF AMENDED AND RESTATED SHAREHOLDER PROMISSORY NOTES

[<*>] AMENDED AND RESTATED PROMISSORY NOTE

PRINCIPAL AMOUNT: \$<*> MATURITY DATE: <*>

WHEREAS on <*>, **[INSERT ISSUER NAME]** ("**Predecessor Issuer**") issued to The Corporation of the <*> (the "**Municipality**") a promissory note in the principal amount of \$<*> pursuant to the Municipality's By-law <*> (the "**Original Note**");

AND WHEREAS on <*> the Predecessor Issuer amalgamated with **[INSERT OTHER PREDECESSOR ENTITY]** to form <*> (the "Issuer");

AND WHEREAS this Note amends and restates the terms of, and does not extinguish the debt created pursuant to, the Original Note.

FOR VALUE RECEIVED, the Issuer acknowledges itself indebted and hereby promises to pay the Municipality, or its assigns, at its offices at <>> (or such other place as the Municipality may direct the Issuer in writing) the principal sum of <<>>, in lawful money of Canada (the "**Principal Amount**"), together with interest thereon.

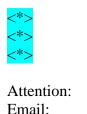
For the ten year period commencing as of the date of this Note, interest shall be calculated at the deemed long-term interest rate prescribed by the Ontario Energy Board in its most recent cost of capital parameter update (the "**Deemed Long-Term Rate**"). On the tenth anniversary of the date of this Note, the interest rate per annum shall be adjusted to the Deemed Long-Term Rate in effect at that time. Thereafter, the interest rate per annum shall be adjusted to match the thencurrent Deemed Long-Term Rate in effect at the earlier of (i) the five (5) year anniversary of the most recent interest rate adjustment date of this Note, and (ii) the date (following the most recent interest rate adjustment of the Note) on which **[LDC MERGECO]** files a cost of service application with the Ontario Energy Board.

Upon the written request by the Issuer to the Municipality, the interest rate and the terms upon which interest is payable may be subject to re-negotiation from time to time as a result of regulatory changes. Any amendment to the interest rate or the terms upon which interest is payable shall be mutually agreed to by the Municipality and the Issuer in writing.

This Note shall rank equally in all respects as to the payment of principal and interest hereunder with the promissory notes issued by the Issuer to **[INSERT OTHER 4] MUNICIPALITIES]** described in the Schedule hereto.

The Municipality has the option of calling for the repayment of the Principal Amount together with any accrued interest, in whole or part, with sixty days' prior written notice. The schedule of interest payments would change in the event of a partial repayment of the Principal

Amount. Any written notice or communication to be given or delivered by the Municipality shall be deemed to be duly given and delivered to the Issuer when delivered by hand or sent via email to the following address:



The Issuer shall have the option of prepaying the Principal Amount at any time, in whole or in part, with the prior written consent of the Municipality.

This Note shall be binding upon the Issuer and its successors and assigns. This Note may be assigned by the Issuer with the prior written consent of the Municipality.

In the event of the consolidation, amalgamation or merger of the Issuer with any other corporation or the sale of a majority of the issued and outstanding shares in the capital of the Issuer, the balance of the Principal Amount together with accrued interest on this Note shall become due and payable on closing of any consolidation, amalgamation, merger or transfer of the majority of the issued and outstanding shares in the capital of the Issuer.

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

[signature page follows]

IN WITNESS WHEREOF [MERGED HOLDCO / LDC MERGECO] has caused this Note to be duly executed as of <*>.

[MERGED HOLDCO / LDC MERGECO]

By:_____

By:_____

SCHEDULE

[LIST OF OTHER PROMISSORY NOTES ISSUED BY EITHER MERGED HOLDCO OR LDC MERGECO TO THE MUNICIPALITIES]

30916975.6

Form of Promissory Note

<u>Schedule 5.2(8)(b)</u> Veridian – Ownership of Non-Regulated Affiliates

Quinte Solar Generation Inc.	
City of Belleville	15%
Solera Sustainable Energies Company Limited	15%
Veridian Corporation	70%
	100.0%

Quinte Hydraulic Generation Inc.	
City of Belleville	15%
Peterborough Utilities Inc.	42.5%
Veridian Corporation	42.5%
	100.0%

Schedule 5.3(4) Veridian - Options



Schedule 5.3(9) Veridian – Real Property and Leases

PART I: OWNED LANDS

A) The following table lists all Veridian Real Property registered in the name of Veridian Connections Inc. and any of the Veridian Non-Regulated Affiliates:

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)
1.	Bell Blvd Substation 105 Bell Boulevard, Belleville	PIN 40448-0076(LT) PT LT 36 PL 22 LEMOINE AS IN QR159907; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
2.	Cascade Blvd Substation 40 Cascade Boulevard, Belleville	PIN 40450-0438(LT) LT 39 RCP 2072 SIDNEY; S/T EXECUTION 04-00381, IF ENFORCEABLE; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
3.	Church St. Substation 155 Church Street. Belleville	PIN 40483-0048(LT) PT LT 17 E/S CHURCH ST, 18 E/S CHURCH ST PL GOV BELLEVILLE THURLOW AS IN QR599963; S/T INTEREST IN QR172492; S/T QR107665; BELLEVILLE; COUNTY OF HASTINGS	Veridian Connections Inc.
4.	Edgehill Rd. Substation 16 Edgehill Road, Belleville	PIN 40609-0201(LT) LT 104 PL 1054 THURLOW; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
5.	Foster Ave. Building -Vacant 107 Foster Avenue South, Belleville, ON	PIN 40480-0198(LT) PT LT 26 PL 85 THURLOW PT 2 21R20706; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
6.	99 Foster Avenue South, Belleville, ON	PIN 40480-0004(LT) PT LT 26 PL 85 THURLOW AS IN QR599957; BELLEVILLE ; COUNTY OF HASTINGS	
7.	Harder Dr. Substation 63 Harder Drive, Belleville, ON	PIN 40462-0062(LT) PT LT 35 CON 1 SIDNEY AS IN QR599961; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
8.	Herchimer Ave. Substation 275 Herchimer Avenue, Belleville	PIN 40495-0094(LT) PT LT 30 PL 65 THURLOW PT 1 21R1832; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)
9.	Moira St. Substation 400 Moira Street East, Belleville	PIN 40442-0168(LT) PT LT 5-6 CON 2 THURLOW AS IN QR599962; S/T QR73282; S/T QR161566; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.
10.	Sidney St. Substation 231 Sidney Street, Belleville	PIN 40470-0084(LT) LT 7 PL 204 THURLOW; PT LT 6 PL 204 THURLOW AS IN QR599958; BELLEVILLE; COUNTY OF HASTINGS	Veridian Connections Inc.
11.	Bay St. Substation 150 Bay Street, Gravenhurst	PIN 48191-0209(LT) PT LT 6 W/S MUSKOKA RD PL 8 GRAVENHURST PT 1 35R15779 T/W DM278227; GRAVENHURST ; THE DISTRICT MUNICIPALITY OF MUSKOKA	Veridian Connections Inc.
12.	Pineridge Gate Regulator Substation 9 Pine Ridge Gate, Gravenhurst	PIN 48187-0017(LT) PT LT 5 CON EMR MUSKOKA PARTS 3 & 4 35R10981; S/T & T/W DM326025; THE DISTRICT; TOGETHER WITH AN EASEMENT OVER PT 9, 12 & 13 35R19071 AS IN MT74853; TOWN OF GRAVENHURST	Veridian Connections Inc.
13.	James St. Substation 495 James Street, Gravenhurst	PIN 48190-0189(LT) PCL H-1 SEC M522; PT BLK H PL M522 GRAVENHURST PT 1 35R13300; GRAVENHURST ; THE DISTRICT MUNICIPALITY OF MUSKOKA	Veridian Connections Inc.
14.	195 Progress Road, Gravenhurst	PIN 48178-0495(LT) PT LT 16 CON 5 MUSKOKA PT 4-6 35R12658; PT LT 16-17 CON 5 MUSKOKA PT 7 35R12658; PT LT 16-17 CON 5 MUSKOKA CLOSED BYBY DM237074 PT 8 35R12658; PT LT 16 CON 5 MUSKOKA CLOSED BY DM237074 PT 9 35R12658; GRAVENHURST; THE DISTRICT MUNICIPALITY OF MUSKOKA	Veridian Connections Inc.
15.	264 Cavan Street, Port Hope	PIN 51068-0533 (LT) PT LT 574-575 PL SMITH ESTATE PORT HOPE PT 1 39R9296; T/W NC301933; PORT HOPE	Veridian Connections Inc.
16.	179 Victoria Street North, Port Hope	PIN 51068-0425 (LT) PT UNNUMBERED BLK N OF PARK ST, E OF VICTORIA ST PL 1 RIDOUT PORT HOPE AS IN NC301937; S/T NC301937; PORT HOPE	Veridian Connections Inc.
17.	44 Shuter Street, Port Hope	PIN 51074-0042 (LT) PT LT 96 PL SMITH ESTATE PORT HOPE PT 4 9R1143; PORT HOPE	Veridian Connections Inc.
18.	1210 6 th Concession Road, Sunderland	PIN 72008-0102(LT)	Veridian Connections Inc.

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	
		PT N 1/2 LT 13, CON 5, BROCK, PT 1, 40R1310; BROCK		
19.	Corporate Head Office Ajax Main Office 55 Taunton Road East, Ajax	PIN 26409-4453(LT) PT LT 8 CON 3 PICKERING, PT 1 PL 40R12726 & PT 1 PL 40R13996 EXCEPT PT 1 PL 40R23779; S/T PI18647;; TOWN OF AJAX	Veridian Connections Inc.	
20.	Applecroft Substation 111 Rossland Street West, Ajax	PIN 26412-0129(LT) PCL CON 2-9-7 SEC AJAX; PT LT 9, CON 2, PT 1 40R13951; AJAX	Veridian Connections Inc.	
21.	Beaverton West Substation 190 Main Street, Beaverton	PIN 72040-0090(LT) PT LT B N MAIN ST PL 81 PT 1 40R23872; T/W D550884; BROCK	Veridian Connections Inc.	
22.	Bigelow St. Substation 426 Bigelow Street, Scugog	PIN 26790-0054(LT) PT BLK D PL 72, PT 1, 40R11111 ; SCUGOG	Veridian Connections Inc.	
23.	Bowmanville Yard 2849 Highway #2, Bowmanville	PIN 26632-0380(LT) PART LOT 67 PLAN H50071 DARLINGTON AND PART LOT 68 PLAN H50071 DARLINGTON, PART 1 ON 10R1976 SAVE AND EXCEPT PART 1 ON EXPROPRIATION PLAN N164213 AND PART 1 ON 40R27719; MUNICIPALITY OF CLARINGTON	Veridian Connections Inc.	
24.	Bowmanville - Vacant	PIN 26629-0137(LT) PCL BLOCK 74-2, SEC 10M800; PT BLK 74, PL 10M800, PT 14, 10R2811, IN THE TOWN OF NEWCASTLE, IN THE REGIONAL MUNICIPALITY OF DURHAM (FORMERLY IN THE TOWN OF BOWMANVILLE, COUNTY OF DURHAM); CLARINGTON PIN 26629-0138(LT) PCL BLOCK 74-1, SEC 10M800; PT BLK 74, PL 10M800, PT 15, 10R2811, IN THE TOWN OF NEWCASTLE, IN THE REGIONAL MUNICIPALITY OF DURHAM (FORMERLY IN THE TOWN OF BOWMANVILLE, IN THE OUNTY OF DURHAM); CLARINGTON	Veridian Connections Inc.	
25.	Dowty Rd. Substation 150 Dowty Road, Ajax	PIN 26460-0088(LT) PT BLK H PL 480, PT 2 40R19374, AJAX	Veridian Connections Inc.	
26.	Crandell St. Substation 17 Crandell Street, Port Perry	PIN 26784-0100(LT) PT LTS 59 , 60 & 61 PL 22 AS IN CO152442; SCUGOG	Veridian Connections Inc.	

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)
27.	Green River Substation 525 Highway 7, Pickering	PIN 26386-0072(LT) PT LT 30 CON 5, PICKERING PT 8, 40R5675 ; PICKERING	Veridian Connections Inc.
28.	L.R. Mabley Substation 88 Old Rail Line, Scugog	PIN 26776-0057(LT) LT 35 RCP 1812 ; SCUGOG	Veridian Connections Inc.
29.	Laidlaw St. Substation 211 Laidlaw Street South, Brock	PIN 72016-0328(LT) PT LT 20, CON 11, PART 1 PLAN 40R26801; TOGETHER WITH AN EASEMENT OVER PT LOT 20 CON 11 BROCK PART 2 PLAN 40R26801 AS IN DR994712; TOWNSHIP OF BROCK	Veridian Connections Inc.
30.	Liberty North Substation 360 Liberty North, Bowmanville	PIN 26619-0079(LT) PT LT 10 CON 2 DARLINGTON PT 1, 10R2951; CLARINGTON	Veridian Connections Inc.
31.	Monarch Ave. Substation 680 Monarch Avenue, Ajax	PIN 26465-0051(LT) PCL AJAX BF 3-10-4 SEC AJAX; PT LT 10, RANGE 3, BROKEN FRONT CON TOWN OF AJAX, PT 1 40R770; S/T CO54229; AJAX	Veridian Connections Inc.
32.	Notion Rd. Substation 29 Notion Road, Ajax	PIN 26440-0019(LT) PT LT 16 CON 1 PICKERING AS IN CO175213;; TOWN OF AJAX	Veridian Connections Inc.
33.	Scogog St. Substation 171 Scugog Street, Bowmanville	PIN 26614-0160(LT) PT LT 13 CON 1 DARLINGTON AS IN N30544 EXCEPT PT 8, 10R2975; PT LT 1 W/S SCUGOG ST (LT 13 CON 1 DARLINGTON) PL BOWMAN ESTATE AKA REID SURVEY BOWMANVILLE; PT LT 2 W/S SCUGOG ST (LT 13 CON 1 DARLINGTON) PL BOWMAN ESTATE AKA REID SURVEY BOWMANVILLE AS IN N30544 EXCEPT PT 8, 10R2975; CLARINGTON	Veridian Connections Inc.
34.	Squires Beach Rd. Substation 1501 Squires Beach Road, Pickering	PIN 26461-0060(LT) PT LT 16, CON 1 (PICKERING) PT 2, 40R19683, T/W EASE AS IN LT764585, T/W EASE OVER PT LTS 27 & 28, PL 40M-1552 PTS 5, 6 & 7, 40R19109 AS IN LT906168, T/W EASE OVER PT LT 16, RG 3, BFC & PT LT 29, PL 40M-1552PTS 1, 2, 3 & 4, 40R19109 AS IN LT906175.	Veridian Connections Inc.
35.	Uxbridge East Substation 163 Brock Street E., Uxbridge	PIN 26846-0239(LT) PT LT 100 BLK 58 PL 83 AS IN CO117249; S/T TU7670 UXBRIDGE	Veridian Connections Inc.

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	
36.	Uxbridge West Substation 137 Brock Street W., Uxbridge	PIN 26849-0266(LT) PT LTS 196, 197 & 198, BLK Y, PL 83 AS IN CO249881 ; UXBRIDGE	Veridian Connections Inc.	
37.	Westney Rd. N. Substation 275 Westney Road N., Ajax	PIN 26420-0004(LT) PCL 103-1 SEC M1212; PT BLKS 103 & 104 PL M1212, PTS 1 & 2 40R6563; AJAX	Veridian Connections Inc.	
38.	36 Hickman Road, Ajax	PIN 26478-0228(LT) BLK G PL 647; AJAX	Veridian Connections Inc.	
39.	531 Bay Street, Beaverton	PIN 72036-0136(LT) PT LT 14 CON 5, PT 1 PLAN 40R3725, BROCK, REGIONAL MUNICIPALITY OF DURHAM.	Veridian Connections Inc.	
40.	576 Main Street, Beaverton	PIN 72043-0193(LT) PT LT 13 CON 6 THORAH AS IN BN3186 ; BROCK	Veridian Connections Inc.	
41.	1395 6 th Concession Road, Beaverton	PIN 72043-0191(LT) PT LT 11 CON 6 THORAH PT 1 40R6940 ; BROCK	Veridian Connections Inc.	
42.	46 Spry Avenue, Bowmanville	PIN 26642-0228(LT) PT LT 13 CON 1 DARLINGTON PTS 1 & 2, 10R1939 S/T INTEREST IN N42351; S/T N121281; CLARINGTON	Veridian Connections Inc.	
43.	56 Concession Street East. Bowmanville	PIN 26620-0035(LT) PT LT RESERVED BLK D PL H50077 NEWCASTLE PT 3, 40R14760; CLARINGTON	Veridian Connections Inc.	
44.	44 Toronto Street, Newcastle	PIN 26661-0113(LT) LT 4 BLK 30 PL VILLAGE OF NEWCASTLE HANNINGS PL DATED 1868 NEWCASTLE; S/T N3657E; CLARINGTON	Veridian Connections Inc.	
45.	58 Wilmot Street, Newcastle	PIN 26656-0024(LT) LT 11 BLK O PL VILLAGE OF NEWCASTLE HANNINGS PL DATED 1868 NEWCASTLE; CLARINGTON	Veridian Connections Inc.	
46.	1338 Bayly Street, Pickering	PIN 26330-0006(LT) PT LT 22 CON 1 PICKERING AS IN D259212 ; PICKERING	Veridian Connections Inc.	

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)
47.	3585 Westney Road, Pickering	PIN 26403-0076(LT) PT LT 10 CON 5 PICKERING PTS 1 & 2, 40R886; PICKERING	Veridian Connections Inc.
48.	Dunchurch St. Vacant	PIN 26317-0122(LT) PT DUNCHURCH ST BEING PT LT 25, CON 1, TWP OF PICKERING, PT 2, 40R3163; PICKERING	Veridian Connections Inc.
49.	1885 Clements Road, Unit 275, Pickering	PIN 27112-0086(LT) UNIT 86, LEVEL 1, DURHAM CONDOMINIUM PLAN NO. 112 ; FIRSTLY: PT LTS 21, 24 & 28, PT BLK D AND BLK E AND PT SIMON ST PL M1040, PTS 1, 6 TO 10, 25 TO 35, 42 & 43 40R13079; SECONDLY: PT LTS 21, 23, 24, 27 & 28 AND PT SIMON ST PL M1040, PTS 2 TO 5, 11 TO 24 & 36 TO 39 40R13079, MORE FULLY DESCRIBED IN SCHEDULE 'A' OF DECLARATION LT542693 AS AMENDED BY LT546242; CITY OF PICKERING	Veridian Connections Inc.

B) The following table lists all Veridian Real Property owned by but not registered in the name of Veridian Connections Inc.:

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)
50.	Reid St. and Jones Substations 12 Reid Street & 6 Jones Street, Belleville	PIN 40515-0044(LT) LT 19-20, 25 PL 2 THURLOW; BELLEVILLE ; COUNTY OF HASTINGS	The Trenton Electric and Water Company Limited
51.	165 Muskoka Road S., Gravenhurst	PIN 48191-0214(LT) PT LT 5 W/S MUSKOKA RD PL 8 GRAVENHURST AS IN GV4394; GRAVENHURST THE DISTRICT MUNICIPALITY OF MUSKOKA	The Electric Light and Water Commission
52.	First Street Substation	PIN 48186-0051 (LT) LT 170-171 PL 26 GRAVENHURST; TOWN OF GRAVENHURST; THE DISTRICT MUNICIPALITY OF MUSKOKA	The Gravenhurst Electric Light and Water Commission

PART II: LEASED LANDS

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	Interest
1	Cavan St. Substation 33 Cavan Street, Port Hope	PIN 51076-0432(LT) PT TOWN PLOT LT 70 PL STEWART PORT HOPE; PT TOWN PLOT LT 71 PL STEWART PORT HOPE; PT LT 5 CON 1 HOPE PT 2 - 8, 39R9297; PORT HOPE	The Corporation of the Town of Port Hope	Lease dated May 1, 2001 and registered June 1, 2006 as Instrument No. NC303042 between The Corporation of the Town of Port Hope and Hope in favour of Veridian Connections Inc. with respect to the lands designated as Parts 5 & 7 on Plan 39R9297; together with an access easement over Part 2 on Plan 39R9297 as in NC303043 benefitting the leased lands. Rent: \$1.00 per Year Expired: April 30, 2011 <i>Amending agreement with</i> <i>Port Hope for signature.</i>
2	Peacock Blvd. Substation 113 Peacock Boulevard, Port Hope	PIN 51082-0511(LT) PCL D-1 SEC M724; BLK D PL M724 PORT HOPE S/T PT 3 & 4 39R9298 IN FAVOUR OF VERIDIAN CONNECTIONS INC AS IN LT16806; S/T PT 5 39R9298 IN FAVOUR VERIDIAN CONNECTIONS INC. AS IN LT16904; PORT HOPE	The Corporation of the Town of Port Hope	Lease dated May 1, 2001 and registered June 1, 2001 as Instrument No. LT16903 between The Corporation of the Town of Port Hope and Hope in favour of Veridian Connections Inc. with respect to the lands designated as Parts 4 on Plan 39R9298; together with an access and hydro easement over Parts 2, 3 & 4 on Plan 39R9298 as in LT16806; together with an access easement over Part 5 on Plan 39R9298 as in LT16904 benefitting the leased lands. Rent: \$1.00 per Year Expiry: April 30, 2051 with an option to renew the lease for a further term of 50 years.
3	5 Marsh Road, Port Hope	PIN 51064-0999 (LT) RDAL BTN LT 10 AND LT 11 CON 1 HOPE PORTION LYING N OF PH74730 & 39R10536 AND S OF RDAL BTN CON 1 AND CON 2; PORT HOPE	Public Authority Having Jurisdiction	Lease dated May 1, 2001 and registered June 1, 2001 as Instrument No NC303041 between The Corporation of the Town of Port Hope and Hope in favour of Veridian Connections Inc. with respect to lands legally described as all that part of the original road allowance between Lots 10 and 11, Concession 1, Town of Port Hope, County of Northumberland being the easterly 55 feet more or less throughout of the northerly

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	Interest
				240 feet more or less of the said road allowance which lands are immediately south of the road allowance between Concession 1 and 2.
				Rent: \$2,000 per Year
				Expiry: April 30, 2051 with an option to renew the lease for a further term of 50 years.
4	31 Wallbridge Crescent, Belleville	PIN 40454-0390 (LT) LOTS 29-32, 72-75 PL 148 & PT LT 71 PT 1 21R8516 THURLOW; EXCEPT PT 1 21R24137; BELLEVILLE; COUNTY OF HASTINGS	The Corporation of the City of Belleville	Lease dated April 9, 2018 between The Corporation of the City of Belleville and Veridian Connections Inc. with respect to the lands described herein. Rent: As more particularly set out in the Lease Expiry: September 30, 2021 with no option to renew or extend

Schedule 5.3(11)(f) Veridian - Encumbrances

Part I: Real Property Encumbrances

	Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	Notes:
1.	Church St. Substation 155 Church Street. Belleville	PIN 40483-0048(LT) PT LT 17 E/S CHURCH ST, 18 E/S CHURCH ST PL GOV BELLEVILLE THURLOW AS IN QR599963; S/T INTEREST IN QR172492; S/T QR107665; BELLEVILLE; COUNTY OF HASTINGS	Veridian Connections Inc.	Notice of Claim registered December 24, 1999 as Instrument No. QR576562 in favour of The Corporation of the City of Belleville
2.	Moira St. Substation 400 Moira Street East, Belleville	PIN 40442-0168(LT) PT LT 5-6 CON 2 THURLOW AS IN QR599962; S/T QR73282; S/T QR161566; BELLEVILLE ; COUNTY OF HASTINGS	Veridian Connections Inc.	Notice of Claim registered December 24, 1999 as Instrument No. QR576562 in favour of The Corporation of the City of Belleville
3.	Bowmanville Yard 2849 Highway #2, Bowmanville	PIN 26632-0380(LT) PART LOT 67 PLAN H50071 DARLINGTON AND PART LOT 68 PLAN H50071 DARLINGTON, PART 1 ON 10R1976 SAVE AND EXCEPT PART 1 ON EXPROPRIATION PLAN N164213 AND PART 1 ON 40R27719; MUNICIPALITY OF CLARINGTON	Veridian Connections Inc.	Charge in the principal sum of \$766,920 registered July 8, 1974 as Instrument No. N67739 in favour of George Austin Wood and Olive Arvelia Wood.
4.	1885 Clements Road, Unit 275, Pickering	PIN 27112-0086(LT) UNIT 86, LEVEL 1, DURHAM CONDOMINIUM PLAN NO. 112 ; FIRSTLY: PT LTS 21, 24 & 28, PT BLK D AND BLK E AND PT SIMON ST PL M1040, PTS 1, 6 TO 10, 25 TO 35, 42 & 43 40R13079; SECONDLY: PT LTS 21, 23, 24, 27 & 28 AND PT SIMON ST PL M1040, PTS 2 TO 5, 11 TO 24 & 36 TO 39 40R13079, MORE FULLY DESCRIBED IN SCHEDULE 'A' OF DECLARATION LT542693 AS AMENDED BY LT546242; CITY OF PICKERING	Veridian Connections Inc.	Subdivision Agreement registered September 24, 1975 as Instrument No. LTD9072 in favour of The Corporation of the Township of Pickering 1st Subdivision Amending Agreement registered July 28, 1977 as Instrument No. LTD48686 in favour of The Corporation of the Town of Pickering 2nd Subdivision Amending Agreement registered November 20, 1978 as Instrument No. LT80875 in favour of The Corporation of the Town of Pickering Sanitary Sewer Agreement registered October 19, 1979 as Instrument No. LT99499 in favour of The Regional Municipality of Durham By-Law (No. 1302/81) of The Corporation of the Town of Pickering to stop up Simon Street, Henry Street and Captain Street and to authorize the sale of that part

Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	Notes:
			of the said roads to abutting property owners registered July 15, 1981 as Instrument No. LT129240
			Sanitary Sewer and Watermain Agreement registered December 29, 1981 as InstrumentNo. LT140003 in favour of The Regional Municipality of Durham
			1st Site Plan Agreement registered June 23, 1988 as Instrument No. LT391280 in favourof The Corporation of the Town of Pickering
			Voltage Wiring Agreement registered March 3, 1989 as Instrument No. LT436228 in favour of Pickering Hydro-Electric Commission
			2nd Site Plan Agreement registered March 14, 1989 as Instrument No. LT437283 in favour of The Corporation of the Town of Pickering
			1st Site Plan Amending Agreement registered October 22, 1990 as Instrument No. LT523571 in favour of The Corporation of the Town of Pickering
			2nd Site Plan Amending Agreement registered October 22, 1990 as Instrument No. LT523574 in favour of The Corporation of the Town of Pickering
			Condo Site Plan Agreement registered March 18, 1991 as Instrument No. LT539097 in favour of The Corporation of the Town of Pickering
			Condominium Agreement registered April 2, 1991 as Instrument No. LT540854 in favour of The Regional Municipality of Durham
			Condominium Declaration registered April 24, 1991 as Instrument No. LT542693. Condominium By-Law No. 1 registered May 24, 1991 as Instrument No. LT546235
			Condominium By-Law No. 2 registered May 24, 1991 as Instrument No. LT546236

Municipal Address:	PIN and Legal Description	Name of Registered Owner(s)	Notes:
			Condominium By-Law No. 3 registered May 24, 1991 as Instrument No. LT546237
			Condominium By-Law No. 4 registered May 24, 1991 as Instrument No. LT546238
			Condominium By-Law No. 5 registered May 24, 1991 as Instrument No. LT546239
			Condominium By-Law No. 6 registered May 24, 1991 as Instrument No. LT546240
			Condominium By-Law No. 7 registered May 24, 1991 as Instrument No. LT546241
			Condominium Amended Declaration registered May 24, 1991 as Instrument No. LT546242
			Condominium Agreement Assumption Agreement registered June 7, 1991 as Instrument No. LT548610 in favour of Durham Condominium Corporation No. 112
			Condominium Agreement Assumption Agreement registered June 7, 1991 as Instrument No. LT548610 in favour of Durham Condominium Corporation No. 112
			Easement Agreement Assumption Agreement registered June 7, 1991 as Instrument No. LT548611 in favour of Durham Condominium Corporation No. 112
			Condominium Agreement Assumption Agreement registered December 11, 1991 as Instrument No. LT575758 in favour of Durham Condominium Corporation No. 112
			Condominium By-Law No. 8 registered March 6, 2015 as Instrument No. DR1344897

roperty Encumbrances
roperty Encumbrances

Entity	File No.	Registration No.	Туре	Secured Party/Lien Claimant	Collateral Classification	General Collateral Description	Amount	Registration Period:	Date of Maturity
Veridian Connections Inc.	717134337	20160531 1050 1862 7543	Financing Statement / Claim for Lien	Veridian Corporation	EquipmentAccountsOther	The collateral charged with respect to the Claremont Solar Generation Facility, as further described in the security agreement and the general assignment of agreements, each entered into by, inter alios, the business debtor and the secured party.	N/A	25 years	N/A
Veridian Connections Inc.	713113758	20160106 0821 9221 4714	Financing Statement / Claim for Lien	Honda Canada Finance Inc.	 Goods Equipment Motor Vehicle Included	Motor Vehicle: 2016 Acura RDX V.I.N.:5J8TB4H75GL804613	\$47,362	3 years	January 4, 2019

Schedule 5.3(13) Veridian – Equipment Leases

Agreement Name:	Parties:	Date/Term:	
Pitney Bowes Postage Meter Contract Number 787304	Pitney Bowes Veridian Corporation	October 1, 2013 to September 30, 2018	
Pitney Bowes Postage Meter Contract Number 539907	Pitney Bowes Veridian Corporation	December 15, 2016 to December 15, 2019	
Car Lease – 2016 Acura VIN#5J8TB4H75GL804613	Acura Downtown (o/b Transasian Fine Cars Ltd.) Veridian LDC	January 4, 2016 to January 2, 2019	
Solar Array Roof Lease (Uxbridge Arena)	The Corporation of the Township of Uxbridge Veridian LDC	November 24, 2016 (20 year term from commercial operation date)	
Solar Array Roof Lease (Uxbridge Fire Hall)	The Corporation of the Township of Uxbridge Veridian LDC	November 24, 2016 (20 year term from commercial operation date)	
Roof Top Solar Lease	The Corporation of the County of Prince Edward Veridian LDC	October 25, 2016 (20 year term from commercial operation date)	
Solar Array Roof Lease	Lakefront Utilities Services Inc. Veridian LDC	October 31, 2016 (20 year term from commercial operation date)	
Solar Array Roof Lease	The Corporation of the City of Pickering Veridian LDC, Solera Sustainable Company Limited, and Queen Street	February 26, 2015 (20 year term from commercial operation date)	

Agreement Name:	Parties:	Date/Term:
	Solar Co-operative Corporation	
Antenna Site Agreement	Turris Sites Corp. – Site ID – Cochrane – Lease ID 005580 – Total \$ per annum Veridian	December 1, 2013 (3 year term). <i>Renewal in progress</i> .
Site Sharing License (Rogers Tower Rental for Truck Radio Repeater)	Rogers Communications Inc. Veridian LDC	January 1, 2011 (5 year term with automatic conversion to monthly license thereafter)

Schedule 5.3(16) Veridian – Insurance Policies

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric Association Reciprocal Insurance Exchange	 General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability 	\$20,000,000 per occurrence		
Municipal Electric Association Reciprocal Insurance Exchange	 General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability 	\$20,000,000 per occurrence		
Municipal Electric Association Reciprocal Insurance Exchange	Liability Bodily Injury Property Damage OPCF 44R Family Protection Coverage	\$15,000,000 \$1,000,000		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric Association Reciprocal Insurance Exchange	 General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability 	\$24,000,000 per occurrence		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric		Policy Limit of Liability:		
Association Reciprocal	Property Damage	\$96,505,046	-	
Insurance Exchange	Business Interruption Gross Profit Ordinary Payroll Gross Rentals Other Coverages: Earth Movement Flood Debris Removal Demolition and Increased Cost Newly Acquired Locations Extra Expense Ingress/Egress Accounts Receivable Professional Fees Unnamed Locations Valuable Papers Electronic Data Processing/Media Errors & Omissions Exhibition Floater Expediting Expenses Fine Arts Fire Fighting Expenses Hazardous Substances	\$5,000,000 or 25% \$2,000,000 \$5,000,000 \$2,000,000 \$2,000,000 \$5,000,000 \$5,000,000 \$5,000,000 \$2,000,000 \$1,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
	Transit	\$5,000,000		
	Leasehold Interest	\$2,000,000		
	Electronic Data, Programs or Software	\$100,000		
	Land and Water Clean Up Expenses	\$100,000		
	Service Interruption	\$1,000,000		
Municipal Electric Association Reciprocal Insurance Exchange	 General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability Personal Injury Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of	\$24,000,000 per occurrence		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric Association Reciprocal	Liability Bodily Injury Property Damage	\$15,000,000		
Insurance Exchange	OPCF 44R Family Protection Coverage	\$1,000,000		
Municipal Electric Association		Policy Limit of Liability: \$98,365,560		
Reciprocal Insurance Exchange	Property Damage Business Interruption Gross Profit Gross Rentals Other Coverages:	\$98,365,560 Not Covered		
	Earth Movement Flood	\$98,365,560 \$98,365,560		
	Debris Removal Demolition and Increased Cost	\$5,000,000 or 25% \$2,000,000	-	
	Newly Acquired Locations Extra Expense	\$5,000,000 \$2,000,000		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
	Risk Insured Against Ingress/Egress Accounts Receivable Professional Fees Unnamed Locations Valuable Papers Electronic Data Processing/Media Errors & Omissions Exhibition Floater Expediting Expenses Fine Arts Fire Fighting Expenses Hazardous Substances Transit Leasehold Interest	Amount of Coverage \$2,000,000 \$5,000,000 \$250,000 \$1,070,381 \$5,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000 \$250,000 \$1,000,000 \$250,000 \$1,000,000 \$2,000,000 \$2,000,000	Policy Number	Pending Claims
	Electronic Data, Programs or Software Land and Water Clean Up Expenses Service Interruption Fungi/Spores – Cleanup Fungi/Spores – Testing/Monitoring Mobile Equipment Terrorism Pool	\$2,000,000 \$100,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$2,000,000		
Municipal Electric Association Reciprocal Insurance Exchange	 General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment 	\$24,000,000 per occurrence		
	 Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability 			

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
	21. Privacy, Cyber and Network Security Liability (effective June 8, 2016)			

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric	Property Damage	\$116,175,382		
Association Reciprocal	Earth Movement	\$116,175,382		
Insurance Exchange	Flood	\$116,175,382		
	Debris Removal Demolition and Increased Cost of Construction	\$5,000,000 or 25% (Greater of the 25% or \$5,000,000) \$2,000,000		
	Newly Acquired Locations Extra Expense	\$5,000,000 (90 day period) \$2,000,000 (At any one location any one occurrence)		
	Ingress/Egress Accounts Receivable Professional Fees	\$2,000,000 (15 days period) \$5,000,000 \$250,000		
	Unnamed Locations	\$1,070,381		

Name of the	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Insurer				
	Valuable Papers	\$5,000,000		
	-	(\$10,000 per item unless		
		scheduled)		
	Electronic Data	\$2,000,000		
	Processing/Media			
	Errors & Omissions	\$1,000,000		
	Exhibition Floater	\$250,000		
	Expediting Expenses	\$2,000,000		
	Fine Arts	\$5,000,000		
		(\$10,000 per item unless		
		scheduled)		
	Fire Fighting Expenses	\$250,000		
	Hazardous Substances	\$1,000,000		
	Transit	\$5,000,000		
	Leasehold Interest (rents)	\$2,000,000		
	Electronic Data, Programs or	\$100,000 (Aggregate During		
	Software	any Policy Term)		
	Land and Water Clean Up	\$100,000 (Aggregate During		
	Expenses	any Policy Term)		
	Service Interruption	\$1,000,000		
	Fungi/Spores – cleanup	\$1,000,000		
	Fungi/Spores –	\$1,000,000		
	testing/monitoring			
	Mobile Equipment	\$1,000,000 (off site from a		
		scheduled location)		
	Terrorism Pool	\$10,000,000		
Municipal Electric	Bodily Injury, Property Damage	\$15,000,000		
Association				
Reciprocal				
Insurance Exchange	OPCF 44R Family Protection Coverage	\$1,000,000		
Municipal Electric	General Liability including:	\$30,000,000		
Association	Premises and Operations			
Reciprocal	Products and Completed Operations			
Insurance Exchange	Employers/Contingent Employers Liability			

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
Municipal Electric Association Reciprocal Insurance Exchange	Bodily Injury Liability Personal Injury & Advertising Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability Privacy, Cyber & Network Security Liability Terrorism Non Regulated Professional Services Vehicles Covered All Owned Vehicles Leased Vehicles	\$1,000,000 \$10,000,000 \$10,000,000 \$10,000,000 \$21,000,000		
Municipal Electric Association Reciprocal	All Risk Property Boiler & Machinery Business Interruption	\$115,785,491		
Insurance Exchange Municipal Electric Association Reciprocal Insurance Exchange	Crime General Liability including: Premises and Operations Products and Completed Operations Bodily Injury Liability Personal Injury Liability & Advertising Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Directors & Officers Liability	\$1,000,000 \$30,000,000 each Accident, Event, Occurrence or Wrongful Act		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
	Privacy, Cyber & Network Security Liability			
	Terrorism	\$10,000,000		
	Non Regulated Professional Services	\$10,000,000		
Municipal Electric	Vehicles Covered	\$21,000,000		
Association	All vehicles owned or leased			
Reciprocal				
Insurance Exchange				
Municipal Electric	Property Damage	\$119,736,428		
Association	Business Interruption	\$146,000 (not purchased)		
Reciprocal	Gross Profit			
Insurance Exchange	Gross Rentals			
	Extensions of Coverage:			
	Earth Movement	\$119,736,428		
	Flood	\$119,736,428		
	Debris Removal	\$5,000,000 or 25%		
	Demolition and Increased Cost of Construction	\$2,000,000		
	Newly Acquired Locations	\$5,000,000		
	Extra Expense	\$2,000,000		
	Ingress/Egress	\$2,000,000		
	Accounts Receivable	\$5,000,000		
	Professional Fees	\$250,000		
	Unnamed Locations	\$5,000,000		
	Valuable Papers	\$5,000,000		
	Electronic Data Processing/Media (EDP/MEDIA)	\$2,000,000		
	Errors & Omissions	\$1,000,000		
	Exhibition Floater	\$250,000		
	Expediting Expense	\$2,000,000		
	Fine Arts	\$5,000,000		
	Fire Fighting Expense	\$250,000		
	Hazardous Substances	\$1,000,000		
	Transit	\$5,000,000		
	Leasehold Interest (rents)	\$2,000,000	4	
	Electronic Data, Programs or Software	\$1,000,000		
	Land and Water Clean Up Expenses	\$100,000		
	Service Interruption	\$1,000,000		

Name of the Insurer	Risk Insured Against	Amount of Coverage	Policy Number	Pending Claims
	Mobile Equipment	\$1,000,000		
	Fungi or Spores	\$1,000,000		
	Miscellaneous Property Extension	\$1,000,000		
	Course of Construction	\$1,000,000		
	Terrorism Pool	\$10,000,000		

Schedule 5.3(18) Veridian – Material Contracts

Nil.

Schedule 5.3(20) Veridian – Permits

Permit Title:	Issued to:	Description:	Date/Period:
Permit No. AN17040346 Issued under Section 110 of the Highway Traffic Act	Veridian Corporation	Authorizing the movement of utility pole(s) carried on a extendable trailer drawn by a commercial motor vehicle, both bearing a registration that is valid in Ontario.	July 24, 2017 to July 23, 2018
Permit No. AN17040347 Issued under Section 110 of the Highway Traffic Act	Veridian Corporation	Authorizing the movement of utility pole(s) carried on a extendable trailer drawn by a commercial motor vehicle, both bearing a registration that is valid in Ontario.	July 24, 2017 to July 23, 2018
Permit – Road Occupancy Application No. 47423 Issued by Regional Municipality of Durham	Veridian Connection	To occupy all regional roads – must comply with weight restrictions. Permission to move hydro poles	June 8, 2017 to June 7, 2018
Commercial Vehicle Operator's Registration No. 137- 294-291 Issued pursuant to the Highway Traffic Act	Veridian Connections Inc.		Expiry date: May 17, 2019
Commercial Vehicle Operator's Registration No. 133- 720-895	Veridian Corporation		Expiry date: January 25, 2019

Permit Title:	Issued to:	Description:	Date/Period:
Issued pursuant to the Highway Traffic Act			
Certificate of Registration no. 30438 Issued by Measurement Canada	Veridian Connections	Registration in accordance with the requirements of the <i>Electricity and Gas</i> <i>Inspection Act</i> Inspection District: Ontario Region	May 25, 2018 – terminates upon change of ownership or if the supply of electricity or gas is discontinued.
Motor Vehicle Inspection Station License No. 24- 43786 Issued by Director, Vehicle Inspection Standards of the Ministry of Transportation under the Highway Traffic Act	Veridian Corporation	To operate a motor vehicle inspection station to inspect all motor vehicles, motorcycles, motor tricycles and trailers.	Expiry Date: December 31, 2018
Ontario Elevating Device Licence No. 000172245 Issued by the Director of Technical Standards & Safety Authority pursuant to the <i>Technical</i> <i>Standards and Safety</i> <i>Act, 2000</i> , Elevating Devices Regulation (O.Reg. 209/01)	Veridian Corporation	To allow the operation of a Passenger Elevator	Expires: January 19, 2019
Electricity Distribution License No. ED-2002-0503 Issued by the Ontario Energy Board	Veridian Connections Inc.	Licensee is authorized, under part V of the Act and subject to the terms and conditions set out in this Licence;	November 18, 2003 to November 17, 2023

Permit Title:	Issued to:	Description:	Date/Period:
pursuant to the Electricity Act.		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 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.	
Radio Licence No.:	Veridian	For Gravenhurst	January 26, 2010 to
010341147-001	Connections Inc.		March 31, 2019
Issued by Industry Canada			
Radio Licence No.: 010490853-001 Issued by Industry Canada	Veridian Connections Inc.	For Gravenhurst	November 23, 2010 to March 31, 2019
Radio Licence No. 010085820-001 Issued by Industry Canada	Veridian Connections Inc.	For Ajax	December 3, 2014 to March 31, 2019
Radio Licence No.: 010339825-001 Issued by Industry Canada	Veridian Connections Inc.	For Scugog	November 22, 2011 to March 31, 2019

Permit Title:	Issued to:	Description:	Date/Period:
Radio Licence No.:	Veridian Connections Inc.	For Bowmanville	February 10, 2011 to March 31, 2019
010330819-001			
010330821-001			
010373037-001			
010415851-001			
010415853-001			
010458065-001			
010458067-001			
010458069-001			
010458071-001			
Issued by Industry Canada			
Radio Licence No.:	Veridian	For Durham	November 22, 2011
010544651-001	Connections Inc.		to March 31, 2019
Issued by Industry Canada			
Radio Licence No.:	Veridian	For Clarington	November 22, 2011
010424703-001	Connections Inc.		to March 31, 2019
Issued by Industry			
Canada			
Radio Licence No.:	Veridian	For Belleville	October, 19, 2011 to
	Connections Inc.		March 31, 2019
010343951-001			,
Issued by Industry			
Canada			
Radio Licence No.:	Veridian Connections Inc.	For Belleville	April 1, 2008 to March 31, 2019
010351297-001			ŕ
010372387-001			
010393765-001			
010393767-001			
010393769-001			
010414979-001			
010415023-001			
010415171-001			
010436243-001			

Permit Title:	Issued to:	Description:	Date/Period:
010457327-001 010457329-001 010457361-001 010478621-001			
Issued by Industry Canada			
Radio License No.:	Veridian	For Belleville and Port	October 17, 2011 to
010548507-001	Connections Inc.	Норе	March 31, 2019
Issued by Industry Canada			
Radio Licence No.:	Veridian Connections Inc.	For Port Hope	October, 19, 2011 to
010407783-001	Connections inc.		March 31, 2019
Issued by Industry Canada			
Amended Certificate of Approval No. 8600-8J4Q2S	Veridian Connections Inc.	Town of Ajax; Approval of:	June 30, 2011
Issued in accordance with Section 9 of the <i>Environmental</i> <i>Protection Act</i> by the Ministry of Environment		Two natural gas fired heating, ventilation, and air-conditioning units, having a maximum combined thermal input of 569,730 kilojoules per hour, and;	
		One standby diesel generator set, having a rating of 200 kilowatts, to provide power for the facility during emergency situations;	
		One standby diesel generator set, having a rating of 80 kilowatts, to provide power for the	

Permit Title:	Issued to:	Description:	Date/Period:	
		facility during emergency situations.		
		All in accordance with:		
		1. the Application for Approval (Air & Noise) dated July 26, 2007		
		2. the application for a Certificate of Approval (Air) submitted by Veridian Connections Inc., dated November 10, 2010.		
Certificate of	Veridian	Town of	June 11, 2008	
Approval No. 9477-7FGRWB Issued in accordance with Section 9 of the <i>Environmental</i> <i>Protection Act</i> by the Ministry of Environment	Connections Inc.	Bowmanville/Clarington; Approval of One (1) standby diesel generator set, having a rating of 30 kilowatts, to provide power for the facility during emergency situations, all in accordance with the Application for Approval (Air & Noise) dated February 5, 2008.		
Provisional Certificate of Approval – Waste Management System No.:	Veridian Connections Inc.	Approval of a waste management system serving the Province of Ontario.	May 11, 2010	
7370-84RLS5		This includes PCB storage at the following sites:		
Issued in accordance to Section 39 of the		- Notion Road, Ajax		
Environmental Protection Act		- Sidney Street, Belleville		

Permit Title:	Issued to:	Description:	Date/Period:
		- Jones Road, Gravenhurst	

Schedule 5.3(27) Veridian – Unusual Transactions

Nil.

Schedule 5.3(29) Veridian – Litigation

1. Veridian Corporation

Court	Location	Case No.	Case Type	Case Opened Date	Plaintiff/Applicant	Defendant/Respondent/Ot her Parties	Amount	Currency Date
Superior Court of Justice	Durham			October 13, 2017		Veridian Corporation	\$40,000.00	April 26, 2018
Superior Court of Justice	Muskoka		Negligence/ Destruction of property	April 4, 2012		Veridian Connections Inc., Veridian Corporation, and	\$6,200,000.00	April 27, 2018

2. Veridian Connections Inc.

Court	Location	Case No.	Case Type	Case Opened Date	Plaintiff/Applicant	Defendant/Respondent/ Other Parties	Amount	Currency Date
Superior Court of Justice	Durham		Personal Injury	October 15, 2009		Veridian Connections Inc.,	\$200,000.00	April 26, 2018

Court	Location	Case No.	Case Type	Case Opened Date	Plaintiff/Applicant	Defendant/Respondent/ Other Parties	Amount	Currency Date
N/A	Toronto		Companies' Creditors Arrangement Act NN	January 29, 2010		Veridian Connections Inc.	\$0	April 27, 2018
Superior Court of Justice	Toronto		Collection of Liquidated Debt	September 8, 2009	Veridian Connections Inc.		\$32,404.95	March 26, 2018
Superior Court of Justice	Toronto		Contract Law	March 15, 2012		Veridian Connections Inc.	\$100,000.00	March 26, 2018
Superior Court of Justice	Muskoka		Negligence/ Destruction of property	March 29, 2012		Veridian Connections Inc.,	\$2,000,000.00	April 27, 2018
Superior Court of Justice	Muskoka		Negligence/ Destruction of property	April 4, 2012			\$6,200,000.00	April 27, 2018

Court	Location	Case No.	Case Type	Case Opened Date	Plaintiff/Applicant	Defendant/Respondent/ Other Parties	Amount	Currency Date
						Veridian Connections Inc., Veridian Corporation,		
Superior Court of	Barrie		Personal	May 7, 2018		Veridian Connections	\$2,000,000	May 7, 2018
Justice			Injury	, _		Inc.	+_,,	

MEARIE Claims ¹		
Date of Loss	Claimant	Description

¹ Refer to Schedule 5.3(16) – Insurance Policies for further information.



Schedule 5.3(30) Veridian – Non-Arm's Length Transactions

Nil.

Schedule 5.3(31)(a) Veridian – Environmental Compliance

To the Knowledge of Veridian Holdco, Veridian LDC and the Veridian Non-Regulated Affiliates have, in all Material respects, been and are in compliance with all Environmental Law except as described in:

- Phase I Environmental Site Assessment for 12 Reid Street & 6 Jones Street, Belleville, Ontario, RiskCheck Project No. 24819, prepared by RiskCheck Environmental Ltd. for Veridian Connections Inc. dated January 24, 2018; and
- Soil Sampling and Limited Water Sampling report (Phase II Environmental Site Assessment) for 12 Reid Street & 6 Jones Street, Belleville, Ontario, RiskCheck Project No. 28494, prepared by RiskCheck Environmental Ltd. for Veridian Connections Inc. dated April 27, 2018.

Schedule 5.3(31)(b) Veridian – Environmental Permits

Permit Title:	Issued to:	Description:	Date Issued:
Amended Certificate of Approval No. 8600-8J4Q2S Issued in accordance with Section 9 of the <i>Environmental</i> <i>Protection Act</i> by the Ministry of Environment	Veridian Connections Inc.	 Town of Ajax; Approval of: Two natural gas fired heating, ventilation, and air-conditioning units, having a maximum combined thermal input of 569,730 kilojoules per hour, and; One standby diesel generator set, having a rating of 200 kilowatts, to provide power for the facility during emergency situations; One standby diesel generator set, having a rating of 80 kilowatts, to provide power for the facility during emergency situations. All in accordance with: the Application for Approval (Air & Noise) dated July 26, 2007 the application for a Certificate of Approval (Air) submitted by Veridian Connections Inc., dated November 10, 2010. 	June 30, 2011
Certificate of Approval No. 9477-7FGRWB Issued in accordance with Section 9 of the <i>Environmental</i> <i>Protection Act</i> by the Ministry of Environment	Veridian Connections Inc.	Town of Bowmanville/Clarington; Approval of One (1) standby diesel generator set, having a rating of 30 kilowatts, to provide power for the facility during emergency situations, all in accordance with the Application for Approval (Air & Noise) dated February 5, 2008.	June 11, 2008

Permit Title:	Issued to:	Description:	Date Issued:
Provisional Certificate of Approval – Waste	Veridian Connections Inc.	Approval of a waste management system serving the Province of Ontario.	May 11, 2010
Management System No.:		This includes PCB storage at the following sites:	
7370-84RLS5		- Notion Road, Ajax	
Issued in accordance to Section 39 of the Environmental Protection Act		 Sidney Street, Belleville Jones Road, Gravenhurst 	

Schedule 5.3(32) Veridian – Employee Plans

The following non salary plans, programs or arrangements are maintained, contributed to, or required to be maintained or contributed to, by Veridian Holdco, Veridian LDC or any Veridian Non-Regulated Affiliate or to which any of them is a party, or bound by, or under which any of them has any liability or contingent liability for the benefit of directors, officers, shareholders, consultants, independent contractors and Veridian Employees or former Veridian Employees and their dependents:

- 1. RBC Voluntary Accident Insurance Plan, Policy Number
- 2. MEARIE Employee Benefit Program (Life Insurance, Long Term Disability)
- 3. ClaimSecure, Policy Number (Health Care, Dental, Travel)
- 4. OMERS
- 5. Veridian Connections Inc. Incentive Compensation Plan for Management and Non-Union Staff approved July 24, 2017
- 6. Key Business Goals, Measures and Link to Executive Compensation for Veridian Corporation and Veridian Connections Inc. issued December 8, 2017
- 7. Veridian Connections Inc. Vacation Policy approved March 21, 2018
- 8. Veridian Connections Inc. Overtime Policy for Non-Union, Non-Supervisory Employees for All Divisions approved March 25, 2014
- 9. Veridian Connections Inc. Compressed Work Week Program for All Divisions approved April 21, 2015
- Veridian Connections Inc. Telework Policy for All Divisions approved December 5, 2014
- 11. Veridian Connections Inc. Terms of Employment, Non-Union Part-time and Casual Employees for All Divisions approved July 28, 2017
- Collective Agreement between Veridian Corporation, Veridian Connections Inc., Veridian Energy Inc. and Local 636, Unit 40, of the International Brotherhood of Electrical Workers effective April 1, 2015 to March 31, 2019
- Verdian Connections Inc. Fleet Vehicle Use Policy for All Divisions approved August 21, 2017
- 14. Veridian Connections Inc. Emergency Response Pay Provisions for Management Staff for All Divisions approved March 25, 2014
- 15. Veridian Connections Inc. Temporary Delegation of Lead, Supervisory or Managerial Duties for All Divisions approved January 24, 2014
- 16. Veridian Connections Inc. Personal Computer Loan Program for All Divisions approved July 24, 2012
- 17. Veridian Connections Inc. Employee Health Promotion Incentives Policy for All Divisions approved February 6, 2018
- Veridian Connections Inc. Education Assistance Program for All Divisions approved July 18, 2016
- 19. Veridian Connections Inc. Reimbursement of Professional Association Membership Fees for All Divisions approved May 2, 2018

- 20. Veridian Connections Inc. Environment Friendly Product Loan Plan for All Divisions approved August 11, 2016
- 21. Veridian Connections Inc. Policies & Procedures WSIB Advance Payment reaffirmed June 2006 and reviewed April 2008
- 22. Veridian Connections Inc. Green Future Employee Incentive Programs Policy for All Divisions approved July 4, 2017
- 23. Veridian Connections Inc. Volunteer Assistance Program for All Divisions approved December 12, 2017
- 24. Veridian Connections Inc. Employee Suggestion Program for All Divisions approved October 5, 2015
- 25. Veridian Connections Inc. Travel Allowances for Attending Sanctioned Social Events for All Divisions approved May 23, 2017

Schedule 5.3(33)(a) Veridian – Veridian Holdco Employees

Employees of Veridian HoldCo:

Schedule 5.3(38) Veridian – Joint Venture Interests

Joint Venture Agreement between Veridian Connections Inc.,
 23, 2015 and effective as of July 30, 2013, as may be amended.

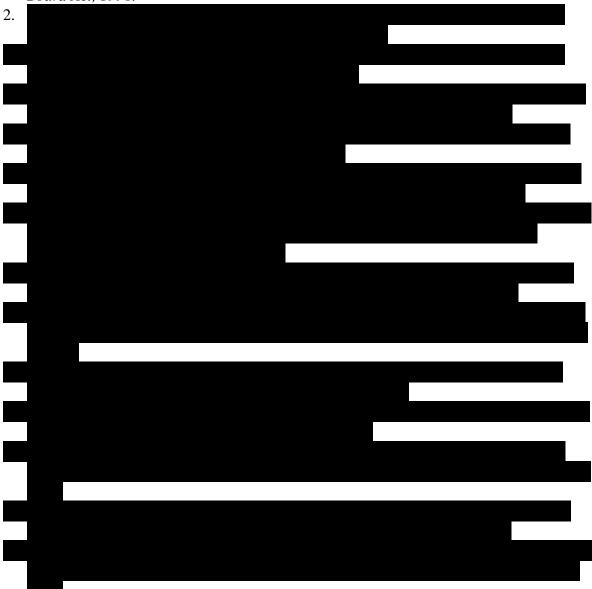
dated January

2015 and effective as of July 50, 2015, as may be amended.

Schedule 5.3(40) Veridian – Third Party Consents

A. Consents required to be obtained:

1. Approval of the Ontario Energy Board pursuant to Section 86 of the *Ontario Energy Board Act, 1998.*



B. Notices required to be provided:

1. Notice to the Union under the Collective Agreement between Veridian Corporation, Veridian Connections Inc., Veridian Energy Inc. and Local 636, Unit 40, of the

Schedule 5.5(4)

Whitby – Options

Whitby LDC:

None.

Whitby Holdco:

None.

Whitby Non-Regulated Affiliates:

None.

Schedule 5.5(8)

Whitby – Real Property and Leases

Part I - Location of Real Property

Whitby Non-Regulated Affiliates:

None.

Whitby Holdco:

None.

Whitby LDC:

- Location: Office at 100 Taunton Rd. E, Whitby, ON L1N 5R8; Occupancy: office; Age:1983
- Location: Outbuilding at 100 Taunton Rd. E, Whitby, ON L1N 5R8; Occupancy: storage
- Location: MS #1at 722 Centre St, Whitby, ON L1N 4W9; Occupancy: Station; Transformers: Yes; Size: 12 MVA; Age:1976 (spare transformer)
- Location: MS #13A at 722 Centre St, Whitby, ON L1N 4W9; Occupancy: Station; Transformers: Yes; Size: 5 MVA; Age: 2009
- Location: MS #13B at 722 Centre St, Whitby, ON L1N 4W9; Occupancy: Station; Transformers: Yes; Size: 5 MVA; Age: 2009
- Location: MS #4 at 131 Victoria Street, Whitby, ON L1N 1B8; Occupancy: station removed from service but we retain the property
- Location: MS #5A at 450 Taunton Rd, Whitby, ON L1N 5R5; Occupancy: Station; Transformers: Yes; Size: 8 MVA; Age: 2016
- Location: MS #5B at 450 Taunton Rd, Whitby ON L1N 5R5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2016
- Location: MS #5C at 450 Taunton Rd, Whitby ON L1N 5R5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2016
- Location: MS #6A at 1503 Rossland Rd, Whitby, ON L1N 9Y5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2017
- Location: MS #6B at 1503 Rossland Rd, Whitby ON L1N 9Y5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2017

- Location: MS #6C at 1503 Rossland Rd, Whitby, ON L1N 9Y5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2017
- Location: MS #6D at 1503 Rossland Rd, Whitby, ON L1N 9Y5; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2017
- Location: MS #7A at 226 Thickson Rd, Whitby, ON L1N 2E1; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2008
- Location: MS #7B at 226 Thickson Rd, Whitby, ON L1N 2E1; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2008
- Location: MS #7C at 226 Thickson Rd; Whitby, ON L1N 2E1; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2008
- Location: MS #7D at 226 Thickson Rd; Whitby, ON L1N 2E1; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2008
- Location: MS #8 at 699 Rossland Rd, Whitby, ON L1P 1Y1; Occupancy: Station; Transformers: Yes; Size: 12 MVA; Age: 2005
- Location: MS #9 at 5261 Baldwin St, Whitby, ON L1M 1T3; Occupancy: Station; Transformers: Yes; Size: 12 MVA; Age: 1987
- Location: MS #10A at 91 Garden St, Whitby, ON L1N 9E7; Occupancy: Station; Transformers: Yes; Size: 20 MVA; Age: 1991
- Location: MS #10B at 91 Garden St, Whitby, ON L1N 9E7; Occupancy: Station; Transformers: Yes; Size: 12 MVA; Age: 1974
- Location: MS #11 at 6995 Thickson Rd, Whitby, ON L1M 1W8; Occupancy: Station; Transformers: Yes; Size: 20 MVA; Age: 1997
- Locations: MS #12 A at 1000 Victoria St, Whitby, ON L1N 5R4; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2009
- Locations: MS #12B at 1000 Victoria St, Whitby, ON L1N 5R4; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2009
- Location: MS #14A at 685 Conlin Rd, Whitby, ON L1R 2W8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2004
- Location: MS #14B at 685 Conlin Rd, Whitby, ON L1R 2W8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2004
- Location: MS #14C at 685 Conlin Rd, Whitby, ON L1R 2W8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2004

- Location: MS #15A at 100 Taunton Rd. E, Whitby, ON L1N 5R8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2006
- Location: MS #15B at 100 Taunton Rd. E, Whitby, ON L1N 5R8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2006
- Location: MS #15C at 100 Taunton Rd. E, Whitby, ON L1N 5R8; Occupancy: Station; Transformers: Yes; Size: 6 MVA; Age: 2006

Part II - Real Property Leases

Whitby Holdco:

None.

Whitby Non-Regulated Affiliates:

None.

Whitby LDC:

- (a) Encroachments, Easements and Crossing Agreements:
 - Encroachment Permit, EC-2016-20T-45, from Ministry of Transportation, dated April 15, 2016 (expires April 15, 2026) for relocation of Whitby Hydro distribution pole line on the south side of Taunton Road crossing Hwy 412
 - Encroachment Permit, EC-2015-20T-230, from Ministry of Transportation, dated April 17, 2015 (expires April 17, 2025) for temporary relocation of Whitby Hydro Distribution Pole Line along Rossland Road crossing Hwy 412 (407 WDL)
 - Encroachment Permit, EC-2014-20T-417, from Ministry of Transportation, dated December 8, 2014 (expires December 8, 2024) for relocation of Whitby Hydro electrical distribution facilities crossing Hwy 407 east in the area of Winchester Road West between Ashburn Road and Cochrane Street
 - Encroachment Permit, EC-2014-20T-234, from Ministry of Transportation, dated July 10, 2014 (expires July 10, 2024) for Whitby Hydro pole adjustments and underground duct bank south of Winchester Road
 - Encroachment Permit, EC-2014-20T-216, from Ministry of Transportation, dated June 27, 2014 (expires June 27, 2024) to install and maintain 40' guy pole and wires on the east side of Hwy 7/12
 - Station Unaccompanied Access Agreement, dated June 10, 2016 between Hydro One Networks Inc. and Whitby Hydro Electric Corporation

- Permit for Overhead Wire Crossings without Occupation of Railway Lands by Poles or Other Structures, 52.3-1366/1, from Canadian Pacific Railway Company, dated August 27, 1951, at Mileage 65.31, Peterboro Subdivision
- Permit for Overhead Wire Crossings without Occupation of Railway Lands by Poles or Other Structures, 52.3-2140/8, from Canadian Pacific Railway Company, dated October 6, 1954, at Mileage 67.64, Peterboro Subdivision
- Permit for Overhead Wire Crossings without Occupation of Railway Lands by Poles or Other Structures, 52.3-1366/2, from Canadian Pacific Railway Company, dated November 4, 1954, at Mileage 67.39, Peterboro Subdivision
- Permit for Overhead Wire Crossings without Occupation of Railway Lands by Poles or Other Structures, 52.3-1364/5, from Canadian Pacific Railway Company, dated February 6, 1937, at Mileage 65.82, Peterboro Subdivision
- Memorandum of Agreement, effective January 1, 1977 among Ontario Hydro (as Assignor), Whitby Public Utilities Commission (as Assignee) and Canadian Pacific Limited, assigning permission to construct, maintain and use a power transmission line at Mileage 177.43, Belleville Subdivision
- Agreement for the Placing of Poles and Wires on Railway Lands Crossing but Not Parallel to the Railway, effective July 1, 1965 between Canadian Pacific Railway Company and the Hydro-Electric Power Commission of Ontario at Mileage 175.95, Belleville Subdivision
- Agreement for the Placing of Poles, Cables and Wires on Railway Lands Crossing the Railway, effective December 1, 1989 between Canadian Pacific Limited and Whitby Hydro Electric Commission at Mileage 175.89, Belleville Subdivision
- Wire Crossing Agreement between Canadian National Railway Company and Whitby Hydro Electric Commission, dated March 1, 1993
- Memorandum of Agreement dated January 1, 1977 among Ontario Hydro (as assignor), Whitby Public Utilities Commission (as Assignee) and Canadian Pacific Limited, assigning permission to construct, maintain and use 1 anchor, 7 wires and 2 guide wires at Mileage 180.28
- Encroachment Permit, EC-2014-20T-239, from Ministry of Transportation, dated July 10, 2014 (expires July 15, 2024) for Whitby Hydro pole adjustments and underground duct bank under Hwy 407 East at Country Lane
- Encroachment Permit, EC-2014-20T-31, from Ministry of Transportation, dated April 7, 2014 (expires April 7, 2024) for relocation of Whitby Hydro distribution pole line in the area of Hydro One corridor between Halls Road and Coronation Road

- Encroachment Permit, EC-2014-20T-364, from Ministry of Transportation, dated November 4, 2014 (expires November 4, 2024) to replace and maintain 28 hydro poles on the west side of Baldwin Street between north of Hwy 7 and North Street
- Encroachment Permit, EC-2014-20T-573, from Ministry of Transportation, dated March 17, 2015 (expires March 17, 2025) to construct permanent overhead distribution pole line crossing Hwy 401 at Lake Ridge Road
- Encroachment Permit, EC-2014-20T-182, from Ministry of Transportation, dated June 9, 2014 (expires June 9, 2024) to connect primary and secondary circuits for new townhouse development to two existing hydro poles located on the west side of Hwy 7/12 approximately 25 m and 80 m south of Carnwith Drive
- Wire Crossing Agreement between Whitby Hydro Electric Commission and Canadian National Railway, dated February 14, 1991
- Encroachment Permit, EC-2013-20T-458, from Ministry of Transportation, dated January 21, 2014 (expires January 21, 2024) to relocate existing Whitby Hydro pole line from Halls Road to new approved alignment on Taunton Road
- Encroachment Permit, EC-2013-20T-275, from Ministry of Transportation, dated August 29, 2013 (expires June 19, 2023) to maintain Whitby Hydro pole behind guide rail on Lynde Creek Bridge
- Encroachment Permit, EC-2012-20T-270, from Ministry of Transportation, dated October 12, 2012 (expires October 12, 2022) to install two new hydro connections by trench method from the existing Whitby Hydro poles located on the north side of Hwy 7, west of Hwy 12
- Encroachment Permit, EC-2015-20T-102, from Ministry of Transportation, dated May 29 2015 (expires May 29, 2025) for temporary relocation of Whitby Hydro Distribution facilities on the south side of Dundas Street crossing Hwy 412
- Permit for Overhead Wire Crossings without Occupation of Railway Lands by Poles or Other Structures, 52.3-1364/4, from Canadian Pacific Railway Company, dated January 22, 1937, at Mileage 64.25, Peterboro Subdivision
- Agreement for the Placing of Poles, Cables and Wires on Railway Lands Crossing the Railway between Canadian Pacific Limited and Whitby Hydro, dated effective March 1, 1992 at Mileage 178.85, Belleville Subdivision
- Wire Crossing Agreement between Whitby Hydro Electric Commission and Canadian National Railway Company, dated May 1, 1993
- Wire Crossing Agreement between Whitby Public Utilities Commission and Canadian National Railway Company, dated November 25, 1965

- Wire Crossing Agreement between Whitby Public Utilities Commission and Canadian National Railway Company, dated August 6, 1969
- Wire Crossing Agreement between Whitby Hydro Electric Commission and Canadian National Railway Company, dated September 1, 1992
- Wire Crossing Agreement between Whitby Hydro Electric Commission and Canadian National Railway Company, dated May 1, 1993

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
1	18	UNKNOWN		P267986	4 August, 1966	O/H wires	unregistered agreement only		
1	18	UNKNOWN		P267983	4 August, 1966	O/H wires	unregistered agreement only		
1	18	pole line along north side of Rossland E of Garrard	73576ED	8624 P21886	12 March, 1930	5 poles	unregistered agreement only transferred from Ontario Hydro	yes	
1	18	UNKNOWN		P267985	29 July, 1966	O/H wires	unregistered agreement only		
1	18	UNKNOWN		P267987	29 July, 1966	O/H wires	unregistered agreement only		
1	18	UNKNOWN		P267982	4 August, 1966	2 poles, 1 anchor	unregistered agreement only		
1	18	UNKNOWN		P219493	18 March, 1858	1 anchor	unregistered agreement only		
3	18	UNKNOWN		P219491	14 February, 1957	1 anchor	unregistered agreement only		
3	18	Eric Clarke to Garrard	40R- 14400	LT624379	4 December, 1992	aerial pole line	Awaiting Developments		D-004-91
3	18	Eric Clarke Dr. @ Ian Fleming Crescent, Block 43	40R- 14599	LT634753	March 25, 1993	SP 127	Durham Region Non- Profit Housing Corporation	yes	D-004-92
3	18	Eric Clarke Dr., Block 188	40R- 16031	LT795186	March 21, 1997	SP 111, 13.8/8.0kV U/G	Bradbury Construction Ltd. (KPMG Inc.)	yes	D-013-87
3	18				December 22, 1997	SP 110		yes	
3	18-19	3372 Garrard Road, North Side Of Lot	40R- 17561	LT806448	June 11, 1997	NO PLANT CURRENTL Y	Citycorp Investments Inc. & Corvinelli Construction Ltd.	yes	D-006-92(A)
3	19	Between Brownell St. (Lot 58) & Harkness Dr. (Lot 59)	40R- 14306	LT627864	December 1, 1993	13.8/8.0kV U/G	All-Borough Properties Ltd.	yes	D-005-91

T DOCS 17786067v3

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
1	19	UNKNOWN		P227377	20 March, 1960	6 poles, 4 anchors	unregistered agreement only		
3	19	40 Rolling Acres Dr.	40R- 13692	LT557649	August 1, 1991	SP 115	All-Borough Properties Ltd.	yes	D-008-89
3	19	Rossland Rd. E. W/ Garrard Rd.	73576ED	P21891	July 3, 1928	5 POLES	EASEMENT RELEASED	yes	
3	19	N of Rossland W of Garrard		P226194	6 April, 1960	6 poles, 4 anchors		yes	
3	19	N side of Rossland from Garrard E along lot 19		8786 P21891	30 July, 1931	5 poles	unregistered agreement only	yes	
3	19	NE comer of Garrard and Rossland		P235313	14 June 1961	O/H wires	unregistered agreement only	no	
3	19	Garrard Rd. To Harkness Dr. (Part of Lot 16)	40R- 24194	DR499182/183/1 84	May 11, 2006	U/G Cable	Brookvalley Development South Inc.	no	D-002-05
3	20			P115356	1 March, 1955	1 pole	unregistered agreement only		
3	20	Dryden Blvd. @ Waller St.	40R- 13784	LT574746	December 3, 1991	SP 123, SP 124	Scotston Investments Inc.	yes	D-002-90
3	20	Thickson at Winterberry	40R- 12760	LT572806/LT572 80/ LT585536/LT585 535	20 December, 1989	U/G cable	Arvida Subdivision	yes	D-001-89
3	20	Winterberry Dr. (S/W Comer Of 2 Waller St.)	40R- 12761	LT506362	June 6, 1990	SP 90	Arvida Development Corporation	yes	D-001-89
3	20	Waller St. @ Fieldnest Cres.	40R- 12766	LT496886	March 30, 1990	SP 91	Arvida Development Corporation	yes	D-001-89
3	20	Rossland E of Garrard		D200412 8600	19 December,	5 poles, 1			

VT DOCS 17786067v3

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
					1929	anchor			
3	20	N or Rossland E of Thickson		P21786	19 December, 1929	5poles, 1 anchor		yes	
	22	Lofthouse Dr. to Dryden Blvd. (Hydro One R.O.W.)	40R- 24833			SP 80		yes	
3	23	Beside 38 Kilbride Dr.	40R- 13085	D398646/LT6165 79	October 13, 1992	SP 97	The Corporation Of The Town Of Whitby	yes	D-003-88
3	23	UNKNOWN		P219488	22 January, 1958	3 anchors	unregistered agreement only	no	
3	23-24	Across From 280 Taunton Rd. E. (Durham Board Of Education Centre)	40R- 12955	D347182	July 31, 1990	1 anchor	Catholic Cemeteries - Archidiocese Of Toronto	yes	A-007-89, D- 003-88
3	23-24	UNKNOWN		P235312	14 June, 1961	3 anchors	unregistered agreement only	no	
3	24	Fallingbrook St. S/ Patrick Dr.	40R- 12524	LT506329	June 5, 1990	SP 94	River Realty Development Inc.	yes	D-003-88
3	24	Fallingbrook St. S/ Kilbride Dr.	40R- 12522	LT506323	June 5, 1990	SP 95, SP 96	River Realty Development Inc.	yes	D-003-88
3	24	712 Rossland Rd. E	40R- 13306	LT527006/LT527 007	November 20, 1990	13.8/8.0kV U/G, TX 2982	Whitby Landmark Development Inc.	yes	H-013-89
3	24				January 22, 1992	1 ANCHOR		yes	
3	25	3050 Garden St.	40R- 14900	LT660499	November 17, 1993	13.8/8.0kV U/G	Chidley Glen Developments Ltd.	yes	
3	26	Brock N of Taunton		D201703	7 August, 1985	2 anchors	Transferred from Ontario Hydro via		

MT DOCS 17786067v3

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
				P254638			D205890 To be released		
3	26	Meadowglen Dr. W/ Garden St.	40R- 11440	LT428169	January 16, 1989	SP 75	Chidley Glen Developments Ltd.	yes	D-011-87
3	26	Forest Heights Dr. N/ Willowbrook Dr.	40R- 11439	LT428173	January 16, 1989	SP 74	The Corporation Of The Town Of Whitby	yes	D-011-87
3	26	60 Willowbrook Dr.	40R- 11439	LT428176	January 16, 1989	SP 73	Chidley Glen Developments Ltd.	yes	D-011-87
3	26				April 6, 1995	1 anchor		yes	
3	26	Taunton Rd. E. W/Riverwood St.	40R- 12955	D347860	August 10, 1990	3 anchors	Faith Baptist Church	yes	H-065-83,A-007- 89
3	26				July 31, 1990	2 anchors		yes	A-007-89
3	26	UNKNOWN	40R- 21352	DR113226			EASEMENT RELEASED		
3	26	Civic Centre Dr. & Dryden Blvd.		DR522752	July 21, 2006		My Home @ Whitby (Blanket Easement)	10	D-005-04
3	26	Civic Centre Dr. & Palomino Pl.	40R- 24492	DR700629	April 7, 2008	SP 179	Chidley Glen Developments Ltd.	yes	
3	26	Brock St. N. & Rossland Rd. E.	40R- 24901				Lakeview Townhomes (Blanket Easement)	no	D-002-06
3	27			P264325	26 January, 1966	1 pole, 1 anchor, U/G cable	unregistered agreement only		
3	27	Valleywood Dr./Timber	40R-	LT648744	August 4, 1993	SP 98, SP	Whitby Gardens	no	D-002-91

MT DOCS 17786067v3

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
		Mill Ave.	14822			109, SP 128	(North) Inc.		
3	27	Whitburn St. @ Hoodgate Dr.	40R- 17158	LT776504	October 28, 1996	SP 148	Whitby Gardens Inc.	yes	D-002-91
3	27	Whitburn St. W/Brock St. N.	40R- 18151	LT848146	April 9, 1998	SP 70	Whitby Gardens Inc.	yes	H-016-96
3	27	N/W Valleywood Dr. & Hoodgate Dr./S/W Whitburn St. & Brock St. N.	40R- 15056	LT662227	November 30, 1993	SP 112, SP 113	Whitby Gardens Inc.	yes	H-016-96
3	28	Cochrane St. To Briargreen Crt.	40R- 10654	LT355080	October 19, 1987	13.8/8.0kV U/G	Gary Elliot Homes Inc.	yes	
3	28	Taunton Rd. W. & Cullen Way		DR751796	September 24, 2008		Lynde Creek (Blanket Easement)	no	
3	30	Country Lane @ Rossland	40R- 16474	LT736626	October 30, 1995	SP 135	Medlands Subdivision	yes	D-003-92
3	30	Country Lane North of Rossland	40R- 16477	LT736619	October 30, 1995	SP 134	Medlands Subdivision	yes	D-003-92
3	30	Twin Streams Road		Awaiting Registration	Awaiting Registration	SP 137,138, & 139	Medlands Subdivision	yes	D-003-92
3	30	Twin Streams Road		Awaiting Registration	Awaiting Registration	SP 140	Medlands Subdivision	yes	D-003-92
3	30	Country Lane	40R- 18157	LT843026	April 9, 1995	SP 136	Medlands Subdivision	yes	D-003-92
3	30	Country Lane	40R- 18112	LT848031	April 9, 1998	SP 155	Medlands Subdivision	yes	D-003-92
3	30	Country Lane Rd. S/Taunton Rd. W.	40R- 21700	DR146917	January 29, 2003	SP 188	Owen Glen Developments Inc.	yes	
3	31	Twin Streams Rd.	40R-			SP 201	1466098 Ontario Ltd.	yes	

MT DOCS 17786067v3

CONC.	LOT	LOCATION	PLAN	REGISTRY NO.	REGISTRY DATE	APPARATUS	REMARKS	MAP	SUBDIVISION FILE NO.
		W/Baycliffe Dr.	23529						
3	31	Kieffer Crt. (Part of Block 153)	40R- 26487			TX 6639		yes	D-001-08
3	31-32	Medland Ave. E/Baycliffe Dr.	40 R - 23527	DR393638	June 2, 2005	SP 203	1466098 Ontario Ltd.	yes	
3	33			D201726 P227419	7 August, 1985	4 anchors	Transferred from Ontario Hydro via D205890		
3	33			D201727 P227500	7 August, 1985	3 anchors	Transferred from Ontario Hydro via D205890		
3	33			D201711 P254636	7 August, 1985	2 anchors	Transferred from Ontario Hydro via D205890		
3	33	Coronation Rd. N/C.P.R. Railway	40R- 14949	LT672004	March 11, 1994	1 anchor	Runnymede Development Corporation	yes	D-003-92
							Ltd.		
3	34			D201710 P254628	7 August, 1985	1 anchor	Transferred from Ontario Hydro via D205890		
3	35			D201708	7 August, 1985	1 anchor	Transferred from Ontario Hydro via D205890		

Schedule 5.5(11)(f)

Whitby – Encumbrances

Whitby LDC:

File No.	Registration No. and Registration Period	Debtor(s)	Secured Party	Collateral Description/Other Particulars/Action Required
674288451	20111110 1004 1862 3880 & 20111130 1043 1862 5448 (11 years – Expiring 11/30/2022)	Ontario Infrastructure and Lands Corporation	Whitby Hydro Electric Corporation	Inventory, Equipment, Accounts, Other General Security Agreement
885879387	20020730 1429 9065 2143, 20070608 1950 1531 7699, 20120528 1452 1530 2899 & 20170516 1936 1531 2191 (5 years – Expiring 05/16/2022)	The Toronto- Dominion Bank	Whitby Hydro Electric Corporation	Inventory, Equipment, Accounts, Other, Motor Vehicle

Lessee	Agreement Date	Whitby Hydro Asset	Note
Brookfield Global Intergrated Solution (formally Telus contract)	September 1, 2007 (Extended 10 years to August 31, 2017)	MS # 11 (7055 Thickson Road North)	The site lease grant portion of land for locating a communications tower. The contract expired August 31, 2017 but lessee has right to extend lease another 10 years. Lease - per year.

Whitby Holdco:

File No.	Registration No. and Registration Period		Secured Party	Collateral Description/Other Particulars/Action Required
675734373	20120119 1545 1254 3950 & 20131015 1037 1529 4376 (10	Element Fleet Management Inc.	Whitby Hydro Energy Corporation	Inventory, Equipment, Accounts, Other, Motor Vehicle
	years – Expiring 01/19/2022)			All present and after acquired motor vehicles, trailers and goods

File No.	Registration No. and Registration Period	Debtor(s)	Secured Party	Collateral Description/Other Particulars/Action Required
				of whatever make or description, now or hereafter leased by the Secured Party to the Debtor, together with all additions, replacement parts, accessions, attachments and improvements thereto, and all proceeds thereof, including money, chattel paper, intangibles, goods, documents or title, securities, substitutions, accounts receivable, rental and loan contracts, all personal property returned, traded in or repossessed and all insurance proceeds and any other form of proceeds thereof.
716074758	20160427 1741 1793 3394 (10 years – Expiring 04/27/2026)	Element Fleet Management Inc.	Whitby Hydro Energy Corporation	Equipment, Other, Motor Vehicle All present and future motor vehicles (including, without limitation, passenger automobiles, vans, trucks, truck-tractors, truck- trailers, truck-chassis and truck bodies), automotive equipment (including, without limitation, trailers, boxes and refrigeration units), material-handling equipment and other goods (whether similar or dissimilar to the foregoing) leased from time to time by the Secured Party to the Debtor, together with, in each case, all present and future parts, attachments, accessories and accessions attached thereto or installed therein, and all proceeds of or relating to any of the foregoing.

Lessee	Agreement Date	Whitby Hydro Asset	Note
Whitby Hydro Energy Services Corporation	September 26, 2013	Guarantee in Support of Application to the Ontario Energy Board for Issuance of a Unit Sub-Metering Licence. WH Energy Corporation guarantees to the	Whitby Hydro Energy Services Corporation

Schedule 5.5(13)

Whitby – Equipment Leases

Whitby LDC:

None.

Whitby Holdco:

None.

Whitby Hydro Energy Services Corporation:

Creditor	Agreement Date	Contract Details

Schedule 5.5(16)

Whitby – Insurance Policies

List of Whitby Insurance Policies:

Policy #	Named Insured	Coverage	Limit ¹
	Whitby Hydro Energy Corporation Includes the following Additional Named Insureds Whitby Hydro Electric Corporation Whitby Hydro Energy Services Corporation	General Liability including: Bodily Injury Liability Personal Injury & Advertising Liability Property Damage Liability Tenant's Legal Liability Environmental Impairment Errors & Omissions/Professional Liability Non-Owned Automobile Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety) Enhanced Plus+ Directors & Officers Liability Privacy, Cyber & Network Security Liability	\$30,000,000
	Whitby Hydro Energy Corporation	Fleet/Vehicle	\$21,000,000
	Whitby Hydro Energy Corporation	All Risk Property – at Locations Scheduled	\$43,674,954 TIV
		Crime	\$1,000,000

Pending Claims – Liability:

Claim No.	Claimant	Original Amount Claimed	Description

Pending Litigation Claims Liability:

Claim No.	Claimant	Original Amount Claimed	Description

<u>Pending Claims – Property:</u>

Claim No.	Claimant	Original Amount Claimed	Description

<u>Pending Litigation – Property:</u>

None.

Pending Claims – Vehicle:

None.

Pending Litigation Vehicle:

None.

Schedule 5.5(18)

Whitby – Material Contracts

Whitby Holdco:

None.

Whitby LDC:

None.

Whitby Hydro Energy Services Corporation



Schedule 5.5(20)

Whitby – Permits

Whitby Holdco:

None.

Whitby LDC:

No.	Contract/ Permit Name	Parties
(a)	Station Unaccompanied Access Agreement dated June 10, 2016	Hydro One Networks Inc.
		Whitby Hydro Electric Corporation
(b)	License No. 724403 with CN Real Estate issued on May 25, 1993	CN Real Estate
		Whitby Hydro Electric Commission
(c)	Electricity Distribution License ED-2002-0571	Ontario Energy Board
		Whitby Hydro Electric Corporation
(d)	Master Agreement dated April 1, 2016	Whitby Hydro Electric Corporation
		Windfall Ecology Centre
(e)	Licenced Occupancy of Power Utility Distribution Poles dated January 1, 2005	Hydro One Networks Inc.
	•	Whitby Hydro Electric Corporation
(f)	Threshold Allocation Letter Agreement dated October 13, 2016	Hydro One Networks Inc.
	OED A	Whitby Hydro Electric Corporation
(g)	OEB Approval EB 2012-225 issued on May 3, 2012	OEB Whitby Hydro Electric Corporation
(1-)	Energy Conservation Agreement dated May 1, 2016	IESO
(h)		
(i)	Transmission Connection Agreement dated June 15, 2001	Hydro one Networks Inc and Whitby Hydro Electric Corporation
(j)	Agreement for the Placing of Poles and Wires on Railway Lands Crossing but Not Parallel to the Railway dated June 15, 2001	Canadian Pacific Railway Company and the Hydro-Electric Power Commission of Ontario
		•
(k)	Wire Crossing Agreement dated March 1, 1993	Canadian National Railway Company and Whitby Hydro Electric Commission
(1)	Agreement for the Placing of Poles, Cables and Wires on Railway Lands Crossing the Railway dated December 7, 1989	Canadian Pacific Limited and Whitby Hydro Electric Commission
(m)	Wire Crossing Agreement dated February 14, 1995	Whitby Hydro Electric Commission and Canadian National Railway
(n)	Agreement for the Placing of Poles, Cables and Wires on Railway Lands Crossing the Railway effective March 1, 1992	Canadian Pacific Limited and Whitby Hydro
(0)	Wire Crossing Agreement dated May 1, 1993	Whitby Hydro Electric Commission and Canadian National Railway Company
(p)	Wire Crossing Agreement dated November 25, 1965	Whitby Public Utilities Commission and Canadian National Railway Company
(q)	Wire Crossing Agreement dated August 6, 1969	Whitby Public Utilities Commission and Canadian National Railway Company
(r)	Wire Crossing Agreement dated September 1, 1992	Whitby Hydro Electric Commission and Canadian National Railway Company

No.	Contract/ Permit Name	Parties
(s)	Wire Crossing Agreement dated May 1, 1993	Whitby Hydro Electric Commission and Canadian National Railway Company
(t)	Extension Approval Letter for Threshold Allocation Assessment from Hydro One Networks Inc. dated May 26, 2016	Hydro One Networks Inc. Whitby Hydro Electric Corporation
(u)	Certificate of Registration for District of Belleville dated April 8, 1982	Consumer and Corporate Affairs Canada
(v)	Ontario Elevating Device License EDLIC-065755 expired on January 15, 2018 and a new licence was applied for in May 2018	TSSA

Permit Number 🔻	Permit Type 🔻	Permit From 🔻	Date Effective 🔻	Date Expires 🔻	Purpose 🔻	Location
EC-2016-20T-45	Encroachment Permit	MTO	April 15, 2016	April 15, 2026	Relocation of Whitby Hydro	South side of Taunton Road
					distribution pole line	crossing Hwy 412
EC-2015-20T-230	Encroachment Permit	MTO	April 17, 2015	April 17, 2025	Temporary Relocation of	Rossland Road crossing Hwy
					Whitby Hydro distribution	412
EC-2014-20T-417	Encroachment Permit	MTO	December 8, 2014	December 8, 2024	Relocation of Whitby Hydro	Winchester Road West, between
					electrical distribution	Ashburn Road and Cochrane
					facilities	Street, crossing Hwy 407
EC-2014-20T-234	Encroachment Permit	MTO	July 10, 2014	July 10, 2024	Whitby Hydro pole	South of Winchester Road
					adjustments and underground	
EC-2014-20T-216	Encroachment Permit	MTO	June 27, 2014	June 27, 2024	Install and maintain 40' guy	East side of Hwy 7/12
					pole and wires	
	Station Unaccompanied Access	Hydro One	June 10, 2016			
	Agreement	Networks Inc.		-	-	-
52.3-1366/1	Permit for Overhead Wire	CPR	August 27, 1951			Mileage 65.31, Peterboro
	Crossings without Occupation of			-		Subdivision
	Railway Lands by Poles or Other					
52.3-2140/8	Permit for Overhead Wire	CPR	October 6, 1954			Mileage 67.64, Peterboro
	Crossings without Occupation of			-	-	Subdivision
	Railway Lands by Poles or Other					
52.3-1366/2	Permit for Overhead Wire	CPR	November 4, 1954			Mileage 67.39, Peterboro
	Crossings without Occupation of					Subdivision
	Railway Lands by Poles or Other					
52.3-1364/5	Permit for Overhead Wire	CPR	February 6, 1937			Mileage 65.82, Peterboro
	Crossings without Occupation of					Subdivision
	Railway Lands by Poles or Other			-	-	
	Structures					
	Memorandum of Agreement	Ontario Hydro,	January 1, 1977		Assigning permission to	Mileage 177.43, Belleville
•		Canadian		-	construct, maintain, and use a	Subdivision
		Pacific Limited			power transmission line	
	Agreement for the Placing of Poles	CPR, Hydro-	January 7, 1965			Mileage 175.95, Belleville
	and Wires on Railway Lands	Electric Power				Subdivision
	Crossing but Not Parallel to the	Commission of				
	Railway	Ontario				
	Agreement for the Placing of	Canadian	December 1, 1989			Mileage 175.89, Belleville
	Poles, Cables and Wires on	Pacific Limited		•		Subdivision
	Railway Lands Crossing the					
	Wire Crossing Agreement	CNR	March 1, 1993		-	-
•	Memorandum of Agreement	Ontario Hydro,	January 1, 1977		Assigning permission to	Mileage 180.28, Belleville
		Canadian			construct, maintain, and use 1	Subdivision
		Pacific Limited			anchor, 7 wires, and 2 guide	

Whitby Non-Regulated Affiliates (Whitby Hydro Energy Services Corporation):

- CN Letter of Approval, WRK-KNG-304.29/ Pole Relocation, dated November 13, 2014
- Agreement No: OD 26687 with Canadian Pacific Railway for S/P Wire crossing CRP r/w, Mile 179.01 Belleville Subdivision, dated April 19, 2002

- Letter from Canadian Pacific Railway for Permit to Construct and Maintain 44kv Power Lines Over and Across CPR Tracks at Thickson Road South, Town of Whitby, Mi. 176.71, Belleville Sub, dated March 3, 2005
- CN Letter of Approval, WRK-KNG-307.23/ Relocation of Hydro Line, dated July 29, 2015
- Certificate of Approval (Air & Noise) from Ministry of the Environment, Number 3891-6B6RXD, dated June 29, 2005
- Certificate of Authorization #11703321 from Professional Engineers Ontario for Professional Engineering services, dated October 6, 1998 (renewed and valid until May 31, 2018)
- Decision and Order EB-2013-0257 from Ontario Energy Board, Unit Sub-Metering License ES-2013-0257, dated January 22, 2019
- Commercial Vehicle Operator's Registration Certificate No 137-073-163, dated April 20, 2001
- Certificate of Approval Air No. 3891-6B6RXD issued on June 29, 2005 to Whitby Hydro Energy Services Corporation

Schedule 5.5(27)

Whitby – Unusual Transactions

None.

Schedule 5.5(29)

Whitby – Litigation

Whitby Holdco:

None.

Whitby LDC:

- See Whitby Disclosure Schedule 5.5(16) (Insurance Policies) for a list of pending insurance claims.
- A customer has threatened to pursue a lawsuit against Whitby Hydro Electric Corporation. The customer maintains that the smart meter installed at her premises is the cause of her brain cancer. No statement of claim has been filed.

Court / Action No.	Location	Plaintiff	Defendant(s)	Nature of Claim / Estimated Value / Status

Whitby Hydro Electric Corporation:

Court / Action No.	Location	Plaintiff	Defendant(s)	Nature of Claim / Estimated Value / Status

Schedule 5.5(30)

Whitby – Non-Arm's Length Transactions

- Service Agreement between Whitby Holdco and Whitby LDC dated January 1, 2011
- Service Agreement between Whitby Holdco and Whitby Hydro Energy Services Corporation dated January 1, 2011
- Service Agreement between Whitby Hydro Energy Services Corporation and Whitby LDC dated January 1, 2011

Schedule 5.5(31)(a)

Whitby – Environmental Compliance

Not applicable.

Schedule 5.5(31)(b)

Whitby – Environmental Permits

See Schedule 5.5(20) for a list of all of the Whitby Environmental Permits.

Schedule 5.5(32)

Whitby – Employee Plans

Employee Plan	Document
Vacation Article 11 (union & non-union)	Collective Agreement PWU Inside
Sick pay Article 10 (union & non-union)	Collective Agreement PWU Outside
Bonus Compensation	Short Term Incentive Policy Mgmt June 13, 2017
Severance, Termination Pay Management	Employment Agreement Template April 2018
Hospitalization, medical benefit, vision,	GreenShield Booklets
dental, drug	GreenShield Booklet Union-Class
	GreenShield Management-Class
	GreenShield Union Retirees-Class hired after May 23, 2013 (retiree bens until age 65)
	GreenShield Union Retirees-Class
	GreenShield Management Retirees-Class
	GreenShield Management Retirees-Class hired after May 23, 2013 (retiree bens until age 65)
	Union Vol buyout of post 65 retiree benefits
Life Insurance	MEARIE Life Insurance All employees & retirees
Long Term Disability	Manulife LTD Group Policy
Pension Plan	OMERS
Post Retirement Plan	Collective Agreement PWU Inside
	Collective Agreement PWU Outside
Short Term Incentive Plan	Short Term Incentive Policy June 13, 2017

Schedule 5.5(38)

Whitby – Joint Venture Interests

Not applicable.

Schedule 5.5(40)

Whitby – Third Party Consents

Contracts Requiring Third Party Consent:

Whitby Holdco:

None.

Whitby LDC:

No.	Contract Name	Parties	Required Consent/ Notice Provision
(a)	Promissory Notes # 1, 2, and 3	Whitby Hydro Electric Corporation (" Wiresco ") The Town of Whitby (the " Town ")	This Note shall be binding upon Wiresco and its successors and assigns. This Note may be assigned by Wiresco with the prior written consent of the Town.
			In the event of the consolidation, amalgamation or merger of Wiresco with any other corporation or the sale of a majority of issued and outstanding shares in the capital of Wiresco, the balance of principal with accrued interest on this note shall become due and payable on closing of any consolidation, amalgamation, merger or transfer of the majority of issued and outstanding shares in the capital of Wiresco
(b)			
(c)			
(d)			

No.	Contract Name	Parties	Required Consent/ Notice Provision
(e)			

Whitby Hydro Energy Services Corporation:

No.	Contract Name	Parties	Required Consent/ Notice Provision
(a)			
(b)			
(c)			

Permits Requiring Third Party Consent

Whitby Non-Regulated Affiliates:

None.

Whitby Holdco:

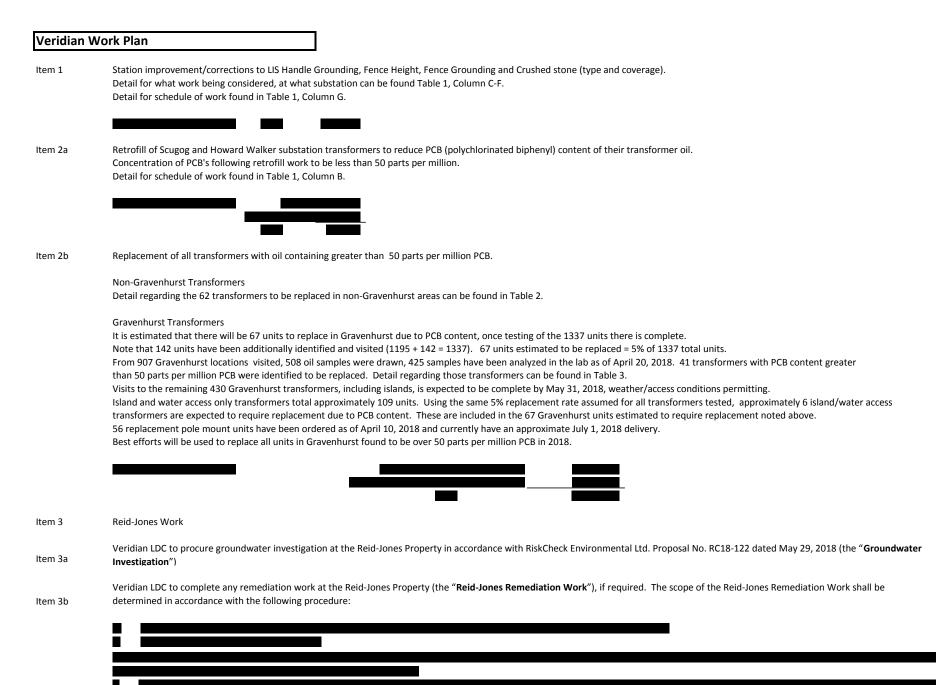
None.

Whitby LDC:

No.	Contract/Permit Name	Parties	Required Consent/Notice Provision
(a)			
(b)			
(c)	Electricity Distribution License ED-2002-0571	Ontario Energy Board Whitby Hydro Electric Corporation	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 on which such change occurs.
(d)			

No.	Contract/Permit Name	Parties	Required Consent/Notice Provision
(e)			
(f)	OEB Approval	OEB Whitby Hydro Electric Corporation	Section 86(1) of the Act provides that leave of the Board is required before a transmitter or a distributor can "sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public."
(g)	Energy Conservation Agreement	IESO	The LDC may, with notice to the IESO but without the IESO's consent, assign this Agreement only to another distribution company; Where the LDC amalgamates with another distribution company or acquires all of substantially all of the assets of another distribution company, the LDC or the successor to the amalgamation, as the case may be, will notify the IESO in writing of the amalgamation or acquisition within five business days of the effective date of the amalgamation or acquisition and will submit a revised CDM Plan to the IESO as soon as reasonably practicable and in any event within 120 days of the amalgamation or acquisition in accordance with section 2 of Schedule B.

SCHEDULE 6.1(7)



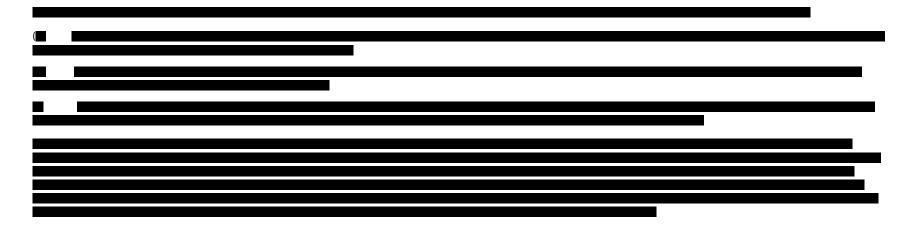


Table 1 Substation Related Work Plan Items

Column ID	А	В	С	D	E	F	G	н	I

Station Transformer-PCB Station Improvements/Corrections Soil and Water Sampling

	Stn Transformer- PCB Oil Retrofill Required	Schedule for Completion of Oil Retrofill	LIS Handle Grounding	Fence Height	Fence Grounding	Crushed Stone	Schedule for Completion of Improvements/ Corrections- in 2018	Soil and Water Sampling	Schedule for Completion of Soil and Water Sampling
Applecroft									
Dowty						1	Q2		
Monarch					1	1	Q2		
Notion				1		1	Q4		
Pickering Beach									
Westney Heights						1	Q4		
Bell									
Cascade			1			1	Q2		
Catherine			1	1	1	1	Q3		
Church									
Edgehill				1		1	Q3		
Harder						1	Q3		
Herchimer									
Jones			1	1		1	Q2	1	Q2
Reid								1	Q2
Riverside									
Sidney					1		Q3		
Beaverton West			1				Q2		
Beaverton Main			1				Q2		
William Gillespie			1		1		Q3		
Laidlaw			2				Q2		

Sunderland			1			1	Q4		
Bradshaw						1	Q2		
Liberty North									
Scugog	1	Q3	1		1		Q3		
Spry		-				1	Q4		
Toronto			1			1	Q3		
Wilmot						1	Q4		
Вау			1		1	1	Q4		
First			1		1	1	Q4		
James			1		1	1	Q3		
	Stn Transformer- PCB Oil Retrofill Required	Schedule for Completion of Oil Retrofill	LIS Handle Grounding	Fence Height	Fence Grounding	Crushed Stone	Schedule for Completion of Improvements/ Corrections	Soil and Water Sampling	Schedule for Completion of Soil and Water Sampling
Pineridge									
Art Thompson			1	1	1		Q3		
Bay Ridges			1			1	Q4		
Fairport			2		1	1	Q4		
Mason Windows			1		1	1	Q3		
Sandy Beach			2		1	1	Q4		
Shandex			1		1	1	Q3		
Squires Beach					1	1	Q3		
Town Centre					1	1	Q3		
Cavan South			1				Q2		
Cavan North			1		1	1	Q4		
Howard Walker	1	Q2	1			1	Q2		
James Collins					1		Q3		
Peacock			1		1	1	Q2	ļ	
Shuter						1	Q3		
Bigelow			1			1	Q4		
Crandell			1			1	Q2		
			4		1	1	Q4		
Mabley			1			-			
Mabley Uxbridge East Uxbridge West			1	1	1	1	Q4 Q2		

Table 2 Non-Gravenhurst PCB Transformers to be replaced in 2018.

District	Description	Transformer	TX Qty	Expected Installation Timing (by Qtr of 2018)
Ajax	PCB Elimin T2K152 - 669 West Shore Blvd. (Pickering)	1 x 50kVA (TPDL249)	1	Q3
Ajax	PCB EliminT2686 - 4925 Balsam Road (Pickering)	1 x 25kVA (TPOL128)	1	Q3
Ajax	PCB Elimin T4A003 - 1935 Pickering / Uxbridge Timeline (Pickering)	1 x 50kVA (TPOL148)	1	Q2
Ajax	PCB Elimin T6238 - 1237 Mulmur Court (Pickering)	1 x 100kVA (TPDL269)	1	Q3
Ajax	PCB Elimin T6654 - 749 Edgewood Road (Pickering)	1 x 50kVA (TPDL249)	1	Q3
Ajax	PCB Elimin T6652 - 1717 Ministrel Manor (Pickering)	1 x 50kVA (TPDL249)	1	Q2
Ajax	PCB Elimin T6033 - 1818 Shadybrook Drive (Pickering)	1 x 50kVA (TPDL249)	1	Q2

Ajax	PCB Elimin T6651 - 1710 Minstrel Manor (Pickering)	1 x 50kVA (TPDL249)	1	Q2
Belleville	PCB Elimin T302 - 292 Bleecker Avenue (Belleville)	1 x 50kVA (TPOL146)	1	Q2
Belleville	PCB Elimin T548 - 25 Oriole Park Avenue (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T125 - 40 Campbell Street (Belleville)	1 x 50kVA (TPOL146)	1	Q2
Belleville	PCB Elimin T360- 3 Village Drive (Belleville)	3 x 50kVA (TPOL146)	3	Q2
Belleville	PCB Elimin T990 - 246 John Street (Belleville)	3 x 25kVA (TPOL126)	3	Q3
Belleville	PCB Elimin T983 - 11 Queen Street (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T857 - 97 Emily Street (Belleville)	1 x 50kVA (TPOL146)	1	Q3
Belleville	PCB Elimin T541 - 25 Greenlawn Avenue (Belleville)	1 x 50kVA (TPOL146)	1	Q2
Belleville	PCB Elimin T244 - 95 Stanley Street (Belleville)	3 x 25kVA (TPOL126)	3	Q2
Belleville	PCB Elimin T65 - 37 Forin Street- (Belleville)	1 x 50kVA (TPOL146)	1	Q2
Belleville	PCB Elimin T383 - 8 Mount Pleasant Road (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T716 - 153 Singleton Drive (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T181 - 10 Bettes Street (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T870 - 268 Victoria Avenue (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T1211 - 485 Bridge Street East (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T1527 - 256 Pinnacle Street (Belleville)	3 x 50kVA (TPOL146)	3	Q3
Belleville	PCB Elimin T535 - 250 Charles Street (Belleville)	1 x 50kVA (TPOL146)	1	Q2
Belleville	PCB Elimin T1112 - 5 Karl Street (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T53 - 293 Albert Street (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T1080 - 26 North Park Gardens (Belleville)	1 x 25kVA (TPOL126)	1	Q2
Belleville	PCB Elimin T1221 - 10 Eleanor Gardens (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T1000 - 26 Smith Crescent (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T1526 - 35 Dussek Street (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T1451 - 28 Dussek Street (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T0408-A - 184 College Street W (Belleville)	1 x 50kVA (TPOL146)	1	Q3
Belleville	PCB Elimin T693 - 40 Beverley Crescent (Belleville)	1 x 25kVA (TPOL126)	1	Q3
Belleville	PCB Elimin T886 - 39 Mikel Avenue(Belleville)	1 x 25kVA (TPOL126)	1	Q3
Brock	PCB Elimin T26 - 23 Mill Street (Uxbridge)	1 x 25kVA (TPOL126)	1	Q2
Brock	PCB Elimin T64 - 40 Franklin Street (Uxbridge)	1 x 50kVA (TPOL146)	1	Q2
Brock	PCB Elimin. T75399 - 433 May Street (Beaverton)	1 x 25kVA (TPOL126)	1	Q3
Brock	PCB Elimin T97 - 355 Mill Street (Beaverton)	1 x 25kVA (TPOL126)	1	Q3
Brock	PCB Elimin T39 - 107 Toronto Street S (Uxbridge)	1 x 25kVA (TPOL126)	1	Q3
Brock	PCB Elimin T50 - 33 Franklin Street (Uxbridge)	1 x 50kVA (TPOL148)	1	Q2
Brock	PCB Elimin T309 - 101 Caleb Street (Port Perry)	1 x 50kVA (TPOL148)	1	Q3
Brock	PCB Elimin T310 - 169 North Street (Port Perry)	1 x 50kVA (TPOL148)	1	Q3
Brock	PCB Elimin T99 - 318 Mill Street (Beaverton)	3 x 50kVA (TPOL148)	3	Q2
Brock	PCB Elimin T90 - 412 Wood Street (Beaverton)	1 x 50kVA (TPOL148)	1	Q2
Brock	PCB Elimin T71181 -124 Main St N (Uxbridge)	1 x 50kVA (TPOL148)	1	Q3
Brock	PCB Elimin T59 - 360 Bay Street (Beaverton)	1 x 50kVA (TPOL148)	1	Q3
Clarington	PCB Elimin T556 - 90 Queen Street (Port Hope)	3 x 25kVA (TPOL120)	3	Q2
Clarington	PCB Elimin T545 - 4 Metcalf Street (Newcastle)	1 X 25kVA (TPOL120)	1	Q2
Clarington	PCB Elimin T276 - 48 Wellington Street (Port Hope)	1 X 100kVA (TPOL160)	1	Q3

Subtotal- Ajax	8	
Subtotal- Belleville	35	
Subtotal- Brock	14	
Subtotal- Clarington	5	
Total- all districts	62	

Gravenhurst PCB Transformers to be replaced in 2018	(currently kr	nown).

District	Transformer Location Number	Address	KVA	TX Qty	Expected Installation Timing (by Qtr of 2018)
Gravenhurst	7269	466 PENINSULA RD, GRAVENHURST	15	1	Q4
Gravenhurst	5148	1004 BOYES BRIDGE LANE, GRAVENHURST	15	1	Q4
Gravenhurst	4560	1187 BRYDONS BAY RD, GRAVENHURST	15	1	Q4
Gravenhurst	813	1070 BETHUNE DR N, GRAVENHURST	37	1	Q4
Gravenhurst	4560	1183 BRINDONS BAY	15	1	Q4
Gravenhurst	7453	671 PENINSULA RD, GRAVENHURST	15	1	Q4
Gravenhurst	0150	542 PENNISULA ROAD	15	1	Q4
Gravenhurst	53529	1185 DOE LAKE RD	5	1	Q4
Gravenhurst	7378	1781 N MULDREW LAKE RD, GRAVENHURST	25	1	Q4
Gravenhurst	916	SUNNY BAY LANE, GRAVENHURST	15	1	Q4
Gravenhurst	7495	678 PENINSULA RD, GRAVENHURST	15	1	Q4
Gravenhurst	3359	301 MUSQUASH RD, GRAVENHURST	5	1	Q4
Gravenhurst	3113	40 LOON LAKE RD, GRAVENHURST	37.5	1	Q4
Gravenhurst	5077	585 JONES RD, GRAVENHURST	5	1	Q4
Gravenhurst	2032	155 MUSKOKA BEACH RD, GRAVENHURST	37.5	1	Q4
Gravenhurst	7094	1427 N MULDREW LAKE RD, GRAVENHURST	15	1	Q4
Gravenhurst	6349	1105 MURIEL CRES, GRAVENHURST	To be confirmed	1	Q4
Gravenhurst	1226	1021 LANGFORD DR, GRAVENHURST	To be confirmed	1	Q4
Gravenhurst	1226	1021 LANGFORD DR, GRAVENHURST	50	1	Q4
Gravenhurst	5537	1431 DOE LAKE RD, GRAVENHURST	25	1	Q4
Gravenhurst	316	105 ORIOLE CRES, GRAVENHURST	25	1	Q4
Gravenhurst	173	180 PHILLIP STREET W, GRAVENHURST	25	1	Q4
Gravenhurst	1226	1021 LANGFORD DR, GRAVENHURST	To be confirmed	1	Q4
Gravenhurst	115	595 JOHN ST N, GRAVENHURST	37.5	1	Q4
Gravenhurst	8300	1067 FISH HOOK LANE, GRAVENHURST	To be confirmed	1	Q4
Gravenhurst	4079	1014 LAYCOX RD, GRAVENHURST	To be confirmed	1	Q4
Gravenhurst	296	570 SIXTH ST, GRAVENHURST	37	1	Q4
Gravenhurst	T4192	GOLF CLUB RD, GRAVENHURST	10	1	Q4
Gravenhurst	244	241 BROCK STREET, GRAVENHURST	25	1	Q4
Gravenhurst	185	181-195 MUSKOKA RD S, GRAVENHURST	75	1	Q4
Gravenhurst	304	460 THIRD ST, GRAVENHURST	37.5	1	Q4
Gravenhurst	119	275 BROWN ST, GRAVENHURST	37.5	1	Q4
Gravenhurst	188	181-195 MUSKOKA RD S, GRAVENHURST	50	1	Q4
Gravenhurst	188	181-195 MUSKOKA RD S, GRAVENHURST	50	1	Q4
Gravenhurst	188	181-195 MUSKOKA RD S, GRAVENHURST	50	1	Q4
Gravenhurst	75	430 WINEWOOD, GRAVENHURST	37.5	1	Q4
Gravenhurst	70	415 BROWN STREET, GRAVENHURST	37.5	1	Q4
Gravenhurst	2111	1220 PARKER POINT RD	75	1	Q4
Gravenhurst	2061	1062 CHAMBERLAND RD, GRAVENHURST	37.5	1	Q4
Gravenhurst	100	820 SARAH ST N, GRAVENHURST	50	1	Q4
Gravenhurst	1010	1002 SHADY LANE, GRAVENHURST	10	1	Q4

Table 3

Total Gravenhurst Transformers to be replaced due to PCB's (known as of April 20, 2018) 41

Schedule 6.3(13) Veridian – Existing Intercorporate Services Agreements

1. Service Agreement between Veridian Connections Inc. and Veridian Corporation dated January 1, 2017, as amended.

2. Service Agreement between Veridian Corporation and Veridian Connections Inc. dated January 1, 2017, as amended.

Schedule 6.3(13)

Existing Intercorporate Services Agreements

See Schedule 5.5(30) for a list of Existing Intercorporate Services Agreements.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment J Filed: July 30, 2018

ATTACHMENT J MUNICIPAL AND SHAREHOLDER APPROVALS FOR THE PROPOSED TRANSACTION



Town of Whitby By-law # 7418-18

Whitby Hydro and Veridian Merger By-law

Being a By-law to give effect to the proposed amalgamations between: (a) Veridian Corporation and Whitby Hydro Energy Corporation; and (b) Veridian Connections Inc. and Whitby Hydro Electric Corporation.

Whereas The Corporation of the Town of Whitby (the "Town") is the sole shareholder of Whitby Hydro Energy Corporation ("Whitby Holdco");

And whereas Whitby Holdco is the sole shareholder of Whitby Hydro Electric Corporation ("Whitby LDC");

And whereas Whitby Holdco and Veridian Corporation ("Veridian Holdco") intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the Business Corporations Act (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

And whereas subsequent to the Holdco Amalgamation, Veridian Connections Inc. ("Veridian LDC") and Whitby LDC intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

And whereas in order to facilitate the Amalgamations, Veridian LDC, Whitby Holdco, Veridian Holdco, Whitby LDC, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and the Town intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Town for review;

And whereas pursuant to section 2.3(1) of the Merger Participation Agreement, Veridian Holdco is required to enter into an amalgamation agreement with Whitby Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the "Holdco Amalgamation Agreement");

And whereas subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

And whereas pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

And whereas the Town declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of

shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

And whereas pursuant to section 2.3(2) of the Merger Participation Agreement, Veridian LDC is required to enter into an amalgamation agreement with Whitby LDC substantially in the form of the agreement attached as Schedule 2.3(2) to the Merger Participation Agreement (the "LDC Amalgamation Agreement");

And whereas after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and the Town intend to enter into a shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Shareholders' Agreement"), substantially in the form of a shareholders' agreement (the "Draft Shareholders' Agreement") previously presented to the Town for review;

Now therefore, the Council of The Corporation of the Town of Whitby hereby enacts as follows:

- 1. The Town approves the Amalgamations.
- 2. The terms and conditions of the Merger Participation Agreement, the Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Town.
- 3. The Town, Whitby Holdco and Whitby LDC are authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement.
- 4. Whitby Holdco is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement.
- 5. Whitby LDC is authorized to enter into the LDC Amalgamation Agreement, substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement.
- 6. The Town is authorized to enter into the Shareholders' Agreement, substantially in the form of the Draft Shareholders' Agreement.
- 7. The execution and delivery by the Town of the Merger Participation Agreement and the Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Shareholders' Agreement, with such deletions, amendments, or additions thereto as such duly authorized representatives appointed by Council resolution (the "Authorized Representatives") may determine, is authorized and approved,

By-law Name: Whitby Hydro and Veridian Merger By-law By-law # 7418-18

Page 2 of 3

and the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination.

8. The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Town, to execute and deliver the Merger Participation Agreement and the Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Shareholders' Agreement, with such deletions, amendments, or additions thereto as the Authorized Representatives may determine.

9. The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Town, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of Whitby Holdco approving the Amalgamations, and to do all such other acts and things may be necessary or advisable in connection with the Merger Participation Agreement, with the Shareholders' Agreement, or to carry out the intention of the foregoing paragraph.

By-law read and passed this 25th day of June, 2018.

Don Mitchell, Mayor

Christopher Harris, Town Clerk

By-law Name: Whitby Hydro and Veridian Merger By-law By-law # 7418-18

Page 3 of 3

The Corporation of the City of Pickering

By-Law No. 7645/18

A By-law to confirm the proceedings of the Council of the Corporation of the City of Pickering at its Meeting of June 25, 2018

Whereas pursuant to Section 5(1) of the Municipal Act, 2001, S.O. 2001, c. M.25, as amended, the powers of a municipality shall be exercised by its council; and

Whereas pursuant to Section 5(3) of the said Act, a municipal power, including a municipality's capacity, rights, powers and privileges under Section 8 of the said Act, shall be exercised by by law unless the municipality is specifically authorized to do otherwise; and

Whereas it is deemed expedient that the proceedings of the Council of the Corporation of the City of Pickering at this meeting be confirmed and adopted by By-law,

Now Therefore the Council of the Corporation of the City of Pickering enacts as follows:

The actions of the Council of the Corporation of the City of Pickering at its Meeting of June 25, 2018 in respect of each recommendation contained in the Reports of the Committees and each motion and resolution passed and other action taken by the Council of the Corporation of the City of Pickering at this meeting, is hereby adopted and confirmed as if all such proceedings were expressly embodied in this By-law;

The Mayor and proper officials of the Corporation of the City of Pickering are hereby authorized and directed to do all things necessary to give effect to the action of the Council of the Corporation of the City of Pickering referred to in the preceding section hereof;

. . .

The Mayor and Clerk are hereby authorized and directed to execute all documents necessary in that behalf and to affix thereto the Seal of the Corporation of the City of Pickering.

By-law passed this 25th day of June, 2018.

1.

2.

3.

David Rvan, Ma

Debbie Shields

City Clerk



Council Meeting Minutes June 25, 2018 7:00 pm - Council Chambers

at the same location which will help ensure the safety of the children. Members also questioned whether the changes would be incorporated into the contract with Neptune Securities and what the consequences would be in the event that they break the conditions of the contract. Staff advised that a meeting would be set up within the next two weeks to provide information.

4. Michael Angemeer, President/CEO Veridian Connections

> Michael Angemeer, President and CEO, Veridian Connections, appeared before Council to indicate he was in attendance to respond to any guestions raised regarding Report CAO 05-18 with respect to the proposed merger with Whitby Hydro Energy Corporation.

Resolution # 451/18

Moved by Councillor Ashe Seconded by Councillor Brenner

6.

That leave be granted to suspend the rules of procedure in order to hear Report CAO 05-18 as the next item of business.

Chief Administrative Officer Report, CAO 05-18 Veridian Corporation Proposed Merger with Whitby Hydro Energy Corporation

Resolution #452/18

Moved by Councillor Ashe Seconded by Councillor Brenner

> That the amalgamation of Veridian Corporation ("Veridian Holdco") and Whitby Hydro Energy Corporation ("Whitby Holdco") be approved and authorized on the general terms and conditions set out in this Report;

- 2. That the amalgamation of Veridian Connections Inc. ("Veridian LDC") and Whitby Hydro Electric Corporation ("Whitby LDC") be approved and authorized on the general terms and conditions set out in this Report;
- 3. That, to give effect to the amalgamations, the Mayor and City Clerk are hereby authorized to execute the Merger Participation Agreement and Shareholders' Agreement substantially in the form provided to Council under separate cover, subject to such modifications as are acceptable to the Chief Administrative Officer;



Council Meeting Minutes June 25, 2018 7:00 pm - Council Chambers

- 4. That the Mayor and City Clerk are hereby authorized to execute such other agreements, documents and instruments as are required to implement the amalgamations, and to give effect to the above-noted Merger Participation Agreement and Shareholders' Agreement, on such terms as are acceptable to the Director, Finance & Treasurer and the Director, Corporate Services & City Solicitor; and
- 5. That the appropriate City of Pickering officials be authorized to take the necessary actions as indicated in this report.

Carried Unanimously On a Recorded Vote

(VI) Correspondence

1.

Corr. 71-18 Alexander Harras Services/Deputy Clerk Town of Ajax 65 Harwood Avenue South Ajax, ON L1S 3S9

A brief discussion ensued with Members seeking confirmation that the City of Pickering would be included in discussions with the Region of Durham respecting red light cameras.

Resolution #453/18

Moved by Councillor Brenner Seconded by Councillor McLean

That Corr. 71-18 received from Alexander Harras, Manager of Legislative Services/Deputy Clerk, Town of Ajax, advising of their endorsement for the Region of Durham to initiate a red-light camera project throughout Durham be received for information.

Carried

THE CORPORATION OF THE CITY OF BELLEVILLE

BY-LAW NUMBER 2018-101

A BY-LAW TO CONFIRM THE PROCEEDINGS OF COUNCIL AT ITS MEETING HELD ON JUNE 25, 2018

THE CORPORATION OF THE CITY OF BELLEVILLE BY THE COUNCIL THEREOF HEREBY ENACTS AS FOLLOWS:

- 1. That the actions of the Council at its meeting held on June 25, 2018, in respect to each report, motion, resolution or other action passed and taken by the Council at its meeting, is hereby adopted, ratified and confirmed, as if each resolution or other action was adopted, ratified and confirmed by its separate by-law.
- 2. That the Mayor and the proper officers of the Corporation are hereby authorized and directed to do all things necessary to give effect to the said action, or obtain approvals, where required, and, except where otherwise provided, the Mayor and the Clerk are hereby directed to execute all documents necessary in that behalf and to affix the Corporate Seal of the City to all such documents.

Read a first time this **25th** day of **June 2018**. Read a second time this **25th** day of **June 2018**. Read a third time and finally passed this **25th** day of **June 2018**.

I hereby certify that this is a true and	LA80	
I hereby certify that this is a true and exact copy of By-law Number 2018.101 which received	TASO CHRISTOPHER	MAYOR
Matthew MacDonald		
City Clerk	MATT MACDONALD	CITY CLERK

THE CORPORATION OF THE CITY OF BELLEVILLE COUNCIL MINUTES

JUNE 25, 2018

The Regular Meeting of the Council of the Corporation of the City of Belleville was held on the above date in the City Hall Council Chamber at the hour of 4:00 p.m.

It is noted that there was a City Council In Camera (closed session) Meeting at 2:30 p.m. to 4:00 p.m. In view of this, City Council met very briefly in open session at 2:30 p.m. to consider approval of the following resolution.

Moved by Councillor Denyes Seconded by Councillor Carr

THAT City Council enter into In Camera session to consider the following items, pursuant to Section 239 of the Municipal Act.

- In Camera Report No. MHR-2018-02 regarding labour relations or employee negotiations (Pursuant to Section 239(2)(d) of the Municipal Act)
- In Camera Report No. MHR-2018-03 regarding labour relations or employee negotiations (Pursuant to Section 239(2)(d) of the Municipal Act)
- In Camera Report No. DCS-2018-25 regarding the potential acquisition or disposition of land (Pursuant to Section 239(2)(c) of the Municipal Act)
- In Camera Report No. GMES-2018-07 regarding litigation or potential litigation (Pursuant to Section 239(2)(e) of the Municipal Act)
- Review of the Special In Camera Meeting Minutes of June 6, 2018 and Regular In Camera Meeting Minutes of June 11, 2018.

- CARRIED -

8.b.7 REQUEST FOR EXTENSION TO DRAFT PLAN OF SUBDIVISION APPROVAL, HANLEY PARK SUBDIVISION, PART OF LOT 14, CONCESSION 1, FORMERLY TOWNSHIP OF THURLOW, OWNER: HANLEY PARK DEVELOPMENTS INC.

> Moved by His Worship Mayor Christopher Seconded by Councillor Miller

REC. NO. 364/18 THAT, pursuant to Section 51(33) of the Planning Act, the Council of The Corporation of the City of Belleville hereby approves the extension of draft plan approval for Subdivision 12T-02506 until June 30, 2019.

- CARRIED -

- 8.b.8 SUPPLY, TREATMENT, AND STOCKPILING OF WINTER SAND FOR THREE (3) YEAR CONTRACT (2018/2019, 2019/2020, 2020/2021)
 - 365/18 THAT the tender submission from Scalleta Sand & Gravel Ltd. be accepted for Supply, Treatment, and Stockpiling of Winter Sand in the amount of \$10.00 plus HST per tonne for 2018/2019, \$10.50 plus HST per tonne for 2019/2020, and \$11.00 plus HST per tonne for 2020/2021, this being the lowest cost tender received, and that the Mayor and City Clerk be authorized to sign the Acceptance Agreement on behalf of The Corporation of the City of Belleville and that the City Clerk be authorized to affix the Corporate Seal.

- CARRIED -

8.b.9 VERIDIAN & WHITBY HYDRO MERGER

366/18 Proposed Amalgamations between (1) Veridian Corporation and Whitby Hydro Energy Corporation, and (2) Veridian Connections Inc. and Whitby Hydro Electric Corporation

> WHEREAS The Corporation of the City of Belleville (the "Municipality") is a shareholder of Veridian Corporation ("Veridian Holdco");

AND WHEREAS Veridian Holdco is the sole shareholder of Veridian Connections Inc. ("Veridian LDC");

AND WHEREAS Veridian Holdco and Whitby Hydro Energy Corporation ("Whitby Holdco") intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the *Business Corporations Act* (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

AND WHEREAS subsequent to the Holdco Amalgamation, Veridian LDC and Whitby Hydro Electric Corporation ("Whitby LDC") intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

AND WHEREAS in order to facilitate the Amalgamations, Veridian LDC, Whitby Holdco, Veridian Holdco, Whitby LDC, The Corporation of the Town of Ajax, the Municipality, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Municipality for review;

AND WHEREAS pursuant to section 2.3(1) of the Merger Participation Agreement, Veridian Holdco is required to enter into an amalgamation agreement with Whitby Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the 'Holdco Amalgamation Agreement');

AND WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon; AND WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

AND WHEREAS the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

AND WHEREAS pursuant to section 2.3(2) of the Merger Participation Agreement, Veridian LDC is required to enter into an amalgamation agreement with Whitby LDC substantially in the form of the agreement attached as Schedule 2.3(2) to the Merger Participation Agreement (the "LDC Amalgamation Agreement");

AND WHEREAS after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, The Town of Ajax, Corporation of the the Municipality, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to the Municipality for review;

NOW THEREFORE BE IT RESOLVED THAT:

(a) The Municipality approves the Amalgamations;

(b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality; (c) The Municipality, Veridian Holdco and Veridian LDC are authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;

(d) Veridian Holdco is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement;

(e) Veridian LDC is authorized to enter into the LDC Amalgamation Agreement, substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement;

(f) The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;

(g) The execution and deliverv bv the the Participation Municipality of Merger Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement, with such deletions, amendments or additions thereto as the Chief Administrative Officer, or other duly authorized representative. of the Municipality (the "Authorized Representative") may determine, is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below beina conclusive evidence of such determination;

(h) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such deletions, amendments or additions thereto as the Authorized Representative may in his or her absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and

(i) The Authorized Representative is authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of Veridian Holdco approving the Amalgamations, and to do all such other acts and things as the Authorized Representative may determine to be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the Authorized Representative being conclusive evidence of such determination.

- CARRIED -

8.b.10 2018 QUINTE EXHIBITION

REC. NO. 367/18 THAT the Belleville Agricultural Society application for the issuance of a Temporary Noise Permit under By-law Number 2011-180 for the 2018 Quinte Exhibition from August 30 through to and including September 2, 2018 be approved, and that the application and permit fee be waived.

8.b.11 BELLEVILLE DOWNTOWN IMPROVEMENT AREA SUMMERFEST & MARKETS IN THE VILLAGE

368/18 THAT the requests from Belleville Downtown Improvement Area (BDIA) contained in their letter of June 19, 2018 concerning SummerFest & Markets in the Village, Saturday, July 28, 2018 from 10:00 a.m. to 4:00 p.m.; be approved; and,

> THAT Council approve the use of City sidewalks and parking spaces within the requested area for SummerFest & Markets in the Village; and,

THE CORPORATION OF THE TOWN OF AJAX

BY-LAW NUMBER 41-2018

Being a By-Law to confirm the proceedings of the Council of the Corporation of the Town of Ajax at its regular meeting of June 18, 2018.

WHEREAS Section 5 (3) of the *Municipal Act, 2001*, as amended, provides that municipal powers shall be exercised by By-law, unless the municipality is specifically authorized to do otherwise;

AND WHEREAS it is deemed expedient and desirable that the proceedings of the Council of the Corporation of the Town of Ajax at this meeting be confirmed and adopted by By-law.

NOW THEREFORE, BE IT ENACTED AND IT IS HEREBY ENACTED as a By-law of the Corporation of the Town of Ajax by the Council thereof as follows:

- That the actions of the Council at its regular meeting held on the 18th day of June 2018 and in respect of each motion, resolution and other action passed and taken by the Council at its said meeting, is, except where the prior approval of the Ontario Municipal Board or other body is required, hereby adopted, ratified and confirmed as if all such proceedings were expressly embodied in this By-law.
- 2. That the Head of the Council and proper officers of the Corporation of the Town of Ajax are hereby authorized and directed to do all things necessary to give effect to the said action or to obtain appropriate approvals where required, except where otherwise provided, and to affix the Corporate Seal of the Corporation of the Town of Ajax to all such documents.

READ a first and second time this Eighteenth day of June, 2018.

READ a third time and passed this Eighteenth day of June, 2018.

Mayor

Abll **D-Clerk**

Minutes of the Meeting of the Council of the Corporation of the Town of Ajax Held in the Council Chambers of the Town Hall on Monday, June 18, 2018 at 7:00 p.m.

Alternative formats available upon request by contacting: accessibility@ejex.ce or 905-619-2529 ext. 3347

Present:

Regional Councillors Councillors

Mayor

S. Parish C. Jordan M. Crawford R. Ashby J. Dies P. Brown

Regrets:

S. Collier

1. Call to Order

Mayor Parish called the meeting to order at 7:00 p.m. and acknowledged traditional treaty lands.

Regional Councillor Collier was unable to attend the meeting and sent his regrets.

Before proceeding with the meeting, Mayor Parish thanked staff for their work on the Great Lakes and St. Lawrence Cities Initiative Conference held in Ajax from June 13-15. Mayor Parish also acknowledged Rob Ford, Chief Administrative Officer, for his final meeting in the Council Chambers prior to his pending retirement.

2. Disclosure of Pecuniary Interest

There were no disclosures of pecuniary Interest.

3. Adoption of Minutes.

Moved by: M. Crawford Seconded by: P. Brown

That the Minutes of the Closed Session meeting of Council held on May 22, 2018 be adopted.

CARRIED

Moved by: P. Brown Seconded by: C. Jordan

That the Minutes of the regular meeting of Council held on May 22, 2018 be adopted. CARRIED

4. Delegations and Petitions/Public Hearings

4.1 National Indigenous People's Day – June 21, 2018 and Aboriginal Art Presentation

Jai Sahak, Diversity & Community Engagement Coordinator, noted that National Indigenous People's Day was first declared on June 21, 1996, and discussed the history and demographics of Indigenous peoples in Canada. J. Sahak invited residents to attend a screening of Indian Horse at the St. Francis Centre; a trailer for the film was displayed.

In honour of National Indigenous People's Day, Councillor Brown and Regional Councillor Jordan donated a piece artwork to the Town. Regional Councillor Jordan described the work by Indigenous artist Jon LaBillois and noted its significance with respect to missing and murdered Indigenous women in Canada. Mayor Parish presented the proclamation on behalf of Council.

6.3 Summary of Advisory Committee Decisions

Moved by: J. Dies Seconded by: P. Brown

That the Summary of Advisory Committee Decisions from May 2018 as attached to the meeting agenda be received for information, and that the recommendations contained therein be referred to staff where applicable.

CARRIED

6.4 Departmental Reports

6.4.1 Veridian & Whitby Hydro Merger Agreements

Moved by: J, Dies Seconded by: P, Brown

That the following resolution for the proposed Amalgamations between (1) Veridian Corporation and Whitby Hydro Energy Corporation, and (2) Veridian Connections Inc. and Whitby Hydro Electric Corporation be approved by Council:

WHEREAS The Corporation of the Town of Ajax (the "Municipality") is a shareholder of Veridian Corporation ("Veridian Holdco");

AND WHEREAS Veridian Holdco is the sole shareholder of Veridian Connections Inc. ("Veridian LDC");

AND WHEREAS Veridian Holdco and Whitby Hydro Energy Corporation ("Whitby Holdco") intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the *Business Corporations Act* (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

AND WHEREAS subsequent to the Holdco Amalgamation, Veridian LDC and Whitby Hydro Electric Corporation ("Whitby LDC") intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

AND WHEREAS in order to facilitate the Amalgamations, Veridian LDC, Whitby Holdco, Veridian Holdco, Whitby LDC, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously circulated under separate confidential cover to members of Ajax Council on June 11, 2018;

AND WHEREAS pursuant to section 2.3(1) of the Merger Participation Agreement, Veridian Holdco is required to enter into an amalgamation agreement with Whitby Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the "Holdco Amalgamation Agreement");

AND WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

AND WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA;

AND WHEREAS the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

AND WHEREAS pursuant to section: 2.3(2) of the Merger Participation Agreement, Veridian LDC is required to enter into an amalgamation agreement with Whitby LDC substantially in the form of the agreement attached as Schedule 2.3(2) to the Merger Participation Agreement (the "LDC Amalgamation Agreement");

AND WHEREAS after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, The Corporation of the Town of Ajax, The Corporation of the City of Belleville. The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously circulated under separate confidential cover to the Council of the Town of Ajax on June 11, 2018.

NOW THEREFORE BE IT RESOLVED THAT:

(a) The Municipality approves the Amalgamations;

(b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality;

(c) The Municipality, Veridian Holdco and Veridian LDC are authorized to enter into the Merger Participation Agreement; substantially in the form of the Draft Merger Participation Agreement, as circulated to Council under separate confidential cover on June 11, 2018;

(d) Veridian Holdco is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement;

(e) Veridian LDC is authorized to enter into the LDC Amalgamation Agreement, substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement;

(f) The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement, as circulated to Council under separate confidential cover on June 11, 2018;

(g) The execution and delivery by the Municipality of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation. Agreement and Draft Unanimous Shareholders' Agreement, are hereby authorized, and the Chief Administrative officer is hereby authorized to independently approve further deletions, amendments or additions thereto which in his opinion are minor or administrative in nature, and would not impact upon the value of the Town's asset in any substantial way, it being understood that any changes or modifications deemed by the CAO to be material or substantial in nature would require further Council approval;

(h) The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement, with such deletions, amendments or additions thereto as the CAO or Council may approve; and

(i) The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of Veridian Holdco approving the Amalgamations, and to do all such other acts and things as the CAO may determine to be necessary or advisable in connection with the Merger Participation Agreement, or to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate, resolution or other document or the doing of any such other act or thing by the CAO being conclusive evidence of such determination,

CARRIED

Recorded Vote:

In Favour:	Regional Councillor Jordan, Councillor Ashby, Councillor Brown,
	Councillor Crawford, Councillor Dies, Mayor Parish
Opposed;	None
Absent:	Regional Councillor Collier

6.4.2 Ontario's Main Street Revitalization Initiative

Moved by: M. Crawford Seconded by: C. Jordan

- 1. That Council approve the funding to be allocated to the Town of Ajax, in the amount of \$129,697.00, towards the following projects:
 - The construction of a sidewalk, on the west side of Harwood Avenue extending between the Ajax-Pickering hospital and the northern limit of the Town's property (Medallion Development);
 - > on-road cycling infrastructure in Pickering Village at the following locations:
 - o Old Kingston Rd. Elizabeth St. to Kingston Rd.
 - Windsor Rd. Sherwood Rd. W to Old Kingston Rd.
 - o Sherwood Rd. W Windsor Rd. to Church St.
 - o Sherwood Rd. E Church St. to Rotherglen Rd. N
 - Arbour Park asphalt trail connection between the Main Central Library and Parking Lot/Achilles Road (subject to available funds).
- That Council approve By-law Number 35-2018, recognizing the Town's participation in Ontario's Main Street Revitalization Initiative, including the execution of the required Municipal Funding Agreement.

CARRIED

7. Regional Councillors' Reports

Regional Councillor Jordan provided a verbal report and noted that the Region of Durham recently considered anaerobic digestion for waste management and water quality issues on Ontoro Boulevard.

Moved by: M. Crawford Seconded by: J. Dies

That the Regional Councillors' Reports of June 18, 2018 be received for information. CARRIED

8. Business Arising from Notice of Motion

None

9. By-laws

Moved by: P. Brown Seconded by: C. Jordan

That By-law numbers 32-2018 to 40-2018 be read a first, second and third time and passed.

CARRIED

If this information is required in an alternate format, please contact the Accessibility Co-ordinator at 905-623-3379 ext. 2131

The Corporation of the Municipality of Clarington

By-law 2018-055

A by-law respecting the Amalgamations Between (1) Veridian Corporation and Whitby Hydro Energy Corporation, and (2) Veridian Connections Inc. and Whitby Hydro Electric Corporation

WHEREAS The Corporation of the Municipality of Clarington (the "Municipality") is a shareholder of Veridian Corporation ("Veridian Holdco");

AND WHEREAS Veridian Holdco is the sole shareholder of Veridian Connections Inc. ("Veridian LDC");

AND WHEREAS Veridian Holdco and Whitby Hydro Energy Corporation ("Whitby Holdco") intend to amalgamate (the "Holdco Amalgamation") pursuant to section 174 of the *Business Corporations Act* (Ontario) (the "OBCA") to form an amalgamated entity ("Merged Holdco");

AND WHEREAS subsequent to the Holdco Amalgamation, Veridian LDC and Whitby Hydro Electric Corporation ("Whitby LDC") intend to amalgamate pursuant to section 174 of the OBCA (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations") to form an amalgamated entity ("LDC Mergeco");

AND WHEREAS in order to facilitate the Amalgamations, Veridian LDC, Whitby Holdco, Veridian Holdco, Whitby LDC, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, the Municipality, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a merger participation agreement (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Municipality for review;

AND WHEREAS pursuant to section 2.3(1) of the Merger Participation Agreement, Veridian Holdco is required to enter into an amalgamation agreement with Whitby Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the "Holdco Amalgamation Agreement");

AND WHEREAS subsection 176(4) of the OBCA provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

AND WHEREAS pursuant to section 185 of the OBCA, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the OBCA; AND WHEREAS the Municipality declares that it is not exercising such right of dissent in connection with the Amalgamations and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the OBCA in connection with the Amalgamations;

AND WHEREAS pursuant to section 2.3(2) of the Merger Participation Agreement, Veridian LDC is required to enter into an amalgamation agreement with Whitby LDC substantially in the form of the agreement attached as Schedule 2.3(2) to the Merger Participation Agreement (the "LDC Amalgamation Agreement");

AND WHEREAS after the Amalgamations have taken place, Merged Holdco, LDC Mergeco, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, the Municipality, The Corporation of the City of Pickering, and The Corporation of the Town of Whitby intend to enter into a unanimous shareholders' agreement governing the affairs of Merged Holdco and LDC Mergeco (the "Unanimous Shareholders' Agreement"), substantially in the form of a unanimous shareholders' agreement (the "Draft Unanimous Shareholders' Agreement") previously presented to the Municipality for review;

NOW THEREFORE BE IT RESOLVED THAT:

- (a) The Municipality approves the Amalgamations;
- (b) The terms and conditions of the Merger Participation Agreement, the Unanimous Shareholders' Agreement and the transactions contemplated thereby are reasonable and fair to the Municipality;
- (c) The Municipality, Veridian Holdco and Veridian LDC are authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;
- (d) Veridian Holdco is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement;
- (e) Veridian LDC is authorized to enter into the LDC Amalgamation Agreement, substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement;
- (f) The Municipality is authorized to enter into the Unanimous Shareholders' Agreement, substantially in the form of the Draft Unanimous Shareholders' Agreement;
- (g) The execution and delivery by the Municipality of the Merger Participation Agreement and the Unanimous Shareholders' Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and Draft Unanimous Shareholders' Agreement is authorized and approved, the execution of such agreements in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- (h) The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver the Merger Participation Agreement and the Unanimous Shareholders' Agreement, substantially in the form and on the terms set out in the Draft Merger Participation Agreement and the Draft Unanimous Shareholders' Agreement; and

(i) The Mayor and Clerk are authorized and directed, for and in the name of and on behalf of the Municipality, to execute and deliver all such other agreements, amendments, instruments, certificates, resolutions and other documents, including a resolution of the shareholders of Veridian Holdco approving the Amalgamations, and to do all such other acts and things may be necessary or advisable in connection with the Merger Participation Agreement, with the Unanimous Shareholders' Agreement, or to carry out the intention of the foregoing resolution.

Passed in Open Council this 11th day of June, 2018.

Adrian Foster, Mayor

Andrew Allison, Chief Administrative Officer

RESOLUTION OF THE SHAREHOLDER OF VERIDIAN CONNECTIONS INC. (the "Corporation")

The following resolution, signed by the sole shareholder of the Corporation, is hereby passed pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "Act"), as a special resolution:

MERGER PARTICIPATION AGREEMENT

WHEREAS Veridian Corporation ("Veridian Holdco") is the sole shareholder of the Corporation;

AND WHEREAS Veridian Holdco and Whitby Hydro Energy Corporation ("Whitby Holdco") intend to amalgamate pursuant to section 174 of the Act (the "Holdco Amalgamation");

AND WHEREAS subsequent to the Holdco Amalgamation, the Corporation and Whitby Hydro Electric Corporation ("Whitby LDC") wish to amalgamate pursuant to section 174 of the Act (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations");

AND WHEREAS, in order to facilitate the Amalgamations, it is necessary for the Corporation to enter into a merger participation agreement with Veridian Holdco, Whitby LDC, Whitby Holdco, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering and The Corporation of the Town of Whitby (the "Merger Participation Agreement"), substantially in the form of the draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to Veridian Holdco for its review;

AND WHEREAS on March 29, 2018 the board of directors of Veridian Holdco passed resolutions approving the Amalgamations and authorizing the Chief Executive Officer and Chair of the Board of Veridian Holdco to execute and deliver all such documents as are necessary to carry out the intention of such resolutions;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1. the terms and conditions of the Merger Participation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;
- 2. the Corporation is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;
- 3. the execution and delivery by the Corporation of the Merger Participation Agreement and the performance by it of its obligations thereunder, substantially in the form and on the

32961675.1

terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer of the Corporation may determine, is authorized and approved, the execution of such agreement in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;

the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Merger Participation Agreement substantially in the form and on the terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer may in his absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and

the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the Merger Participation Agreement, to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

AMALGAMATION OF WHITBY HYDRO ELECTRIC CORPORATION AND VERIDIAN CONNECTIONS INC.

WHEREAS the LDC Amalgamation is required pursuant to section 2.1 of the Merger Participation Agreement;

AND WHEREAS pursuant to section 2.3(2) of the Merger Participation Agreement; the Corporation is required to enter into an amalgamation agreement with Whitby LDC substantially in the form of the agreement attached as Schedule 2.3(2) to the Merger Participation Agreement (the "LDC Amalgamation Agreement");

AND WHEREAS pursuant to the LDC Amalgamation Agreement, the Corporation and Whitby LDC have agreed to amalgamate and continue as one corporation pursuant to the provisions of the Act;

AND WHEREAS subsection 176(4) of the Act provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

32961675.1

4.

5.

AND WHEREAS, pursuant to section 185 of the Act, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the Act;

AND WHEREAS Veridian Holdco, as shareholder of the Corporation, declares that it is not exercising such right of dissent in connection with the LDC Amalgamation and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the Act in connection with the LDC Amalgamation;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1. subject to the satisfaction of the conditions to closing and other provisions set out in the Merger Participation Agreement, the Corporation is authorized to enter into the LDC Amalgamation Agreement, substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement, providing for the amalgamation of the Corporation and Whitby LDC pursuant to the provisions of the Act, and the LDC Amalgamation be and the same is hereby approved;
- 2. the terms and conditions of the LDC Amalgamation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;
- 3. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the LDC Amalgamation Agreement substantially in the form set out in Schedule 2.3(2) to the Merger Participation Agreement, with such changes thereto as the Chief Executive Officer may approve (such approval to be evidenced conclusively by the execution of such agreement by the Chief Executive Officer); and
- 4. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the LDC Amalgamation and the LDC Amalgamation Agreement and to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

[signature page follows]

DATED as of the 27th day of June, 2018.

VERIDIAN CORPORATION

By: M. C. Angen Name: Michael Angemeer

Title: President and CEO

By:

Name: Advian-Foster Title: Chair

Veridian Connections Inc. - Shareholder Resolution Approving Amalgamation

32961675.1

RESOLUTION OF THE SHAREHOLDERS OF VERIDIAN CORPORATION (the "Corporation")

The following resolution, signed by all of the shareholders of the Corporation entitled to vote thereon, is hereby passed pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "Act"), as a special resolution:

MERGER PARTICIPATION AGREEMENT

WHEREAS the Corporation is the sole shareholder of Veridian Connections Inc. ("Veridian LDC") and Whitby Hydro Energy Corporation ("Whitby Holdco") is the sole shareholder of Whitby Hydro Electric Corporation ("Whitby LDC");

AND WHEREAS the Corporation and Whitby Holdco intend to amalgamate pursuant to section 174 of the Act (the "Holdco Amalgamation");

AND WHEREAS subsequent to the Holdco Amalgamation, Veridian LDC and Whitby LDC intend to amalgamate pursuant to section 174 of the Act (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations");

AND WHEREAS the Corporation and Veridian LDC are subject to an amended and restated unanimous shareholders' agreement among The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering (Ajax, Belleville, Clarington and Pickering collectively referred to as the "Shareholders"), Veridian LDC, Veridian Energy Inc., and the Corporation dated September 16, 2014 (the "Veridian USA");

AND WHEREAS, in order to facilitate the Amalgamations, the Corporation intends to enter into a merger participation agreement with Whitby Holdco, Veridian LDC, Whitby LDC, the Shareholders, and The Corporation of the Town of Whitby (the "Merger Participation Agreement"), substantially in the form of a draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the shareholders for their review;

AND WHEREAS each of the Shareholders has approved the Amalgamations pursuant to a bylaw passed at duly held meeting of council;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the terms and conditions of the Merger Participation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;

- 2. having received the approval of the Shareholders as required pursuant to section 3.9(h) of the Veridian USA, the Corporation is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;
- 3. the execution and delivery by the Corporation of the Merger Participation Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer of the Corporation may determine, is authorized and approved, the execution of such agreement in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- 4. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Merger Participation Agreement substantially in the form and on the terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer may in his absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and
- 5. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the Merger Participation Agreement, to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

AMALGAMATION OF WHITBY HYDRO ENERGY CORPORATION AND VERIDIAN CORPORATION

WHEREAS the Holdco Amalgamation is required pursuant to section 2.1 of the Merger Participation Agreement;

AND WHEREAS pursuant to section 2.3(1) of the Merger Participation Agreement, the Corporation is required to enter into an amalgamation agreement with Whitby Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the "Holdco Amalgamation Agreement");

AND WHEREAS pursuant to the Holdco Amalgamation Agreement, the Corporation and Whitby Holdco have agreed to amalgamate and continue as one corporation pursuant to the provisions of the Act;

33084237.1

AND WHEREAS subsection 176(4) of the Act provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

AND WHEREAS, pursuant to section 185 of the Act, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the Act;

AND WHEREAS each Shareholder declares that it is not exercising such right of dissent in connection with the Holdco Amalgamation and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the Act in connection with the Holdco Amalgamation;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1. subject to the satisfaction of the conditions to closing and other provisions set out in the Merger Participation Agreement, the Corporation is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement, providing for the amalgamation of the Corporation and Whitby Holdco pursuant to the provisions of the Act, and the Amalgamations be and the same is hereby approved;
- 2. the terms and conditions of the Holdco Amalgamation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;
- 3. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Holdco Amalgamation Agreement substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement, with such changes thereto as the Chief Executive Officer may approve (such approval to be evidenced conclusively by the execution of such agreement by the Chief Executive Officer); and
- 4. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the Amalgamations and the Holdco Amalgamation Agreement, to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

[signature page follows]

DATED as of the 9th day of July, 2018.

THE CORPORATION OF THE TOWN OF AJAX

By:	A	-
	ACTING MATOR	<u> </u>
By:	1/2 Cooper CLERK	

THE CORPORATION OF THE CITY OF BELLEVILLE

y: _	 • • • • •	·····	
y:			

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

By:

By:

THE CORPORATION OF THE CITY OF PICKERING

By:			
By:			

Veridian Corporation - Shareholders' Resolution Approving Amalgamation

33084237,1

÷ *19: **DATED** as of the 9th day of July, 2018.

By:	· · · · · · · · · · · · · · · · · · ·
By:	
	CORPORATION OF THE CITY OF
By:	Councillor Pancing, Acting MC
By:	
	CORPORATION OF THE IICIPALITY OF CLARINGTON
By:	
By:	
	CORPORATION OF THE CITY OF KERING
By:	
By:	

Veridian Corporation – Shareholders' Re

33084237.1

DATED as of the 9^{th} day of July, 2018.

THE CORPORATION OF THE TOWN OF AJAX

Ву:	
	,

Ву:

THE CORPORATION OF THE CITY OF BELLEVILLE

By:		
·- J ·	,	

By: _____

THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

By: Mayor F By: Anne Greentree, Alerk

THE CORPORATION OF THE CITY OF PICKERING

By:	 	 	
Bv:			

Veridian Corporation - Shareholders' Resolution Approving Amalgamation

33084237.1

DATED as of the 9th day of July, 2018.

THE CORPORATION OF THE TOWN OF AJAX

By:		
By:	· · · · · · · · · · · · · · · · · · ·	

THE CORPORATION OF THE CITY OF BELLEVILLE

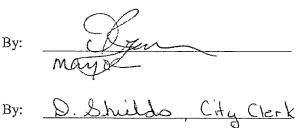


THE CORPORATION OF THE MUNICIPALITY OF CLARINGTON

Ву:

By:

THE CORPORATION OF THE CITY OF PICKERING



Veridian Corporation - Shareholders' Resolution Approving Amalgamation

33084237,1

RESOLUTION OF THE SOLE SHAREHOLDER OF WHITBY HYDRO ENERGY CORPORATION (the "Corporation")

The following resolution, signed by the sole shareholder of the Corporation, is passed pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "Act"), as a special resolution:

MERGER PARTICIPATION AGREEMENT

WHEREAS the Corporation is the sole shareholder of Whitby Hydro Electric Corporation ("Whitby LDC") and Veridian Corporation ("Veridian Holdco") is the sole shareholder of Veridian Connections Inc. ("Veridian LDC");

AND WHEREAS the Corporation and Veridian Holdco intend to amalgamate pursuant to section 174 of the Act (the "Holdco Amalgamation");

AND WHEREAS subsequent to the Holdco Amalgamation, Veridian LDC and Whitby LDC intend to amalgamate pursuant to section 174 of the Act (the "LDC Amalgamation", and together with the Holdco Amalgamation, the "Amalgamations");

AND WHEREAS the Corporation and Whitby LDC are subject to a shareholder direction made by The Corporation of the Town of Whitby (the "Shareholder") in respect of Whitby LDC, the Corporation, and certain of the Corporation's affiliates dated June 26, 2000, as amended (the "Whitby Direction");

AND WHEREAS in order to facilitate the Amalgamations, the Corporation intends to enter into a merger participation agreement with Veridian LDC, Veridian Holdco, Whitby LDC, the Shareholder, The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, and The Corporation of the City of Pickering (the "Merger Participation Agreement"), substantially in the form of the draft merger participation agreement (the "Draft Merger Participation Agreement") previously presented to the Shareholder for its review;

AND WHEREAS the Shareholder has approved the Amalgamations pursuant to a by-law passed at duly held meeting of council;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1. the terms and conditions of the Merger Participation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;
- 2. having received the approval of the Shareholder as required pursuant to section 5.2(c) of the Whitby Direction, the Corporation is authorized to enter into the Merger Participation Agreement, substantially in the form of the Draft Merger Participation Agreement;

- 3. the execution and delivery by the Corporation of the Merger Participation Agreement and the performance by it of its obligations thereunder, substantially in the form and on the terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer of the Corporation may determine, is authorized and approved, the execution of such agreement in accordance with the provisions of the paragraph immediately below being conclusive evidence of such determination;
- 4. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Merger Participation Agreement substantially in the form and on the terms set out in the Draft Merger Participation Agreement, with such deletions, amendments or additions thereto as the Chief Executive Officer may in his absolute discretion determine, the execution of such agreement in accordance with the provisions of this paragraph being conclusive evidence of such determination; and
- 5. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the Merger Participation Agreement, to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

AMALGAMATION OF WHITBY HYDRO ENERGY CORPORATION AND VERIDIAN CORPORATION

WHEREAS the Holdco Amalgamation is required pursuant to section 2.1 of the Merger Participation Agreement;

AND WHEREAS pursuant to section 2.3(1) of the Merger Participation Agreement, the Corporation is required to enter into an amalgamation agreement with Veridian Holdco substantially in the form of the agreement attached as Schedule 2.3(1) to the Merger Participation Agreement (the "Holdco Amalgamation Agreement");

AND WHEREAS pursuant to the Holdco Amalgamation Agreement, the Corporation and Veridian Holdco have agreed to amalgamate and continue as one corporation pursuant to the provisions of the Act;

AND WHEREAS subsection 176(4) of the Act provides that an amalgamation agreement is adopted when the shareholders of each amalgamating corporation have approved of the

amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon;

AND WHEREAS, pursuant to section 185 of the Act, a holder of shares of any class or series entitled to vote on the resolution approving an amalgamation may dissent, in which case such shareholder, in addition to any other right the shareholder may have, is entitled to be paid by the corporation the fair value of the shares held by the shareholder subject to compliance with the dissent procedure contained in section 185 of the Act;

AND WHEREAS the Shareholder of the Corporation declares that it is not exercising such right of dissent in connection with the Holdco Amalgamation and waives its right to receive notice of a meeting of shareholders pursuant to subsection 176(2) of the Act in connection with the Holdco Amalgamation;

IT IS RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1. subject to the satisfaction of the conditions to closing and other provisions set out in the Merger Participation Agreement, the Corporation is authorized to enter into the Holdco Amalgamation Agreement, substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement, providing for the amalgamation of the Corporation and Veridian Holdco pursuant to the provisions of the Act, and the Amalgamations be and the same is hereby approved;
- 2. the terms and conditions of the Holdco Amalgamation Agreement and the transactions contemplated thereby are reasonable and fair to the Corporation;
- 3. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver the Holdco Amalgamation Agreement substantially in the form set out in Schedule 2.3(1) to the Merger Participation Agreement, with such changes thereto as the Chief Executive Officer may approve (such approval to be evidenced conclusively by the execution of such agreement by the Chief Executive Officer); and
- 4. the Chief Executive Officer of the Corporation is authorized and directed, for and in the name of and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such other agreements, amendments, instruments, certificates and other documents and to do all such other acts and things as the Chief Executive Officer may determine to be necessary or advisable in connection with the Amalgamations and the Holdco Amalgamation Agreement, to carry out the intention of the foregoing resolution, the execution and delivery of any such agreement, amendment, instrument, certificate or other document or the doing of any such other act or thing by the Chief Executive Officer being conclusive evidence of such determination.

[signature page follows]

DATED as of the 10^{th} day of July, 2018.

THE CORPORATION OF THE TOWN OF WHITBY

In thell By:

Don Mitchell, Mayor

By:

Christopher Harris, Town Clerk

Whitby Hydro Energy Corporation - Shareholder Resolution Approving Amalgamations

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment K Filed: July 30, 2018

ATTACHMENT K VERIDIAN LDC 2016 SCORECARD

Scorecard - Veridian Connections Inc.

9/14/2017	

											irget
erformance Outcomes	Performance Categories	Measures		2012	2013	2014	2015	2016	Trend	Industry	Distribut
Customer Focus	Service Quality	New Residential/Small on Time	Business Services Connected	98.29%	96.55%	96.00%	97.70%	98.10%	0	90.00%	
ervices are provided in a anner that responds to		Scheduled Appointmen	ts Met On Time	99.90%	100.00%	100.00%	100.00%	100.00%	0	90.00%	
entified customer		Telephone Calls Answe	ered On Time	57.60%	61.40%	64.30%	78.70%	76.20%	0	65.00%	
eferences.		First Contact Resolution	1		76.8%	78.1%	79.1%	82.7%			
	Customer Satisfaction	Billing Accuracy				99.70%	99.73%	99.85%	0	98.00%	
		Customer Satisfaction S	Survey Results		93%	91%	90%	91%			
erational Effectiveness	Safety	Level of Public Awarene	ess				82.00%	82.00%			
		Level of Compliance wi	th Ontario Regulation 22/04	С	С	С	С	С	•		
ntinuous improvement in		Serious Electrical	Number of General Public Incidents	0	0	0	0	1	•		
oductivity and cost rformance is achieved; and		Incident Index	Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.445	145 🍮		
stributors deliver on system liability and quality	System Reliability	Average Number of Hol Interrupted ²	urs that Power to a Customer is	1.19	1.45	1.97	1.62	1.24	1.24		
objectives.		Average Number of Times that Power to a Customer is Interrupted ²		2.07	2.09	1.72	2.13	1.29	0		
	Asset Management	Distribution System Pla		76.0%	84.58%	88.45%	98.81%				
	Cost Control	Efficiency Assessment		3	3	3	3	3			
		Total Cost per Customer ³		\$553	\$529	\$560	\$577	\$593			
		Total Cost per Km of Line 3		\$25,087	\$23,757	\$25,720	\$30,404	\$27,593			
blic Policy Responsiveness stributors deliver on	Conservation & Demand Management	Net Cumulative Energy	Savings ⁴				10.68%	24.26%			152.97
ligations mandated by vernment (e.g., in legislation d in regulatory requirements	Connection of Renewable Generation	Renewable Generation Completed On Time	Connection Impact Assessments	100.00%	100.00%	100.00%	100.00%	100.00%			
posed further to Ministerial rectives to the Board).		New Micro-embedded Generation Facilities Connected On Time			100.00%	93.33%	97.67%	97.37%	0	90.00%	
nancial Performance	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.25	1.14	1.44	1.34	1.62			
Financial viability is maintained; and savings from		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.54	1.37	1.39	1.31	1.34			
erational effectiveness are stainable.		Profitability: Regulatory	Deemed (included in rates)	9.85%	9.85%	9.36%	9.36%	9.36%			
Sustainable.		Return on Equity	Achieved	9.00%	8.10%	10.61%	9.31%	9.28%	28%		

2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the fixed 5-year (2010 to 2014) average distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

G up U down S flat

target met

e target not met

Current year

A benchmarking analysis determines the total cost figures from the distributor's reported information.
 The CDM measure is based on the new 2015-2020 Conservation First Framework.

Appendix A – 2016 Scorecard Management Discussion and Analysis ("2016 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2016 Scorecard MD&A: http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf

Scorecard MD&A - General Overview

Veridian Connections Inc. ("Veridian") is pleased to report solid performance scorecard results for 2016. Performance trends were stable or improved in almost all categories.

Management is particularly pleased with system reliability performance levels that were in the range of the best recorded over the past eleven years. These results can be attributed to a long term sustained focus on this performance outcome; a focus that was renewed and re-emphasized following a severe ice storm in December 2013. This storm served as a catalyst for a complete review of Veridian's distribution system design, maintenance and operating practices. Since then, system automation has been enhanced, tree trimming practices improved and new communications systems established. Together, these efforts have resulted in sustained improvements in system reliability.

Trends in all scorecard measures of service quality continued to be positive for 2016. This performance coupled with the strong reliability results very likely contributed to the very positive customer satisfaction levels that were measured by a spring 2017 telephone survey. The survey measures Veridian customer satisfaction levels as well as comparative satisfaction rates for a benchmark group of electricity distribution customers from across the province of Ontario. The survey found that Veridian customer satisfaction rates remained stable with an overall score of 91%, even though the provincial benchmark satisfaction rate dropped significantly to just 76%. Veridian's out-performance of the provincial benchmark by 15% was the highest recorded over the past several years.

Veridian's strong overall performance in 2016 was recognized by the Electricity Distributors Association ("EDA") with the presentation of its 'Ontario Power Generation LDC Performance Excellence Award'. The award is presented to a local electricity distributor that has distinguished itself among its peers by performance excellence in a number of categories addressed by this performance scorecard. The EDA award categories include 1) Occupational Health and Safety, 2) Operational Excellence, 3) Financial Operations, 4) Retail Strategies for Conservation and Demand Management, and 5) Contribution to the Community.

Service Quality

• New Residential/Small Business Services Connected on Time

Electricity distributors are required to complete a connection for new service for residential and small business customers under 750 volts within a five-day timeline prescribed by the Ontario Energy Board ("OEB"). Veridian connected 98.10% new Residential/Small Business services to its distribution system in 2016 within the five business day timeline as prescribed by the OEB, and exceeded the industry standard of 90%. This is an improvement from the previous year, and Veridian's best performance since 2012

Where possible, Veridian coordinates connection activities with other planned construction activities undertaken by the utility, other utilities or municipal and provincial government agencies. Veridian continues to work with local municipalities, to further enhance the coordination between municipal and electrical distribution construction activities

• Scheduled Appointments Met On Time

In 2016, Veridian met 100% of scheduled appointments on time. Veridian has processes in place to achieve higher quality of service to its customers in this category. Veridian has consistently performed better than the OEB's standard to meet 90% of its appointments within 5 business days and is pleased that its dedication to providing excellent service has been recognized throughout the industry.

• Telephone Calls Answered On Time

In 2016 Veridian's customer service representatives handled approximately 143,000 calls which represents an increase of 2.1% over 2015 levels. The percentage of calls answered within 30 seconds was 76.2% which exceeds the OEB target of answering 65% of the calls within 30 seconds.

In order to better serve their customers, Veridian continues to implement technology changes that provide customers with additional selfserve options.

Customer Satisfaction

• First Contact Resolution

Specific First Contact Resolution measurements have not been defined for the industry. In July of 2014 the OEB instructed distributors to review and develop measurements in these areas and begin tracking. The OEB plans to review the information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across distributors.

Veridian has developed an internal tracking mechanism to measure First Contact Resolution that takes into account customer phone calls and customer written correspondence.

At the time of contact the customer care representative enters a call code to identify the type of enquiry the customer made. A report is then run against the call codes. Customers who make contact again, within a 30 day period, and have the same call code registered against their account are excluded from being considered as first contact resolution.

Based on this methodology Veridian achieved first contact resolution of 82.7% in 2016. This compares favourably with 79.1% in 2015 and 78.1% in 2014.

• Billing Accuracy

In 2016 approximately 935,000 bills were generated. This was an increase of approximately 20% over 2015 and was due to the transition to monthly billing that began in the fall of 2016.

In 2016 Veridian achieved a billing accuracy of 99.85% which was consistent with 2015 results (99.73%). Since being introduced in October of 2014 Veridian has exceeded the OEB target of 98%.

Customer Satisfaction Survey Results

Veridian regularly conducts a comprehensive customer satisfaction survey to obtain feedback from its customers. The most recent survey was completed in the spring of 2017 and its results are reflected in Veridian's 2016 performance scorecard. As shown, the survey indicates that 91% of Veridian customers are either 'very' or 'fairly' satisfied with the company's overall performance. This is up slightly from a score of 90% as registered through the last survey that was conducted in the spring of 2015.

Customer satisfaction results shown on Veridian's performance scorecard dating back to 2013 have all been obtained through surveys conducted by the same market research firm using a consistent methodology and sample size. The surveys are carried out by telephone and include a mix of residential and business customers from across Veridian's broad geographic service area. Survey questions cover a wide range of topics such as system reliability, customer services, billing and corporate image. Detailed results are reviewed by Veridian staff to help inform the company's business planning processes.

In addition to measuring Veridian customer satisfaction, Veridian's market research firm conducts supplemental research to establish comparable provincial and national benchmarks. Veridian has consistently exceeded these benchmark performance levels, as shown in the table below:

Electricity Customer Satisfaction Scores								
Year	2013	2014	2015	2016				
Veridian Connections Inc.	93%	91%	90%	91%				
Provincial Benchmark	90%	80%	83%	76%				
National Benchmark	91%	87%	88%	86%				
Veridian Deviation from Provincial Benchmark	+3%	+11%	+7%	+15%				

Safety

• Public Safety

• **Component A – Public Awareness of Electrical Safety**

Veridian's score for the Public Safety Awareness Index is obtained by surveying members of the general public who are 18 years of age or older, and who reside in Veridian's licensed service area. The survey follows the requirements of a detailed guide that was published by the OEB on November 25th, 2015. The guide requires that the survey be conducted at least once every two years.

Veridian's first public safety awareness survey was conducted early in 2016 to inform the company's 2015 performance scorecard. The overall score of 82% has been carried forward and included on the 2016 performance scorecard.

The findings of Veridian's inaugural survey were quite positive, and reflective of the company's ongoing safety communications and education efforts. These include a school safety presentation program aimed at reaching all elementary school children over a three year cycle, co-promotion of Electrical Safety Authority (ESA) safety awareness campaigns, and ongoing safety messaging using customer newsletters, website content and social media.

A number of initiatives have been pursued over the past year to improve safety literacy outcomes. For example, during 2016 the safety content of Veridian's website was completely refreshed and expanded to include a series of educational videos. More recently, a safety art contest for children was conducted and promoted through community papers, local schools and social media. Veridian is also working with its neighbour, Whitby Hydro, to refresh the electrical safety attributes of the Kids Safety Village of Durham Region to ensure that it continues to be available to the more than 15,000 students who visit it each year.

• Component B – Compliance with Ontario Regulation 22/04

Veridian has achieved full compliance with Ontario Regulation 22/04 (Electrical Distribution Safety) not only for 2016 but also for the previous five years. This achievement is based on Veridian's firm commitment to safety, training and development programs and adherence to its policies and procedures. There is annual refresher training for all staff involved with Ontario Regulation 22/04 and compliance is maintained through ongoing reinforcement and education.

• Component C – Serious Electrical Incident Index

For 2016, Veridian's Serious Electrical Incident Index was 0.445 as provided by the Electrical Safety Authority ("ESA"). This metric details the number of and rate of "serious electrical incidents" occurring on Veridian's distribution system and has been normalized per 1000km of line. A "serious electrical incident" would appear as part of this composite index if it has been determined that a member of the public was involved in the incident and that the result of the incident either caused a death or a critical injury, or had the potential to cause a death or a critical injury. The ESA reported that Veridian had one (1) incident which resulted in the index value. However, Veridian is unable to confirm the incident from its own trouble call records and the incident may be an error. Veridian is currently reviewing its records and following up with the ESA.

System Reliability

Reliability standards related to Veridian's electricity distribution system are key performance measurements, and these metrics remain high on the priority list to ensure Veridian is meeting its customers' expectations. Veridian focuses on reliability based maintenance and capital programs to ensure distribution system reliability and quality continue to meet customer expectations.

System reliability measures the performance of uninterrupted power delivery to customers and Veridian is proud to report that the system reliability in 2016 had shown a significant improvement. The improvement is the result of effective capital programs as well as continuous operational efforts aimed at reducing the frequency and duration of outages.

During 2016, Veridian continues to introduce significant technologies and processes to improve situational awareness during power interruptions. This translates into faster power restoration and improved information and communication for customers. Investments in distribution system automation are made each year and these new smart grid technologies assist in improving the reliability and quality of electricity supply for customers. These new technologies allow for faster restoration of power to customers during an outage through automatic device operation and system operator intervention from Veridian's centralized 24-hour system control centre.

Equipment renewal and strategic prioritization have been identified as ongoing priorities in Veridian's capital plan to ensure a reduction in equipment failures. Smart and conventional fault circuit indicators installation programs are in place to timely locate the faulty section of the system.

Veridian's reliability improvement team, consisting of a cross-section of subject matter experts within the company, reviews reliability events throughout the year and makes recommendations for prudent system investment to continuously improve reliability. Veridian's reliability indices are competitive when compared with other Ontario utilities and continuous improvement remains a key business goal.

• Average Number of Hours that Power to a Customer is Interrupted

In 2016, Veridian achieved an average of 1.24 hours of outage duration per customer, this represents a 23% improvement over 2015. Veridian continues to measure system reliability at the distribution feeder level, identifies worst performing feeders, researches the rootcause of power interruptions and utilizes the information to identify work programs that contribute in improving reliability.

• Average Number of Times that Power to a Customer is Interrupted

In 2016, Veridian achieved an average of 1.29 power interruptions per customer during the year which represents a 39% improvement over 2015 result. System reliability is rigorously measured at the feeder level in order to identify worst performing feeders and recognize leading root-cause trend of power interruptions.

The leading cause of interruptions have been from defective equipment, however this category has improved significantly since 2015. This improvement is an indicator that the capital investments on asset renewal have been successful in reducing outages.

Veridian's various capital programs focus on maintaining and upgrading equipment so that outage impacts are minimized. However, certain equipment may fail prior to the end of its expected operating life and cause an outage. In 2016, the largest defective equipment cause was due to underground cable failure. Veridian has identified this pattern and prepared detailed cable rejuvenation and replacement strategies in order to mitigate outages caused by cable failure. The next largest category of equipment failure is due to defective insulators. Insulators isolate energized power lines from contacting other surfaces. Veridian has observed that certain type of porcelain insulators are more prone to cracking and breaking. As a result, one of Veridian's top priorities is to replace old porcelain insulators with new polymer insulators so that similar outages can be avoided in the future.

Tree contact and adverse weather also contributed to customer interruptions in 2016 as Veridian experienced several high impact storm days. It has been identified that rigorous tree trimming could reduce not only regular tree contact events but also benefit system reliability during storm days. The revised tree trimming program targeted spots of prime concern in 2016, with chosen areas being selected based on cost effectiveness and reliability history. Veridian will continue to monitor its progress to further reduce tree related outages.

Veridian is taking actions as mentioned above and remains committed to continuous reliability improvement in 2017 and onward.

Asset Management

• Distribution System Plan Implementation Progress

In 2016, Veridian reached 98.81% in the progress of its Distribution System Plan ("DSP"). This progress measure is calculated with the total capital spend within the full 2016 calendar year in dollars being divided by the 2016 approved capital budget in dollars. Neither dollar amounts include contributions made by outside parties (customers, developers, municipalities, etc.) to the capital spend. The 2016 capital budget was approved in December 2015.

Overall, Veridian has continued to improve its DSP progress percentage completed each year since 2013. All significant value 2016 projects that were entirely under Veridian's control were constructed and in-service by year end.

Veridian is very cognizant to both prudently manage its capital spend and ensure that costs remains within the approved capital budget dollar envelope throughout the year. Meeting the project planned schedule and carrying out the capital program in its entirety continues to be the prime goal.

Veridian is currently seeking customer feedback and comments to be considered as it develops its 2019 DSP.

Cost Control

• Efficiency Assessment

The efficiency assessment score is derived by the OEB through a model which calculates a predicated total cost for each distributor, and then compares actual total cost results against this predicted level. Total costs include annual costs to operate the distribution system such as operating and maintaining equipment and customer service costs such as billing and answering customer enquiries. Total costs also include capital investment required to connect new customers to the distribution system and investments required for rehabilitation and upgrading of older assets.

In 2016 Veridian's actual total costs were below the predicted costs by 1.6% and was included in Group 3 of the OEB's established 5 groups where Group 1 is the most efficient and Group 5 is the lease efficient. Veridian's ranking in Group 3 has been unchanged since 2012. Veridian monitors and manages costs on an ongoing basis. Within the next 5 years Veridian expects that large capital investments required for high customer growth within specific portions of its service area will put upward pressure on actual costs, as compared to predicted costs, until then customer growth is reflected in the OEB's model for predicted costs.

• Total Cost per Customer

This metric is calculated by dividing the total of Veridian's 2016 operating and capital costs, as derived within the OEB efficiency assessment model, by the total number of customers Veridian serves. In 2016 the total cost per customer was \$593 (\$577 in 2015) which compares favourably to the average for all distributors of \$669 (\$661 in 2015).

Unfortunately, the 2013 value of \$529 displayed is incorrect due to a prior year reporting error. The corrected value is \$546. The table below shows the 2011-2016 total cost data broken out to the individual components of operating and capital costs.

Costs per Customer	2	010	2	011	2	012	2	2013	2	014	2	015	2	2016
Operating Costs	Ş	174	\$	181	\$	216	Ş	213	\$	212	Ş	216	\$	225
Capital Costs	Ş	339	\$	345	\$	337	\$	333	\$	348	\$	361	\$	368
	Ş	512	\$	526	\$	553	\$	546	\$	560	\$	577	\$	593

In 2012 due to new accounting standards, Veridian, along with most of the other distributors in the province, recorded more of its costs as operating and less as capital costs. The resulting accounting shift between operating and capital costs contributed to the very large operating cost increase in 2012 from \$181 to \$216; \$35 per customer or 19.4%. In 2013 and 2014 operating costs per customer declined

at an average of just under 1% per year. In 2015, operating costs began to rise again at 1.7%, just in line with inflation. In 2016, increases were above inflation at 4.5%. In 2016, Veridian transitioned all of its residential customers (91.6% of all customers), from bimonthly to monthly billing which resulted in a significant increase in costs for increased postage and bill stock. In an effort to mitigate these increases Veridian began targeted initiatives to encourage customers to enroll in electronic bill presentment and payment options. Currently 15% of Veridian's customers are enrolled in electronic billing.

Capital costs in 2016 increased by just 1.9%, down from 2015 increase of 3.9%. Over the last few years, Veridian has increased capital spend on the renewal and modernization of its distribution assets to balance reliability for customers and rate impacts, as approved by the OEB in Veridian's 2014 rate application. Veridian will continue asset replacement and rehabilitation in a managed timeframe and seek efficiencies in its spending.

• Total Cost per Km of Line

This metric is calculated by taking Veridian's total cost, as derived within the OEB efficiency assessment model and dividing this cost by the total kilometers of line that Veridian operates to serve its customers.

The 2016 total cost per km of line is \$27,593. The 2015 value of \$30,404 is in error due to an understatement of the km of underground kilometers of line. The corrected 2015 value is \$26,709. Using this corrected value, the 2016 total cost per km of line is an increase of 3.3% over 2015.

As capital investments for replacement and rehabilitation of existing lines grows at a faster rate than additions of lines within Veridian's service area, total cost per km of line will increase.

Conservation & Demand Management

• Net Cumulative Energy Savings

In April 2015 Veridian and Whitby Hydro Electric Corporation filed a joint 2015-2020 Conservation and Demand Management ("CDM") plan with the Independent Electricity System Operator ("IESO") under the new Conservation First Framework. In June 2015 the joint CDM plan was conditionally approved by the IESO, and Veridian was authorized to spend up to \$40,482,340 of CDM funding to achieve its energy savings target of 152.97 GWh by 2020.

At the end of 2016 Veridian has achieved 24.26% of its 2015-2020 energy savings target, which exceeded the 22.04% savings proposed in its CDM plan. This was achieved by leveraging the suite of IESO province-wide conservation programs and placing increased emphasis on supporting the conservation efforts of large commercial, industrial and institutional customers. In addition, Veridian has been collaborating with other gas and electricity distributors to find innovative ways to realize new energy savings for its customers, while utilizing their combined economies of scale to efficiently manage costs.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

A connection impact assessment is a study of a project's impact to the grid. The results include a technical report outlining project feasibility, technical specifications needed for the project and the impacts the project would have on the distribution grid. Electricity distributors are required to conduct Connection Impact Assessments ("CIA's") within 60 days of receiving authorization from the ESA. In 2016, Veridian has completed all CIA's within the prescribed time limit

• New Micro-embedded Generation Facilities Connected On Time

Micro-embedded generation facilities (projects of less than 10 kW) are typically installed on residential homes and play an important role in improving the environment and assisting the province of Ontario in achieving its environmental goals. In 2016 Veridian achieved a score of 97.37% in this category, which exceeds the minimum acceptable performance level of 90%.

Financial Ratios

• Liquidity: Current Ratio (Current Assets/Current Liabilities)

Current ratio is a common measure of a company's ability to pay its short term debts and financial obligations and a ratio higher than 1 is favourable. Veridian's current ratio remained solid at 1.62 (1.34 in 2015). Veridian's financial controls and policies continue to ensure this strong financial indicator.

• Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

In 2016, Veridian maintained a total debt to equity structure that is just below the deemed 60% debt and 40% equity capital mix as set out by the OEB. Veridian's total debt to equity ratio was 1.34, whereas the deemed rate, set as the 'standard' or 'preferred', is 1.5. This indicates that, to operate its business and complete its capital programs, Veridian borrows just slightly less money than the deemed amount as set by the OEB. Veridian's ratio near the deemed rate is a strong financial indicator. This is also supported by the May 2017 DBRS confirmation of "A" stable credit rating of Veridian's parent company, Veridian Corporation.

• Profitability: Regulatory Return on Equity – Deemed (included in rates)

Veridian's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.36%. The OEB allows a distributor to earn within +/- 3% of the deemed return on equity.

• Profitability: Regulatory Return on Equity – Achieved

Veridian's achieved regulatory return on equity was 9.28%, which is just below the expected or deemed levels and well within the +/- 3% range allowed by the OEB.

Note to Readers of 2016 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment L Filed: July 30, 2018

ATTACHMENT L WHITBY LDC 2016 SCORECARD

Scorecard - Whitby Hydro Electric Corporation

	9/14/2017

rformonoo Outeemee		Magauraa		2042	2012	2014	2015	2046	Trand	Ta	Distribute
erformance Outcomes	Performance Categories	Measures		2012	2013	2014	2015	2016	Trend	Industry	Distribut
Customer Focus	Service Quality	New Residential/Small E on Time	usiness Services Connected	100.00%	100.00%	96.10%	96.20%	95.10%	U	90.00%	
rvices are provided in a anner that responds to		Scheduled Appointments	s Met On Time	98.80%	99.50%	100.00%	99.60%	99.60%	0	90.00%	
entified customer		Telephone Calls Answer	ed On Time	54.50%	68.00%	73.80%	81.50%	80.60%	0	65.00%	
ferences.		First Contact Resolution				99.86%	99.82%	99.59			
	Customer Satisfaction	Billing Accuracy				99.89%	99.83%	99.81%	0	98.00%	
		Customer Satisfaction S	urvey Results		А	А	A	A			
erational Effectiveness	Safety	Level of Public Awarene	SS				78.90%	78.90%			
		Level of Compliance with	n Ontario Regulation 22/04	С	С	С	С	С	•		
ontinuous improvement in		Serious Electrical	Number of General Public Incidents	0	0	0	0	0	•		
oductivity and cost rformance is achieved; and		Incident Index	Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	•		(
stributors deliver on system iability and quality	System Reliability	Average Number of Hou Interrupted ²	rs that Power to a Customer is	0.96	0.93	1.89	1.40	0.99	0		
objectives.		Average Number of Time Interrupted ²	es that Power to a Customer is	1.29	0.87	2.32	1.65	1.23	0		
	Asset Management	Distribution System Plan	Implementation Progress			94.9%	100.98%	97.95			
		Efficiency Assessment		3	3	3	3	3			
Cost	Cost Control	Total Cost per Customer	\$600	\$612	\$628	\$676	\$689				
		Total Cost per Km of Lin	\$23,109	\$23,643	\$24,275	\$26,052	\$26,552				
blic Policy Responsiveness stributors deliver on	Conservation & Demand Management	Net Cumulative Energy S	Savings ⁴				10.63%	29.22%			58.44
ligations mandated by vernment (e.g., in legislation d in regulatory requirements	Connection of Renewable Generation	Renewable Generation (Completed On Time	Connection Impact Assessments	100.00%	100.00%	100.00%					
mposed further to Ministerial directives to the Board).		New Micro-embedded Generation Facilities Connected On Time			100.00%	92.86%	100.00%	78.95%	0	90.00%	
Financial Performance Financial Ratios		Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.89	1.65	1.48	1.45	1.24			
Financial viability is maintained; and savings from		Leverage: Total Debt (ir Equity Ratio	cludes short-term and long-term debt) to	0.74	0.72	0.69	0.67	0.66			
erational effectiveness are stainable.		Profitability: Regulatory	Deemed (included in rates)	9.66%	9.66%	9.66%	9.66%	9.66%			
		Return on Equity	Achieved	12.35%	14.54%	13.89%	10.43%	9.94%			

reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. The CDM measure is based on the new 2015-2020 Conservation First Framework.

e target not met

Current year

🔵 target met

2016 Scorecard Management Discussion and Analysis

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2016 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

Whitby Hydro continues to perform successfully in virtually all of the key measurements including Customer Focus (Service Quality, Customer Satisfaction), Operational Effectiveness (Safety, Reliability, Asset Management and Cost Control), as well as Financial Performance (Financial Ratios). In 2016, performance either exceeded or met applicable industry-wide or Whitby Hydro specific targets in these areas.

With respect to Public Policy Responsiveness, Conservation is an area with particularly challenging targets over the six year timeframe (2015-2020); however, Whitby Hydro has demonstrated some steady progress in 2016. For New Micro-Embedded Generation Facility Connections, despite a proven track record of strong historical performance, Whitby Hydro encountered some unexpected delays in the scheduled delivery of the specific meters utilized for these customers which extended the connection timeline beyond the targeted 5 business days in 2016. Whitby Hydro continues to communicate with customers and vendors to minimize the risk of future delays.

Service Quality

New Residential/Small Business Services Connected on Time

In 2016, Whitby Hydro connected 95.1% of eligible low-voltage residential and small business customers to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). Whitby Hydro understands the importance of connecting its customers in a timely fashion once all service requirements are met. Whitby Hydro continues to maintain the reporting and data retention practices that were implemented in 2015. The 2016 connections are well above the target of 90%.

Scheduled Appointments Met On Time

Whitby Hydro continues to meet the requirement to schedule and attend appointments within the four hour window arranged with customers (or their representatives) during regular business hours.

• Telephone Calls Answered On Time

Qualified incoming calls to Whitby Hydro's customer service phone line must be answered within thirty seconds at least 65% of the time. In 2016, Whitby Hydro experienced an increase in the total number of qualified calls over 2015. Even with the increased call level, Whitby Hydro achieved levels well above the target. Prior to 2012, the reporting reflected the level of calls answered (not abandoned), but did not incorporate the requirement of a 30-second threshold due to limitations in available reporting. In 2012, a new telephone system allowed for additional information to be gathered and the results were lower primarily due to two factors: 1) more accurate reporting which incorporated the 30-second threshold; and 2) increased service level requirements resulting from the implementation of time-of-use billing. The 2013- 2016 results demonstrate progressive improvements and a renewed focus on ensuring that customer calls are answered in a timely fashion.

First Contact Resolution

Specific customer satisfaction measurements have not been previously defined across the industry. The OEB asked Whitby Hydro and all electricity distributors to review and develop measurements in these areas and begin tracking performance starting July 1, 2014. The OEB plans to review information provided by electricity distributors over several years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides more specific direction regarding a commonly defined measurement.

First Contact Resolution can be measured in a variety of ways and clarity of expectations is required in order to achieve meaningful comparable data across electricity distributors. Without a CRM (customer relationship management) program to track type and frequency of telephone calls by customers, Whitby Hydro is tracking escalated telephone calls that customer service representatives resolve without added support as a percentage of the total number of eligible telephone calls. In 2016, 99.59% of customer telephone calls were successfully managed without further escalation or support.

• Billing Accuracy

Until July 2014, a specific measurement of billing accuracy had not been defined across the industry. After consultation with some electricity distributors, the OEB prescribed a measurement of billing accuracy which was required to be reported by all electricity distributors effective October 1, 2014.

For the period from January 1 – December 31, 2016, Whitby Hydro achieved a billing accuracy of 99.81% which is similar to levels achieved in 2014 and 2015. All three years compare favourably to the prescribed OEB target of 98%. As this is a relatively new and important measurement, Whitby Hydro will continue to monitor its billing accuracy closely.

Customer Satisfaction Survey Results

The OEB indicated that electricity distributors will have discretion in determining how to conduct customer satisfaction surveys; however, surveys must adhere to the following principles: 1) surveys must canvas satisfaction regarding power quality and reliability, price, billing and payment, communications, and the customer service experience; and 2) surveys will follow good survey practices. The survey must be done at minimum once every two years. In 2013, prior to receiving any specific direction from the OEB, Whitby Hydro engaged UtilityPULSE (the electricity utility survey division of Simul Corporation) to conduct a customer satisfaction as equal to or better than the Ontario benchmark. The utility's customers have generally indicated their satisfaction as equal to or higher than both National and Ontario results, with 95% of customers rating their experience with Whitby Hydro as fairly satisfied to very satisfied. In 2015, the Whitby Hydro survey was conducted with the same values and principles as the survey in 2013. The overall satisfaction score in 2015 was 90%. Although the satisfaction levels represent a decline, they continue to be strong and remain above the national and province-wide levels.

Electricity Customers who are fairly or very satisfied:

Year	Whitby Hydro	National	Ontario
2013	95%	91%	90%
2015	90%	89%	86%

Whitby Hydro Utility PULSE Report Card

		Whitby Hydro	National	<u>Ontario</u>
1.	Customer Care	B+	B+	B+
	Price and Value	B+	B+	B+
	Customer Service	А	B+	B+
2.	Company Image	А	А	B+
	Company Leadership	А	B+	B+
	Corporate Stewardship	А	А	А
3.	Management Operations	А	А	А
	Operational Effectiveness	А	А	B+
	Power Quality and Reliability	А	А	А
OVERALL		Α	Α	B+

Safety

• Public Safety

The Ontario Energy Board (OEB) introduced a Public Safety reporting measure in 2015. This measure considers electrical safety awareness from the public's perspective within the utilities service areas and accredits system safety a high priority.

• Component A – Public Awareness of Electrical Safety

This new component is expected to measure the level of awareness of key electrical safety precautions amongst the public within Whitby Hydro's service area. The first survey was completed in the first quarter of 2016 and resulted in a public safety awareness index of 78.9%. The survey will be performed every two years. Whitby Hydro focused its education efforts in two main areas for 2016 - working around and in safe proximity to overhead power lines; and keeping a safe distance from downed overhead power lines as a result of an accident or storm. Program sponsorships, partnerships, efforts and initiatives include:

- Sponsorship of an annual informative electrical safety and conservation education program that teaches elementary school children how to use electricity safely and wisely. This program is provided to students in grade 1 through 8 with offerings in 10 Durham Region Schools. In 2016 the program was attended by 3,500 students and teachers. Since 2010, this program has educated approximately 38,000 participants.
- Community partnership with The Kids Safety Village of Durham Region. The Safety Village is committed to providing quality progressive safety programs, in a positive and interactive atmosphere. The Safety Village is a community project dedicated to building a safer future for children. The village was constructed with donations of cash, services and materials from local businesses, citizens and service clubs. Over 15,000 students visit the Village each year. Each course includes safety-related instruction on topics such as fire, rail, bus and hydro safety, as well as information on safe strangers and the use of 911.

- A customer information brochure called Power Panel is published twice annually. The brochure's purpose is to educate and update our customers and community. In 2016, topics included public safety awareness for: avoiding contact with powerlines including ladders, trimming trees, playing near electrical equipment; powerline information; and electricity jumps.
- Website communication utilizing video links and presentations to educate the public on overhead power lines, underground cables and vehicle accidents involving power lines.

• Component B – Compliance with Ontario Regulation 22/04

Over the previous five years, Whitby Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction, and maintenance of electrical distribution systems owned by licensed distributors. Specifically, the regulation requires the approval of equipment, plans, specifications and inspection of construction before they are put into service.

• Component C – Serious Electrical Incident Index

Whitby Hydro did not have any serious electrical incidents to report in 2016 or in the historical period between 2012 and 2015.

System Reliability

System reliability targets are calculated using Whitby Hydro's historical data to derive a five year performance baseline (currently 2010-2014) consistent with the methodology outlined by the OEB. With system reliability measures, a lower score indicates better reliability performance.

The industry acknowledges that the measurement of customer impacts associated with an outage is compiled using different methodologies depending on the outage management tracking processes, technologies and systems available within the service area. Over the past eight years, Whitby Hydro has taken steps to improve the quality of data by refining how it quantifies customers impacted by an outage event. In 2015, Whitby Hydro implemented an outage management system which provides a number of benefits including improved analytics which help assign resources and isolate the extent of the outage. Starting in 2015, this system also allowed Whitby Hydro to incorporate more accurate customer information into reliability reporting.

Historically, Whitby Hydro has had strong reliability performance, following a strict schedule of asset maintenance and review to ensure appropriate investments are made to the distribution system. However, even with diligent effort, no distribution system is immune to the effects of severe weather and unexpected equipment failure etc. In 2016, the OEB defined and introduced an approach to reliability measurement which removes the impact of "major events". According to the OEB, a major event is one which is beyond the control of the distributor and is characterized as unforeseeable, unpredictable, unpreventable and unavoidable. Whitby Hydro has reviewed five years of historical information and has used the IEEE 1366 (Institute of Electrical and Electronics Engineers) as the preferred approach for determining a major event. The following was identified as a major event during the 2011-2016 timeframe and has been excluded from reliability reporting:

2013: In December 2013, much of southern Ontario felt the effects of the severe ice storm. While this was a major event, Whitby Hydro's aggressive tree trimming program and the committed efforts of operations crews during the Christmas holiday season, ensured the outage suffered by Whitby Hydro customers (interruption occurrences and duration) was less than that experienced by neighbouring electricity distributors.

• Average Number of Hours that Power to a Customer is Interrupted

Whitby Hydro has reported strong reliability performance over the past five years. 2016's results reflect a measurement of less than an hour of interruption per customer which is favourable to the target of 1.14 hours. The target is based on the average of five years of historical performance and excludes outages related to a loss of supply or any major events as defined by the OEB and described above.

• Average Number of Times that Power to a Customer is Interrupted

The number of times power to a customer is interrupted is largely affected by weather (e.g. frequency and extent of storms, lightning, high winds) and equipment failure. Weather in 2016 was generally favourable and Whitby Hydro showed positive reliability performance. To help reduce the number of interruptions on its 44 kV system, Whitby Hydro has been installing lightning arrestors in four locations a year since 2012. To minimize outages related to equipment failure, asset assessment and replacement reviews are a regular feature of the utility's distribution planning process, identifying and addressing aging infrastructure such as underground cables, switchgear, transformers, poles and switches. As a result of these efforts, Whitby Hydro had a reduced level of outages due to defective equipment in 2016. The average number of times the power to a customer is interrupted shows improvement over recent years and is at levels lower than the target of 1.35.

Asset Management

• Distribution System Plan Implementation Progress

This is a relatively new measure which is currently under development. The OEB has permitted electricity distributors to use their discretion to develop and implement a measure that they feel most effectively reflects their performance in system plan implementation.

Whitby Hydro has not been required to formally submit a Distribution System Plan to the OEB. However, in the interim, Whitby Hydro has diligently managed those capital investment accounts over which Whitby Hydro has direct control, namely, System Renewal, System Service and General Plant. For those capital investments, Whitby Hydro reported an achievement of 97.95% which represents the percentage of 2016 actual capital expenditures versus budget. The 2016 variance to budget relates to the General Plant category and is based on senior management's decision to modify the timing of investments while work is underway to explore the potential benefits of a merger.

Cost Control

The total cost and efficiency estimates use complex calculations that were developed by the OEB's consultant Pacific Economics Group (PEG). The results of the calculations for 2016 were provided to electricity distributors in August 2017 to be incorporated into the scorecard.

• Efficiency Assessment

An econometric model developed by the consultant PEG has been used to predict total costs for the electricity distributor; the efficiency measure compares PEG's calculation of total actual costs with those PEG has predicted. Depending on the degree to which the average total costs for the period 2014 to 2016 are below or above the predicted costs, the electricity distributor is placed into one of five groupings and assigned a "stretch factor" for use in rate setting. Whitby Hydro's average total actual costs are 3.8% below the predicted costs which is a favourable outcome. The results place Whitby Hydro in the mid-range, the third grouping, for efficiency.

Total Cost per Customer

PEG's calculation of Whitby Hydro's 2016 total cost per customer is \$689 representing a 1.9% increase over previous year's \$676. These costs include significant third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2016 total costs are reduced to \$650 representing an increase of approximately 1.2%, which is less than inflation (2015 total costs excluding third party construction costs are \$642).

From a historical perspective, in order for the appropriate comparisons to be made to years prior to 2013, it is essential that the 2013-2016 total cost figures be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per customer is further reduced to \$633 in 2016; \$625 in 2015 and \$605 in 2014.

• Total Cost per Km of Line

PEG's calculation of Whitby Hydro's 2016 total cost per Km of line is \$26,552 representing a 1.9% increase over the previous year's \$26,052. These costs include third-party capital requirement costs related to the construction of Highway 407 which are beyond the control of Whitby Hydro. Although third-party construction costs are to a great extent funded by third-parties, the OEB model requires gross costs to be included in the total cost calculation. When adjustments are made to remove such costs, the 2016 total costs are reduced to \$25,038 representing an increase of approximately 1.1% which is less than inflation (2015 total costs excluding third party construction costs are \$24,757).

From a historical perspective, in order for appropriate comparisons to be made to years prior to 2013, it is essential that the 2013-2016 total cost figures be adjusted for significant one-time (transitional) items such as mandatory regulatory accounting changes for capitalization/depreciation (starting in 2013, costs that were previously capitalized are treated as operating expenses). If these costs were not reclassified, the comparable total cost per Km of line is further reduced to \$24,375 in 2016; to \$24,094 in 2015; to \$23,394 in 2014.

Conservation & Demand Management (CDM)

The Conservation First Framework (CFF) covers 2015 through 2020 and includes higher energy savings targets, the removal of demand targets, and a more constrained budget in order to drive cost effectiveness. As 2015 was a transitional year, 2016 was the first full year where CDM programs were delivered under the new CFF.

In 2015 and under the previous framework, the majority of energy savings were derived from non-residential CDM programs. This trend shifted for Whitby Hydro in 2016 primarily due to significantly increased participation levels in residential programs as well as a sharp year-over-year decline in the net-to-gross ratio assigned to the Retrofit program savings for business customers. While high gross savings were achieved through the Retrofit program in 2016, Whitby Hydro is addressing its concerns with the Independent Electricity System Operator (IESO) on an ongoing basis for the program's net-to-gross ratio.

Whitby Hydro has some concerns regarding the achievability of the aggressive energy savings targets as the current customer mix remains heavily weighted towards a growing residential sector with a commercial customer base that is relatively small in size and numbers. These concerns are aligned with the latest version of the Achievable Potential report released by the IESO which indicates that Whitby Hydro will likely experience significant challenges in meeting its overall energy target of 58.44 GWh. A mid-term review on the CFF will be conducted by the IESO in 2018 and Whitby Hydro trusts that the IESO will give some consideration to modifying the existing target.

Whitby Hydro anticipates additional target savings will be achieved through the implementation of Combined Heat and Power (CHP) projects in the later years of the framework due to the long lead time and high level of complexity to implement these projects. CHP projects are actively being pursued with several engineering studies under way. Whitby Hydro continues in its collaborative efforts with other LDCs to help reduce the cost to deliver conservation programs while refining marketing strategies to improve effectiveness and cost efficiency.

Net Cumulative Energy Savings (Percent of target achieved)

Whitby Hydro's target for 2016 was 15.9% of its overall Conservation First Framework target. Whitby Hydro achieved 17.9% in 2016. Whitby Hydro's performance was largely due to increased participation in the residential Coupon program as well as the Retrofit business program. On a cumulative basis, Whitby Hydro has achieved 29.22% of its framework target as per the Final 2016 Annual Verified Results Report provided by the IESO.

Renewable Generation Connection Impact Assessments Completed on Time

Upon receipt of a completed application for a renewable energy generation facility that has a nameplate rated capacity of greater than 10 kW, Whitby Hydro is required to complete the Connection Impact Assessment (CIA) within the application timeline prescribed in Ontario Regulation 326/09. For projects up to 500 kW, the timeline is (a) 60 days or (b) 120 days if an upstream electricity distributor CIA is required. For projects greater than 500 kW and less than 10 MW, the timeline is (a) 90 days or (b) 120 days if it requires the involvement of other upstream electricity distributors. While there were no applications received in 2016, Whitby Hydro has historically met this requirement.

New Micro-embedded Generation Facilities Connected On Time

This measure was introduced in 2013. For a renewable energy generation facility that has a nameplate rated capacity of less than or equal to 10 kW, an offer to connect is to be issued no later than 90 days after the date the connection request is received. After the project is installed and has passed the electrical safety inspection, Whitby Hydro must have the following information to finalize the connection: (a) Connection Authorization letter issued by the Electrical Safety Association; (b) payment for the connection costs; and (c) a signed "Micro-Embedded Generation Facility Connection Agreement". On receipt of all of the required connection information, Whitby Hydro would install and connect the meter. In 2016, a total of 38 new micro embedded generation facilities were installed of which 30 were connected within 5 business days of all conditions being met for installation. During the summer months Whitby Hydro experienced unexpected delays in the scheduled delivery of meters required for micro-embedded generation to nearly twice the expected delivery timeframe. This resulted in limited meter inventory levels and extended the connection timeline beyond the targeted 5 business days.

Financial Ratios

• Liquidity: Current Ratio (Current Assets/Current Liabilities)

The current ratio is one indicator of financial health and a ratio greater than one indicates that the company is in a good position to pay its short-term debts and financial obligations. The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations. Whitby Hydro maintains a strong liquidity ratio. The decline in 2016 was due to a deferral of borrowing, while the shift in the 2014 measurement was related in part to the under recovery of energy-related pass through costs.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

The OEB has established a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. The deemed mix is equal to an equity ratio of 1.5 (60/40). A lower debt to equity ratio usually implies a more financially stable business. Whitby Hydro maintains a very strong debt to equity ratio and its levels are lower than those provided in the OEB's deemed structure. As a result, Whitby Hydro is well positioned to take on new borrowing should there be an investment need in the future.

• Profitability: Regulatory Return on Equity – Deemed (included in rates)

9.66% reflects the return on equity established during the last approved cost of service rate application.

Profitability: Regulatory Return on Equity – Achieved

By definition, the regulatory rate of return on equity (ROE) calculation is based on the revenue and cost structure in the approved 2011 Cost of Service application within an allowable range of +/- 3%. During 2016, the Ontario Energy Board released a new template which allowed the calculation of ROE to be more closely reflective of the intended definition and as a result, be more accurately comparable against the approved ROE. On this basis, Whitby Hydro's ROE in 2016 and 2015 is 9.94% and 10.43% respectively, which are well within the allowed threshold.

However, for 2014 and 2013, Whitby Hydro disagrees with the presentment of ROE information on the scorecard matrix since those rates of return include items outside of the revenue and cost structures in the approved 2011 Cost of Service application. These elements are regulatory requirements and include the following: lower taxes due to under recoveries in pass-through costs; and the 2013 smart meter disposition which included revenue and costs from 2006-2012; however, inclusion of them in the ROE calculation distorts any comparability to approved ROE and allowable ranges.

While Whitby Hydro provided updated ROE calculations for 2013 (12.14%) and 2014 (11.32%) based on the new template, the Ontario Energy Board did not allow Whitby Hydro to include this revised data in the Scorecard matrix. The Ontario Energy Board did however review information provided by Whitby Hydro and confirmed the ROE was materially affected by items such as the lower taxes and that the restated 2013 and 2014 ROE numbers are appropriate and within the allowable range. The 2012 rate of return is based on the revenue and cost structure in the approved 2011 Cost of Service application and is also within the allowable range.

Note to Readers of 2016 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, any information provided on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment M Filed: July 30, 2018

ATTACHMENT M NAVIGANT REPORT

CONFIDENTIAL INFORMATION.

The following **Independent Assessment of Projected Synergies** contains information that is proprietary and confidential to the sender, the disclosure of which could reasonably be expected to prejudice significantly our competitive position. Information in this document that relates to non-public commercial, financial, technical or labour relations information is specifically identified as proprietary and strictly confidential.

The sender DOES NOT CONSENT to the disclosure or dissemination of any of this information or of any related information pursuant to the Municipal Freedom of Information and Protection of Privacy Act or other applicable privacy legislation.

PROJECT TAUNTON

INDEPENDENT ASSESSMENT OF PROJECTED SYNERGIES

AUGUST 28, 2017



Confidential and Proprietary

DISCLAIMER

Copyright

This report is protected by copyright. Any copying, reproduction, publication, dissemination or transmittal in any form without the express written consent of Navigant Consulting Ltd. (Navigant) is prohibited.

Disclaimer

This report was prepared by Navigant for Veridian Corporation and Whitby Hydro Electric Corporation.

The work presented in this report represents Navigant's professional judgment based on the information available at the time this report was prepared. Navigant is not responsible for the reader's use of, or reliance upon, the report, nor any decisions based on the report. NAVIGANT MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED.

Readers of the report are advised that they assume all liabilities incurred by them, or third parties, as a result of their reliance on the report, or the data, information, findings and opinions contained in the report.

Navigant conducted a critical review of the reasonableness of attaining the management-determined synergies

Based on this review:

- 1. Navigant is confident that the management determined synergies can be achieved with reasonable and diligent leadership supported by a comprehensive post-merger implementation plan and team
- 2. Navigant has determined that NewCo has a high likelihood of achieving the management-determined synergies in each functional area with low risk to current service quality
- 3. The proposed level of NewCo costs and employees compares well against existing LDCs in Ontario with similar service territories and operational scope



TABLE OF CONTENTS

SECTION 1: Introduction and approach

SECTION 2: Bottom-up assessment

- Lines, Construction and Operations
- Engineering and Asset Management
- Customer Service, Corporate and Administration
- Finance, Audit and Regulatory
- Transition/Transaction Costs

SECTION 3: Top-down assessment

- Evaluation of targets against comparable utilities
- Evaluation of targets against initial state (Veridian/Whitby)

SECTION 4: Overall assessment and conclusions



Navigant was tasked to conduct a critical review of the approach used, and the reasonableness of attaining the management-determined synergies

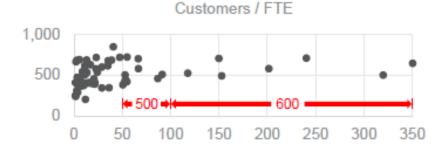
- Projected synergies are based on OM&A cost savings across both labour and nonlabour cost categories
- Navigant worked with the management teams from both companies to obtain supporting documentation and analysis that was used to estimate potential synergies
- Navigant extracted the estimated synergies by functional area (i.e. Finance, Engineering/Lines/Construction, Operations, Customer Services, Corporates Services/Administration) and separated labour and non-labour synergies for review
- Operating statistics used by the management teams for benchmarking purposes reflect 2016 OEB Yearbook statistics



Navigant's approach comprised 1) a top-down review of NewCo's projected costs and employees against peer LDCs in Ontario, and 2) a bottom-up review of the synergies by functional area conducted by Subject Matter Experts

TOP DOWN

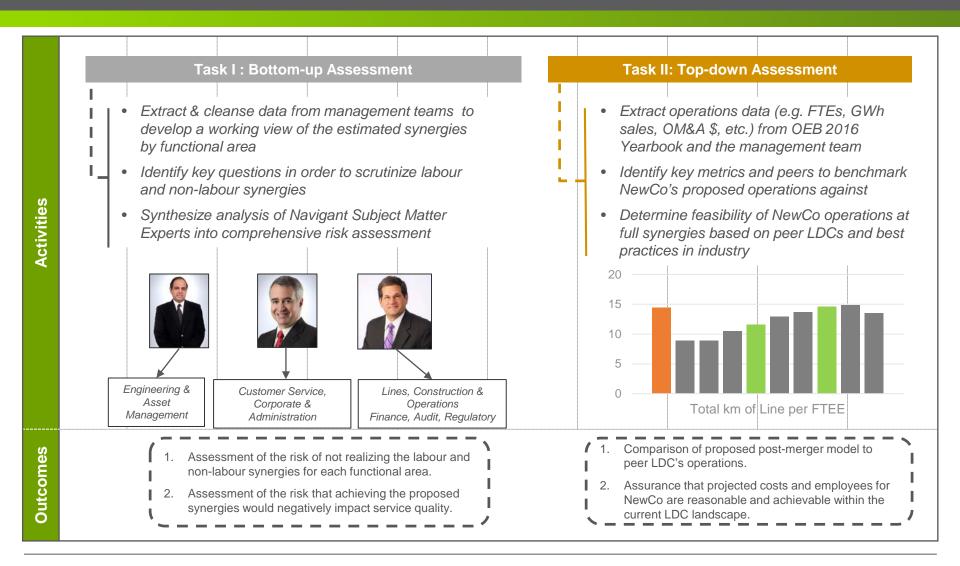
- Benchmarked aggregate of the two utilities' existing FTEs and OM&A costs, with and without synergies, to comparable utilities in Ontario
- Compared metrics such as Customers per FTE, MWh per FTE, circuit km per FTE, OM&A per customer, OM&A per MWh and OM&A per circuit km
- Made qualitative adjustments to account for differences in operating practices



- Reviewed organizational structure within each functional area
- Used existing utilities as a base and consider incremental requirement to achieve targeted growth
- Starting with Veridian's current organizational design, determined the head count increase required to service a 50% increase of the customer base (taking into account service territory, existing facilities, etc.)



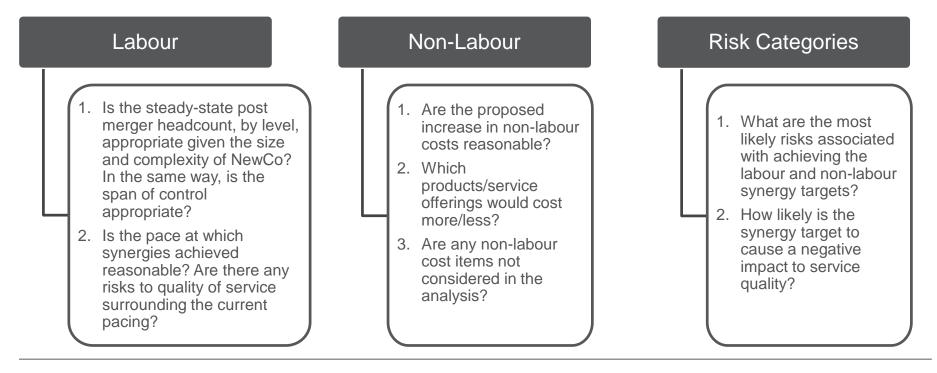
SECTION 1: APPROACH



SECTION 2: BOTTOM-UP ASSESSMENT

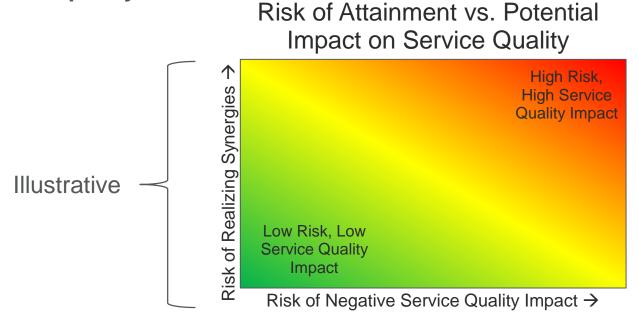
The bottom-up assessment of synergies consisted of leveraging past experience of our Subject Matter Experts to identify and answer fundamental questions to qualify the due diligence of the management team

The following questions are addressed for each functional area:





A synergies risk profile was developed for each function that mapped the risk of achieving the estimated synergies against the risk of negatively impacting service quality



Navigant's Subject Matter Experts reviewed NewCo's proposed organizational chart as well as non-labour costs pre- and post-merger to assess the reasonableness and achievability of the proposed synergies



SECTION 2: SUBJECT MATTER EXPERTS

Navigant leveraged Subject Matter Experts with ~100 years of combined utility operational and leadership experience in our analysis of projected synergies.



John Donleavy is a Director in Navigant's Energy practice. He has over 30 years of Electric and Gas Utility, Construction and Consulting experience with very strong relations in the industry.

John is a strategic senior executive who spearheads and executes large change projects, optimizes business financial results, innovates processes and programs, and consistently sets new business key performance standards, successfully stabilizing, and turning around large, public and private organizations.

SECTION 2: SUBJECT MATTER EXPERTS

Navigant leveraged Subject Matter Experts with ~100 years of combined utility operational and leadership experience in our analysis of projected synergies.



Jeff Richman is a Director within Navigant's Energy practice, providing strategic and tactical direction in Smart Meters and Big Data Analytics. He has more than 29 years of utility industry experience. Prior to Navigant, Jeff spent 26 years working at FPL leading a variety of projects ranging from electronic meter reading, CIS replacement, revenue protection, care center strategy & technology upgrade and demand side management.

Jeff led FPL's back office transformation of their \$800M smart meter implementation. Prior to that, he oversaw the implementation and subsequent transition to the operation of a 150 TB Hadoop and Mongo DB Smart Meter / Customer data lake employing R and HTML for big data analytics. Analytics models were deployed for Energy Theft, Customer Accounting, Smart Meter Operations, Customer Advocacy, Rates & Regulatory and Demand Side Management.



Navigant leveraged Subject Matter Experts with ~100 years of combined utility operational and leadership experience in our analysis of projected synergies.



Larry Gelbien is a Director in Navigant's Energy practice. He has more than thirty years of electric utility experience with a focus in engineering, smart grid technology, grid resiliency, renewable resources, operations and planning.

Larry has done extensive research in a number of emerging technologies. He held lead roles in a number of regulatory collaborative efforts addressing distributed generation interconnection process and grid modernization.

Prior to joining Navigant, Larry was the Vice President of Engineering for NSTAR Electric, where his areas of responsibility included transmission, substation, distribution engineering, planning, advance communications, NERC compliance, smart grid initiatives, and operations business integration.



SECTION 2: BOTTOM-UP ASSESSMENT FUNCTIONAL AREAS

Lines, Construction and Operations

- Engineering and Asset Management
- Customer Service, Corporate and Administration
- Finance, Audit and Regulatory

SECTION 2: BOTTOM-UP ASSESSMENT LINES, CONSTRUCTION AND OPERATIONS



John Donleavy – Director at Navigant

Former Executive Vice President and Chief Operating Officer at National Grid

Labour Synergies

- 1. Post merger headcount and organization structure:
 - The steady-state post integration headcount by level is reasonable, based on available benchmarking and industry information
 - The span of control as proposed is reasonable; the key to success will be detailed planning to identify and staff with experienced individuals in the transition period
 - Consider 1 VP, Lines, Construction and Operations and 1 VP, Engineering, Asset Management with separate and distinct responsibilities. Engineering and Asset Investment decisions should be slightly independent of day to day Operations, Maintenance, and Construction with roles clearly defined.
- 2. Pacing of estimated synergies:
 - The pace at which positions are removed is reasonable based on the assumption that a well thought out change model is developed, process work is completed, experienced and qualified HR is available and a detailed implementation plan with SMART Key Performance Indicators (KPI's) is developed
 - Depending on leadership effectiveness and availability of knowledgeable individuals, the timing of the implementation can be impacted



SECTION 2: BOTTOM-UP ASSESSMENT LINES, CONSTRUCTION AND OPERATIONS

Non-Labour Synergies

- 1. Reasonability of NewCo non-labour costs:
 - Most non-labour costs are reasonable
 - Some individual net savings estimates appear disproportional to the size or complexity of the pre-merger companies; further review of these individual cases and their unique cost drivers may uncover additional opportunities for non-labour cost savings
- 2. Presentation and completeness of cost items:/
 - Consider if there should be additional costs identified for
 - Process and Operational Excellence work, and
 - Change Management and Culture Integration work



Risk of Attainment vs. Potential Impact on Service Quality



Risk of Negative Service Quality Impact \rightarrow

Overall Risk Assessment

• The reduction of management and non-management FTEs taking place starting in 2018 is reasonable and appears to be low risk with no expected negative impact to service



SECTION 2: BOTTOM-UP ASSESSMENT FUNCTIONAL AREAS

Lines, Construction and Operations

Engineering and Asset Management

Customer Service, Corporate and Administration

Finance, Audit and Regulatory

SECTION 2: BOTTOM-UP ASSESSMENT ENGINEERING AND ASSET MANAGEMENT



Larry Gelbien – Director at Navigant Former Vice President of Engineering for NSTAR Electric

Labour Synergies

- 1. Post merger headcount and organization structure:
 - Overall headcount is reasonable in terms of total employees
 - An Asset Management and Planning Technician role should be transitioned to an additional Stations Engineer role for better coverage between services
 - The Distribution Automation vertical should be shifted from operations to engineering; DA is a technology that should be designed by engineering then operated as any other piece of equipment
- 2. Pacing of estimated synergies:
 - Pacing of changeover in positions is appropriate and should have low risk to achieve



SECTION 2: BOTTOM-UP ASSESSMENT ENGINEERING AND ASSET MANAGEMENT

Non-Labour Synergies

- 1. Reasonability of NewCo non-labour costs:
 - Non-labour costs appear reasonable
- 2. Presentation and completeness of cost items:
 - Any Distribution Automation cost items currently being allocated to Operations should be transitioned to Engineering/Asset Management (i.e. SCADA purchases and licensing)



SECTION 2: BOTTOM-UP ASSESSMENT ENGINEERING AND ASSET MANAGEMENT

Risk of Attainment vs. Potential Impact on Service Quality



Overall Risk Assessment

• The reduction of management and nonmanagement FTEs taking place starting in 2018 is reasonable and appears to be low risk with little expected negative impact to service Lines, Construction and Operations

Engineering and Asset Management

Customer Service, Corporate and Administration

Finance, Audit and Regulatory

SECTION 2: BOTTOM-UP ASSESSMENT CUSTOMER SERVICE, CORPORATE AND ADMINISTRATION



Jeffrey Richman – Director at Navigant

Led Florida Power and Light's back office transformation for smart meter implementation and CIS replacement

Labour Synergies

- 1. Post merger headcount and organization structure:
 - Overall post-merger headcount is reasonable in terms of total employees
 - Span of control is reasonable
 - The reduction in management positions is appropriate given the scale of the merger. To increase synergies beyond this level would require an entire back and front office re-organization which is not the target of this process
- 2. Pacing of estimated synergies:
 - The pacing of synergies is reasonable and not aggressive
 - The synergies can be achieved during the given timeline with no significant risk

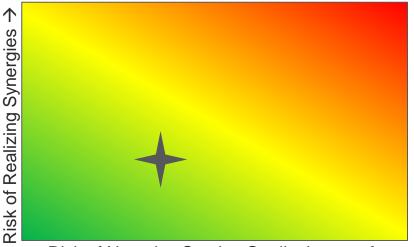


Non-Labour Synergies

- 1. Reasonableness of NewCo non-labour costs:
 - The total cost of the non-labour items is order of magnitude accurate.
 - Costs associated with Call Centre upgrades, Employee Training and consulting fees appear to be at the low end. These areas should be examined to ensure the necessary transition costs are fully accounted for
- 2. Presentation and completeness of cost items:
 - All expected cost items were included.

SECTION 2: BOTTOM-UP ASSESSMENT CUSTOMER SERVICE, CORPORATE AND ADMINISTRATION

Risk of Attainment vs. Potential Impact on Service Quality



Risk of Negative Service Quality Impact \rightarrow

Overall Risk Assessment

- The reduction of management and nonmanagement FTEs taking place starting in 2018 is reasonable and appears to be low risk with no expected negative impact to service
- It is Navigant's experience that post CIS integration customer care and customer billing roles are under temporary upward pressure due to the need to learn new systems
 - It is crucial that NewCo carefully manage this temporary upward pressure on headcount while maintaining levels of service
 - Both Whitby Hydro and Veridian have similar CIS systems, which should result in a degree of comfort for all staff involved in the transition
- Transitioning/integrating metering roles and systems will require specialized individuals and upfront costs in order to realize overall synergies in this function



- Lines, Construction and Operations
- Engineering and Asset Management
- Customer Service, Corporate and Administration

Finance, Audit and Regulatory

SECTION 2: BOTTOM-UP ASSESSMENT FINANCE, AUDIT, REGULATORY

Labour Synergies

- 1. Post merger headcount and organization structure:
 - The steady-state post integration headcount by level is reasonable, based on available benchmarking and industry information
 - The span of control as proposed is reasonable; the key to success will be detailed planning to identify and staff with experienced individuals in the transition period
- 2. Pacing of estimate synergies:
 - The pace at which positions are removed is reasonable based on the assumption that a well thought out change model is developed, process work is completed, experienced and qualified human resources are available and a detailed implementation plan with SMART Key Performance Indicators (KPI's) is developed
 - Depending on leadership effectiveness and availability of knowledgeable individuals the timing of the implementation may be able to be adjusted forward



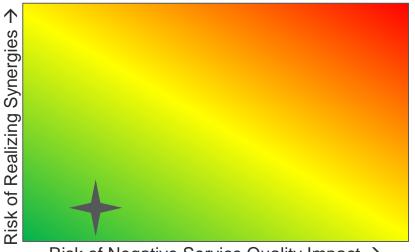
SECTION 2: BOTTOM-UP ASSESSMENT FINANCE, AUDIT, REGULATORY

Non-Labour Synergies

- 1. Reasonableness of NewCo non-labour costs:
 - Most non-labour costs are reasonable
 - It appears there are some organization and operational disparities between the two companies pre-merger that, if normalized, may yield some additional synergies for NewCo (for example, how payroll, tax services, system support and credit rating is handled in each organization)
- 2. Presentation and completeness of cost items:
 - Consider if there should be additional costs identified for
 - Process and Operational Excellence work, and
 - Change Management and Culture Integration work



Risk of Attainment vs. Potential Impact on Service Quality



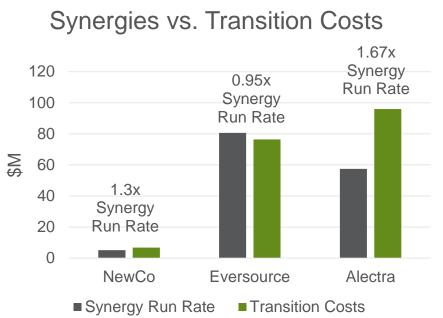
Risk of Negative Service Quality Impact \rightarrow

Overall Risk Assessment

- The reduction of management and non-management FTEs taking place starting in 2018 is reasonable and appears to be low risk with little expected negative impact to service
- Almost all of the reductions through 2027 are for management positions or contracted positions (nonunionized) where there is no significant risk in attrition
- The attrition for the Accounting Analyst position should be reviewed as a reduction in this role is planned soon after the transition period



The estimated transition costs, including severance, are comparable when compared against other electric utility mergers



- A general rule of thumb in utility mergers and acquisitions is that transition costs are roughly equal to 1-2 years of medium term annual synergy savings (synergy run rates)
- A comparison of the projected NewCo transition costs to the larger and more complicated Eversource (2013) and the Alectra (2016) mergers are shown to the left
- The "natural attrition" model, contiguous service territory, and similar systems should result in lower transition costs for NewCo
 - However system integration and other transaction related costs may be higher than projected
- Any higher than projected transition costs can be offset by setting a modestly higher target for labour and non-labour synergies



Navigant identified high-level benchmarking metrics to compare NewCo against similar LDCs in Ontario

- 1. Navigant identified the following metrics as key indicators to benchmark NewCo's proposed operations:
 - I. \$OM&A/customer
 - II. \$OM&A/MWh sales
 - III. \$OM&A/line km
 - IV. FTEE/Customers
 - V. FTEE/MWh sales
 - VI. FTEEs/line km
- 2. Navigant based its comparisons on 2016 OEB Yearbook values
- Navigant included Hydro Ottawa, Powerstream*, Enersource*, Horizon Utilities*, Hydro One Brampton*, and London Hydro in the NewCo peer group given their similarity in customer demographics, FTEEs and service territory



SECTION 3: TOP-DOWN ASSESSMENT COMPONENT STATISTICS

The component statistics of the identified performance indicators are shown below for NewCo, NewCo's predecessors and the peer group

Statistic	NewCo - Proposed	Veridian Connections Inc.	Whitby Hydro Electric Corporation	PowerStream Inc.	Hydro Ottawa Limited	Enersource Hydro Mississauga Inc.	Horizon Utilities Corporation	Hydro One Brampton Networks Inc.	London Hydro Inc.
Total Customers	161,711	119,533	42,178	364,505	327,880	204,728	244,114	158,630	155,496
FTEEs	254	221	75	567	628	350	335	249	322
OM&A in Millions	37,383,977	27,446,073	11,860,806	91,750,076	82,942,814	62,883,055	61,665,031	31,370,268	36,356,144
Total km of Line	3,666	2,571	1,095	7,744	5,608	5,220	3,521	3,367	2,864
Total MWh throughput	4,715,957	2,688,689	904,970	8,891,539	7,639,111	7,569,394	5,546,447	4,148,534	3,298,887

*NewCo FTEEs reflects operations after realization of projected synergies



SECTION 3: TOP-DOWN ASSESSMENT OM&A RATIOS



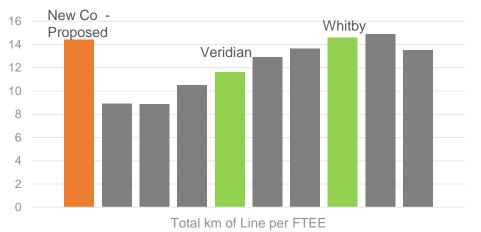
OM&A Cost per km of Line



- NewCo would fall at the mid to low end of the peer group for OM&A costs normalized on the basis of 1) MWh of throughput, 2) customer count, and 3) km of line
- NewCo's OM&A cost ratios are expected to be lower than NewCo's predecessor LDCs, as would be expected in a merger of this nature

SECTION 3: TOP-DOWN ASSESSMENT FTEE RATIOS



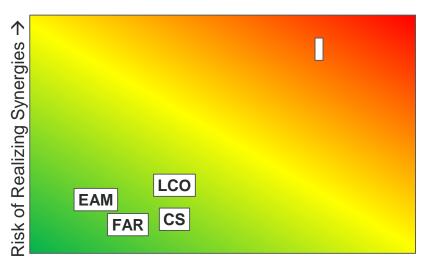


- NewCo would fall at the high (efficient) end of total customers, total km of line, and electricity sales per FTEE amongst the peer group
 - NewCo has a slightly higher percentage of residential customers than the rest of the peer group which supports this dynamic



SECTION 4: OVERALL CONCLUSIONS

Risk of Attainment vs. Potential Impact on Service Quality



Risk of Negative Service Quality Impact \rightarrow

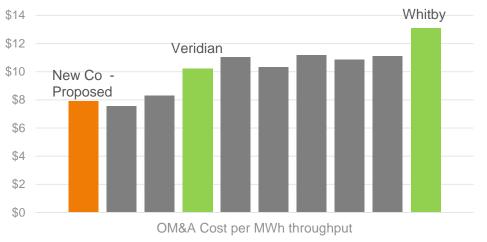
- EAM Engineering, Asset Management
- LCO Lines, Construction, Operations
- FAR Finance, Audit, Regulatory
- CS Customer Service, Corporate, Admin

Bottom-up Analysis

- Navigant's bottom-up analysis answered key questions surrounding estimated labour and non-labour synergies, and identified risks to achieve these synergies
- Navigant has determined that NewCo has a high likelihood of achieving the low end of the management-determined synergies range in each functional area with low risk to current service quality
- Some of the transition costs associated with IT systems integration, legal and consulting fees and other non-labour items may be understated, however, there appears to be some potential to achieve additional labour and non-labour synergies which would offset the impact of higher transition costs

NAVIGANT

SECTION 4: OVERALL CONCLUSIONS





Top-down Analysis

- Benchmarking analysis compared the final state of NewCo against a peer group of Ontario LDCs of similar size and scale of operations
- The proposed level of NewCo costs and employees compares well against existing LDCs in Ontario with similar service territories and operational scope

25



CONTACTS

BENJAMIN GRUNFELD

Managing Director 416.777.2444 benjamin.grunfeld@navigant.com

MICHAEL DE PAOLIS

Senior Consultant 416.777.2455 Michael.de.paolis@Navigant.com

navigant.com

Confidential and Proprietary



Navigant has considerable experience conducting similar assessments for utilities, municipal shareholders, and other stakeholders across Ontario.

Assessed the reasonableness of the proposed	Developed an estimate of the potential synergies		
synergies in PowerStream, Enersource, Horizon,	that could be realized through consolidation of the		
and Hydro One Brampton merger on behalf of	electricity distribution sector in Ontario on behalf of		
Cities of Vaughan, Markham, and Barrie	the Distribution Sector Review Panel		
Provided the City of Barrie with an assessment of	Conducted preliminary feasibility analysis and		
the reasonableness of the proposed synergies	assisted in the development of the business case,		
associated with the Barrie Hydro and PowerStream	including potential synergies, for the merger of		
merger	electricity distributors in southwestern Ontario		
Evaluated the potential synergies and business	Established bottom-up estimate of the potential cost		
case associated with the acquisition of Hydro One	savings associated with the creation of a shared		
customers in adjacent service territory by a number	customer service affiliate for a number of western		
of Ontario municipal LDCs	Ontario LDCs		

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment N Filed: July 30, 2018

ATTACHMENT N GRANT THORNTON FAIRNESS OPINION



Fairness Opinion

Proposed Merger of Veridian Corporation and Whitby Hydro Energy Corporation

Original Report Date: Amended Report Date: November 10, 2017 March 29, 2018



PRIVATE AND CONFIDENTIAL

The Corporation of the Town of Ajax, The Corporation of the City of Belleville, The Corporation of the Municipality of Clarington, The Corporation of the City of Pickering 55 Taunton Road East, Ajax, Ontario L1T 3V3

And to:

The Corporation of the Town of Whitby c/o Municipal Council 100 Taunton Road East Whitby, Ontario L1N 5R8

March 29, 2018

To The Corporation of the Town of Ajax("Ajax"), The Corporation of the City of Belleville ("Belleville"), The Corporation of the Municipality of Clarington ("Clarington"), The Corporation of the City of Pickering ("Pickering") and The Corporation of the Town of Whitby ("Whitby"), collectively referred to as "the Municipalities" and/or the "Shareholders".:

FAIRNESS OPINION

- Grant Thornton LLP ("GT", "we", "us", or "our") understands that the Municipalities wish to amalgamate Veridian Corporation ("Veridian Holdco") and Whitby Hydro Energy Corporation ("Whitby Holdco") into a New Energy Services Company ("NewCo"). Veridian Holdco and Whitby Holdco are both municipally-controlled OBCA corporations whose subsidiaries provide electricity distribution and other non-regulated services as permitted by the Affiliate Relationships Code (the "Transaction" or the "Offer"). As part of the Transaction, the subsidiaries of Veridian Holdco and Whitby Holdco that hold electricity distribution licenses from the Ontario Energy Board (the "OEB"), Veridian Connections Inc. (subsidiary of Veridian Holdco, "Veridian LDC") and Whitby Hydro Electric Corporation (subsidiary of Whitby Holdco, "Whitby LDC") (collectively, the "LDCs"), will be amalgamated to form a single OEB-licensed electricity distributor.
- 2 Upon completion of the Transaction, each of the Municipalities will receive such shares in the capital of NewCo, which will equate to ownership percentages of approximately: 32.00% for Whitby, 27.88% for Pickering, 21.83% for Ajax, 9.25% for Clarington and 9.04% for Belleville.
- 3 The ownership percentages are based on the fair market value of Veridian Holdco and Whitby Holdco, including their respective subsidiaries, set out in the Valuation Reports. The Valuation Reports are defined as the Deloitte LLP prepared Comprehensive level valuation report setting out the fair market value of Veridian Holdco and the Henley

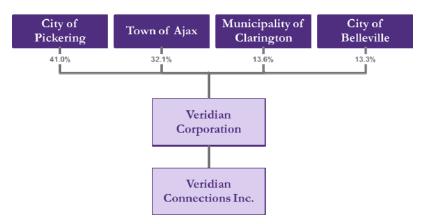


International Inc. prepared Comprehensive level valuation report setting out the fair market value of Whitby Holdco, as at December 31, 2016.

- 4 The ownership percentages were then also used, along with the Independent Assessment of Projected Synergies report, dated August 28, 2017 and prepared by Navigant Consulting Inc., each companies' financial statements and each management teams 17 year forecasts, to develop a merger model ("Merger Financial Model").
- 5 The Shareholders have retained GT to provide a fairness opinion report (the "Fairness Opinion") setting out our opinion as to whether the Offer is fair, from a financial point of view, to each of the Shareholders.
- 6 GT prepared a final fairness opnion report on November 10, 2017 concluding the Offer was fair, from a financial point of view, to each of the Shareholders. This letter was amended to reflect a change in the forecasted dividend policy, negotiated between the respective management teams and Shareholders.

Veridian LDC

7 Veridian LDC is a holding company with the following corporate structure:



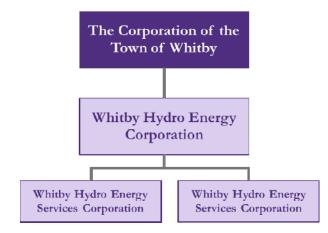
- 8 Veridian LDC is a licensed electricity distributor, whose history dates back to 1922 with the formation of Uxbridge Hydro. Over the next 80 years, many of the local distribution companies east and north of Toronto, along Lake Ontario were either acquired or merged together; including the Hydro Electric Power Commission of Belleville, Port Hope Hydro, Ajax Hydro, Brock Hydro and Pickering Hydro, Clarington Hydro, Scugog Hydro and Gravenhurst Hydro.
- 9 Veridian LDC was officially formed in 1999 with the amalgamation of Ajax, Clarington and Pickering, and in 2001 with the amalgamation of Belleville, under the Hydro-Electric Power Commission of Ontario.
- 10 Within this geographic region, Veridian LDC serves approximately 120,000 customers in throughout the Cities of Pickering and Belleville, the Towns of Ajax, Port Hope and



Gravenhurst, and the communities of Uxbridge, Bowmanville, Newcastle, Orono, Port Perry, Beaverton, Sunderland and Cannington.

Whitby Holdco

11 Whitby Holdco is a holding company with the following corporate structure:



- 12 Whitby LDC is a licensed electricity distributor, formed in 1910.
- 13 Whitby LDC has served the residents of the Town of Whitby, Brooklin and Ashburn communities, since its inception. The Town of Whitby is located along Lake Ontario.
- 14 Whitby Hydro Energy Services corporation, was formed in 2000 as a non-regulated affiliate that provides energy management and engineering services, to its customers.
- 15 Whitby LDC serves approximately 43,000 customers throughout the town of Whitby.

Engagement of Grant Thornton LLP

16 The fee to be received in relation to GT's preparation of the Fairness Opinion is based on the professional time required for GT to render the Fairness Opinion. GT's compensation for rendering the Fairness Opinion is not contingent on the result of, or on any action or event resulting from the use of, the Fairness Opinion. The effective date of our Fairness Opinion was November 10, 2017 and the effective date of our amended Fairness Opinion is March 29, 2018 (the "Report Date").

Credentials of Grant Thornton LLP

- 17 Grant Thornton LLP ("GT") is the Canadian member firm of Grant Thornton International Ltd ("GTIL"), one of the world's leading organizations of independent audit, tax, and advisory firms.
- 18 In Canada, we serve a broad range of clients, including privately-held and publicly-listed companies, financial institutions, governmental agencies, and civic and religious



organizations. Our core industry focuses include energy; financial services; manufacturing and distribution; construction, real estate and hospitality; mining; professional services; and charity and not-for-profit.

- 19 Locally, GT is also a leading financial advisor to local distribution companies and related businesses in Ontario.
- 20 Internationally, we are a firm with revenues of US\$4.2 billion, employ in excess of 35,000 people, have over 2,800 partners, which are spread out over approximately 500 offices.
- 21 The valuation practitioners involved in providing the Fairness Opinion are professionally trained, and hold Chartered Professional Accountant and Chartered Business Valuator designations.

Independence of Grant Thornton LLP

- 22 This report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators ("CICBV"), and in doing so the authors have acted independently and objectively.
- 23 GT has completed an internal search of its records and determined that we are independent of Veridian Holdco and Whitby Holdco. GT has informed the Shareholders that based on a conflict search, GT is not aware of any actual or perceived conflicts that could affect our ability to act impartially.
- 24 Our search concluded that, except for as noted herein, neither GT, nor any of our affiliates, is an insider, associate, or affiliate of Veridian Holdco, Whitby Holdco, or any of their respective subsidiaries, or affiliates.
- 25 There are no understandings, agreements or commitments between GT, Veridian Holdco and Whitby Holdco or any of their respective associates, subsidiaries, or affiliates with respect to any future business dealings.

Scope of Review

26 The Scope of Review describes the extent of and the process of collecting, confirming and reporting data. In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out, among other things, those items listed in Appendix A. We were provided full access to records and personnel, with no restrictions to information requested.

Assumptions and Limitations

- 27 In arriving at our Fairness Opinion, we have relied upon the following statements:
 - a The financial statements referred to under "Scope of Review" are complete in all material respects. The financial statements contain all, and reflect only those, revenues,



expenses, assets and liabilities of Veridian Holdco, Whitby Holdco, and the relevant operating subsidiaries;

- b The Merger Financial Model referred to under "Scope of Review" is complete in all material respects. The Merger Financial Model includes all relevant entities, including all assets and liabilities;
- c The Valuation Reports referred to under "Scope of Review" are complete in all material respects, as at the Valuation Date and include all relevant entities, including all assets and liabilities;
- d The Independent Assessment of Synergies Report referred to under "Scope of Review" is complete and provides a reasonable and achievable estimate of the synergies NewCo could attain over the first ten years of the combined entity;
- e GT has relied upon the completeness, accuracy and fair presentation of all the financial and other factual information, data, advice, opinions or representations obtained from public sources, Deloitte LLP's Comprehensive Valuation Report for Veridian Holdco, Henley International Inc.'s Comprehensive Valuation Report for Whitby Holdco, Navigant International Inc.'s Independent Assessment of Projected Synergies Report and management of Veridian Holdco and Whitby Holdco (collectively, "Management"). Our conclusions are conditional upon the completeness, accuracy and fair presentation of such information. Subject to the exercise of professional judgment, GT has not attempted to verify independently the accuracy, completeness or fair presentation of the information obtained. The Fairness Opinion is conditional upon such completeness and accuracy; and
- f At the date of this report, there were no contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened, other than in the ordinary course of business, disclosed by Veridian Holdco or Whitby Holdco, or contained in the public record.
- 28 We have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of GT and any party involved in the Transaction. We have rendered our Fairness Opinion on the basis of prevailing market and industry conditions and expectations, and on the condition that prospects, financial and otherwise, have been represented to GT in discussions with Management and their representatives and factored into information and analysis provided.
- 29 The preparation of a fairness opinion is a complex process and our opinion was arrived at giving consideration to our analyses viewed as a whole and is not susceptible to partial analysis.
- 30 We understand that our opinion will form a portion of the basis for each Shareholders' vote in favour of, or against, the Transaction. We have consented to our Fairness Opinion



being referred to and included in Council presentations to be sent to the Council members. We also understand that the board of directors of Veridian Holdco and Whitby Holdco will be relying upon our Fairness Opinion to form a portion of the basis for their recommendation to the Shareholder's regarding the Transaction. We have consented to our Fairness Opinion being referred to and included in a board package to be sent to the Board members. Our report has been prepared to provide an opinion as to whether the Offer is fair, from a financial point of view, to the Shareholders. Our report is to be used in contemplation of this stated purpose only, and may not be used or relied upon by any other person, or for any other purpose without our prior written consent. The Fairness Opinion is not intended for general circulation or publication. We do not assume any responsibility or liability for losses occasioned by Veridian Holdco (including its subsidiaries), Whitby Holdco (including its subsidiaries), the Board, the Shareholders, or any other parties as a result of the circulation, reproduction, or use of our report, or its contents, in a manner contrary to the provisions of this paragraph.

- 31 The Fairness Opinion does not constitute a recommendation as to how any Council member, Shareholder representative or any Board member should vote or act on any matter relating to the Transaction. It is not to be interpreted as a recommendation to accept or reject the Offer nor does it provide assurance that the best possible price was obtained.
- 32 No opinion, advice or interpretation is intended in matters that require legal or other appropriate professional advice, and we have not provided such advice to the Shareholder or to the Board.
- 33 It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.
- 34 GT disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which would have been known or expected to be known as at the date of the Fairness Opinion, but which may come to our attention after the Report Date. We reserve the right (but will be under no obligation) to review our Fairness Opinion and, if we consider it necessary, to revise, modify, or withdraw our conclusion in light of any information existing at our Report Date that becomes subsequently known to us, or if we learn that any information we relied upon in preparing our conclusions was inaccurate, incomplete or misleading in any material respect.

Methodology Applied and Factors Considered in Performing our Fairness Analysis

35 The assessment of the fairness of the Transaction, from a financial point of view, must be determined in the context of the Transaction. Briefly described, in considering the fairness of the Transaction, from a financial point of view to the Shareholders, we have considered a number of matters including, but not limited to, the following:



- 36 Deloitte LLP prepared a Comprehensive level valuation report for Veridian Holdco while Henley International Inc., prepared a Comprehensive level valuation report for Whitby Holdco, as at December 31, 2016. Each valuation report included both the LDCs, as well as the respective affiliate businesses included as part of the Transaction. We reviewed both Valuation Reports and considered the conclusions reached in both to be reasonable. We would note that the determination of the fair market value of the equity for both Veridian Holdco and Whitby Holdco were determined based in a merger context and shall mean fair market value without consideration of merger synergies.
- 37 Reviewed, analyzed, and recalculated the respective ownership percentages attributable to the Shareholders of Veridian Holdco and Whitby Holdco in relation to the post-merger entity based on the valuation conclusions in each of the Valuation Reports;
- 38 Researched the industries in which Veridian Holdco and Whitby Holdco do business and assessed the impact of economic trends and outlook on the performance of Veridian Holdco, Whitby Holdco, and the relevant operating subsidiaries;
- 39 Reviewed valuation metrics of publicly traded comparable companies;
- 40 Reviewed the Independent Assessment of Projected Synergies Report, dated August 28, 2017 and prepared by Navigant Consulting Inc.;
- 41 Reviewed valuation metrics implied in transactions involving companies we deemed to be reasonably comparable to Veridian Holdco, Whitby Holdco and their operating subsidiaries; and
- 42 Considered our experience in valuing businesses similar to Veridian Holdco and Whitby Holdco;
- 43 Reviewed and analyzed the proposed draft Amended and Restated Shareholders Agreement to be dated as of the Transaction closing date and the proposed draft Merger Agreement dated March 27, 2018, collectively referred to as the "Agreements"); and
- 44 Prepared the Merger Financial Model, that incorporates certain financial information from the following sources: (1) the Valuation Reports; (2) the most recent audited statements of both Veridian Holdco and Whitby Holdco; (3) the Independent Assessment of Projected Synergies Report; and (4) the management prepared pro forma statements (including Income Statement, Balance Sheets, Cashflow statements, capital expenditure budgets, rate forecasts, etc).



Conclusion

45 Based upon and subject to the foregoing, we are of the opinion that, as at the date hereof, the Merger Agreement is fair, from a financial point of view, to the Shareholders.

Yours sincerely,

Multin

Troy MacDonald, CPA, CA, CBV Partner, Transactions



Appendix A - Scope of Review

- a Project Taunton Merger Financial Model, dated January 12, 2018.
- b Seventeen year forecasts prepared by both Veridian Holdco management and Whitby Holdco management.
- c Draft Shareholders' Agreement to be dated as of the Transaction closing date.
- d Draft Merger Agreement dated March 29, 2018.
- e Externally prepared annual financial statements of Veridian Holdco, Whitby Holdco, and their respective subsidiaries.
- f Veridian Holdco Comprehensive Valuation Report, as at December 31, 2016, dated Nvoember 10, 2017, prepared by Deloitte LLP.
- g Whitby Holdco Comprehensive Valuation Report, as at December 31, 2016, dated November 10, 2017, prepared by Henley International Inc.
- h Independent Assessment of Projected Synergies Report, dated August 28, 2017 and prepared by Navigant Consulting Inc.
- i General research pertaining to the economy, industry, and companies. This research included a number of Capital IQ searches, as well as a review of industry reports related to electricity distribution in Canada.
- j Discussions with Management of both the Veridian Holdco and Whitby Holdco.
- k We discussed with Management the past and future operations of the LDCs and other subsidiaries, pricing, cost, and the state of each entity's respective industry. In keeping with our terms of reference, we completed limited review, analysis and corroboration of this information provided by Management.
- 1 Various contracts relating to the operations of Veridian Holdco and Whitby Holdco (including subsidiaries).

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment O Filed: July 30, 2018

ATTACHMENT O VERIDIAN LDC 2016 AND 2017 FINANCIAL STATEMENTS

Financial Statements of

VERIDIAN CONNECTIONS INC.

Years ended December 31, 2016 and 2015



KPMG LLP Vaughan Metropolitan Centre 100 New Park Place, Suite 1400 Vaughan ON L4K 0J3 Canada Tel 905-265-5900 Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Veridian Connections Inc.

We have audited the accompanying financial statements of Veridian Connections Inc., which comprise the balance sheets as at December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Veridian Connections Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 4, 2017 Vaughan, Canada

Balance Sheets (In thousands of dollars)

December 31, 2016 and 2015

	Note		2016		2015
Assets					
Current assets:					
Current assets.		\$	4.953	\$	6.416
Accounts receivable	2	φ	66,418	φ	57,962
Due from related parties	-		111		66
Materials and supplies			3,031		2,642
Prepaid expenses			1,202		57
Total current assets			75,715		67,66
Non-current assets:	_				
Property, plant and equipment	3		239,542		218,15
Intangible assets Goodwill	4		4,448 8,746		4,46 8,74
Deferred tax assets	7		3,738		6,09
Other assets	/		161		23
Total non-current assets			256,635		237,69
Total assets			332,350		305,35
Regulatory balances	6		2,530		3,17
Total assets and regulatory balances		\$	334,880	\$	308,52
Liabilities and Shareholder's Equi	itv/				
•	l y				
Current liabilities: Accounts payable and accrued liabilities	8	\$	44,308	\$	44,05
Due to related parties	0	φ	44,308	φ	44,03
Short-term debt	9		43,588		43,58
Advance payments - construction deposits	0		629		.0,00
Income taxes payable			123		14
Customer deposits			5,799		5,17
Deferred revenue	10		1,850		1,87
Developer obligations			1,943		1,44
Long-term debt	12		1,514		1,48
Total current liabilities			99,796		98,64
Non-current liabilities:	40		04.040		05 75
Long-term debt Deferred contributions	12 13		94,340		85,75 11,54
Employee future benefits	13		18,683 2,771		2.61
Unrealized loss on interest rate swaps	22(e)		3,621		3,35
Other liabilities	17(b)		1,212		1,21
Total non-current liabilities			120.627		104,48
Total liabilities			220,423		203,12
Shareholder's equity:					
Share capital	15		69,302		69,30
Contributed capital			23		2
Accumulated other comprehensive loss			(340)		(26
Retained earnings			35,087		28,68
Total shareholder's equity Total liabilities and equity			104,072 324,495		97,74 300.87
Regulatory balances	6		10,385		7,65
Contingencies and guarantees	17		. 0,000		.,00
Lease commitments	18				

See accompanying notes to the financial statements.

On behalf of the Board:

Chair, Board of Directors

he

Chair Audit and Risk Management Committee

Statements of Comprehensive Income (In thousands of dollars)

Years ended December 31, 2016 and 2015

	Note	2016	201
Revenue:			
Commodity		\$ 338,009	\$ 283,05
Commodity cost		(331,487)	(280,56
i		6,522	2,48
Distribution revenue		52,264	51,76
Other income	19	3,348	3,94
		62,134	58,19
Expenses:			
Operating and maintenance	20	9,628	9,25
Administration	20	18,079	17,30
Depreciation and amortization	5	11,350	10,77
		39,057	37,33
		23,077	20,86
Finance income		66	13
Finance costs	12	(4,940)	(5,02
Unrealized loss on interest rate swaps	22(e)	(264)	(1,46
		(5,138)	(6,36
Income before income taxes		17,939	14,50
Income tax expense	7	3,514	3,29
Net income		14,425	11,21
Net movements in regulatory balances, net of tax		(3,372)	(1,46
Net income after net movements in		44.050	0.7
regulatory balances		11,053	9,74
Other comprehensive loss, net of tax: Remeasurements of employee future benefits		(77)	
			\$ 9,74
Total comprehensive income		\$ 10,976	\$ 9,74

See accompanying notes to the financial statements.

Statements of Changes in Equity (In thousands of dollars)

Years ended December 31, 2016 and 2015

	Note	2016	2015
Share capital		\$ 69,302	\$ 69,302
Contributed capital		23	23
Accumulated other comprehensive loss		(340)	(264)
		68,985	69,061
Retained earnings, beginning of year		28,683	24,284
Net income after net movements in regulatory balances		11,053	9,749
Dividends paid	16	(4,649)	(5,350)
Retained earnings, end of year		35,087	28,683
Total equity		\$ 104,072	\$ 97,744

See accompanying notes to the financial statements.

Statements of Cash Flows (In thousands of dollars)

Years ended December 31, 2016 and 2015

	Note	2016	2015
Cash provided by (used in):			
Operating activities:			
Net income after net movements in			
regulatory balances		\$ 11,053	\$ 9,749
Adjustments:			
Depreciation and amortization	5	12,102	11,497
Amortization of deferred contributions		(318)	(148)
Loss on disposal/retirement of property,			
plant and equipment		362	373
Employee future benefits		79	101
Unrealized loss on interest rate swaps		264	1,466
Finance income		(66)	(130)
Finance costs		4,940	5,027
Income tax expense		3,514	3,291
Deferred contributions		7,458	5,789
Customer deposits		625	118
Income taxes paid		(1,400)	(1,350)
Income taxes received		221	202
Other assets		69	69
Net movements in regulatory balances		3,372	1,465
		42,275	37,519
Changes in non-cash operating working capital	21	(9,322)	227
Net cash provided by operating activities		32,953	37,746
Financing activities:			
Interest received		66	130
Repayment of long-term debt		(1,379)	(1,586)
Proceeds from long-term debt		10,000	_ ()
Dividends paid	16	(4,649)	(5,350)
Interest paid		(4,934)	(4,994)
Net cash used in financing activities		(896)	(11,800)
Investing activities:			
Additions to property, plant and equipment		(31,821)	(25,853)
Additions to intangible assets		(1,723)	(2,229)
Proceeds from disposal of			
property, plant and equipment		24	33
Net cash used in investing activities		(33,520)	(28,049)
Decrease in cash		(1,463)	(2,103)
Cash, beginning of year		6,416	8,519
Cash, end of year		\$ 4,953	\$ 6,416

See accompanying notes to the financial statements.

Notes to the Financial Statements (In thousands of dollars)

Years ended December 31, 2016 and 2015

Veridian Connections Inc. ("VCI" or the "Company") commenced operations on November 1, 1999. It is a wholly owned subsidiary of Veridian Corporation (the "Corporation"). The Company is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor which distributes electricity in the cities of Belleville and Pickering, the towns of Ajax, Gravenhurst, Port Hope and Uxbridge, and the communities of Bowmanville, Newcastle, Orono, Beaverton, Cannington, Sunderland and Port Perry. The Company's registered office is located at 55 Taunton Road East, Ajax, Ontario L1T 3V3.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The financial statements have been prepared on the historical cost basis, except for employee future benefits and certain financial instruments that are measured at fair value.

(b) Regulated environment:

The Company is an electricity distributor licensed by the OEB. It is regulated by the OEB under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility of ensuring that distribution companies fulfill obligations to connect and service customers.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

The Ontario Energy Board Act, 1998 sets out guiding objectives for the OEB:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances;
- To facilitate the implementation of a smart grid in Ontario; and
- To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The Company is responsible for charging its customers the following revenues:

- Commodity revenue The commodity revenue is pass-through revenue for amounts payable to third parties. This revenue represents the costs of electricity consumed by the customers and passed through to the Independent Electricity System Operator ("IESO"). It also includes global adjustment revenue for non-regulated price plan consumers.
- Wholesale market services ("WMS") revenue The WMS revenue represents the recovery of wholesale market costs for the IESO to operate the electricity market and maintain the system. This revenue is passed through to the IESO.
- Retail transmission service rate ("RTSR") revenue The RTSR revenue represents the recovery of costs incurred for transmission of electricity to local distribution networks. This revenue is passed through to operators of transmission facilities.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

• Electricity distribution revenue - The electricity distribution revenue represents the recovery of costs incurred by VCI in delivering the electricity to its customers.

Electricity distribution rates:

Electricity distribution rates include both fixed monthly rates per customer and variable rates per kWh usage or kW demand. In 2015, the OEB released a policy that for residential electricity customers only, distribution delivery costs will be recovered through a monthly, fixed service charge. The policy set out that the transition to a fully fixed rate would occur over four years beginning in 2016. The fixed rate will increase gradually and the variable rate will decline. These distribution rates are subject to regulation by the OEB.

The OEB regulates electricity rates for distributors through three different rate setting options: Price Cap Incentive Rate-setting, Custom Incentive Rate-setting, and Annual Incentive Rate-setting Index. The Price Cap Incentive Rate-setting method sets a distributor's rates through a formula-based mechanism using a price cap index.

- (c) Revenue recognition:
 - (i) Electricity distribution and sale:

Revenue from the sale of electricity is recognized on an accrual basis driven by cyclical billings based on electricity usage billed at OEB-approved distribution rates. Revenue from the sale of electricity includes an estimate of unbilled revenue accrued in respect of electricity delivered but not yet billed at year end. Unbilled revenue is calculated based on OEB-approved rates for electricity consumption and electricity demand driven by number of days between a customer's last meter reading in the year and December 31, 2016. Actual billed revenue could differ from estimates due to energy demand, weather, line losses and changes in the composition of customer classes.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

The difference between the amounts charged to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO, is recorded as a settlement variance. In accordance with IFRS 14, Regulatory Deferral Accounts ("IFRS 14"), which permits a rate-regulated entity to continue to recognize and measure regulatory deferral account balances in accordance with its previous generally accepted accounting principles ("GAAP"), this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statements of comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by the Company in delivering electricity to customers. Distribution revenue also includes revenue related to collection of OEB-approved rate riders.

The carrying amount of accounts receivable is reduced through an allowance for doubtful accounts, if applicable, and all impairment losses are recognized in net income. When the Company considers that there are no realistic prospects of recovery of an account receivable, the relevant amount is determined to be impaired and is written off. If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

(ii) Other income:

Other income, which includes revenue from electricity distribution-related services, is recognized as services are rendered. Capital contributions received from electricity customers to construct or acquire property, plant and equipment ("PP&E") for the purpose of connecting a customer to a network are recorded as deferred contributions and amortized into other income at an equivalent rate to that used for the depreciation of the related PP&E. Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as income in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(iii) Deferred revenue:

Amounts received in advance in relation to the IESO supported CDM initiatives are presented as deferred revenue (note 10).

(d) Rate setting:

The electricity distribution rates of the Company are subject to regulation by the OEB and these rates are based on a revenue requirement that includes a rate of return of 9.36% effective May 1, 2014.

On September 28, 2015, the Company filed a Price Cap Incentive Rate-setting application with the OEB to change distribution rates effective May 1, 2016. The application was approved by the OEB on March 17, 2016.

On November 7, 2016, the Company filed a Price Cap Incentive Rate-setting application with the OEB for May 1, 2017 rates. The OEB decision on this application has not been received at this time.

On January 30, 2014, the IASB issued an interim standard, IFRS 14, to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

The scope of this standard is limited to first-time adopters of IFRS and will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The interim standard introduced new presentation requirements and permitted first-time adopters to continue to recognize amounts related to rate regulation in accordance with Chartered Professional Accountants of Canada Handbook Part V - Pre-changeover Accounting Standards (subsequently referred to as "previous Canadian GAAP") requirements and was effective from January 1, 2016, with early application permitted. The Company elected to early adopt IFRS 14 in its 2015 financial statements under IFRS, with a transition date of January 1, 2014 and determined that regulatory balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the "Accounting Procedures Handbook for Electricity Distributors".

The IASB's comprehensive project on rate-regulated activities is addressing whether IFRSs should require entities operating in rate-regulated environments to recognize assets and liabilities arising from the effects of rate regulation. On December 12, 2016, the IASB staff met with the IASB board members to discuss their preliminary proposals for an accounting model for rate-regulated entities and highlighted the input received from the Accounting Standards Advisory Forum and other stakeholders. This comprehensive project remains ongoing.

The OEB has the general power to include or exclude costs, revenue, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in the timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory balances. The Company's regulatory debit balances represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory credit balances, which represent obligations that are expected to be refunded to customers. The netting of regulatory debit and credit balances is not permitted under IFRS 14.

(e) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(f) Materials and supplies:

Materials and supplies, which consists of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

Any write-downs taken on materials and supplies are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of PP&E and depreciated once they are put into use.

(g) Property, plant and equipment:

PP&E purchased or constructed by the Company are recorded at cost less accumulated depreciation. Costs include contracted services, materials, labour, engineering costs, directly attributable overheads and capitalized borrowing costs during construction when applied. Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Company and the costs can be measured reliably. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. These contributions are used to connect customers to the Company's network and provide them with ongoing access to the supply of electricity. The contributions are recognized as deferred contributions and amortized into other income over the life of the related asset.

Upon energization of residential subdivision assets, a developer liability is accrued (as per the offer to connect contract) for the amounts payable to the developer for the Company's investment in the subdivision.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

Depreciation of PP&E is charged to net income on a straight-line basis over their estimated service lives at the following annual rates:

Land rights	2.0%
Buildings	2.0% - 6.7%
Distribution station equipment	1.7% - 4.0%
Transmission and distribution system	1.7% - 10.0%
Meters	4.0% - 6.7%
Office equipment	10.0%
Computer hardware	20.0% - 33.3%
Vehicle fleet	6.7% - 16.7%
Renewable power generation	4.0%

The depreciation method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

Construction in progress comprises PP&E under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Construction in progress, land rights, major spare parts and standby equipment are not subject to depreciation until these assets are put into service. Land is not depreciated.

Borrowing costs directly attributable to the acquisition, construction or development of qualifying assets that necessarily take a substantial period of time to prepare for their intended use are capitalized, until such time as the assets are substantially ready for their intended use. The weighted average cost of long-term borrowings is used as the capitalization rate. Qualifying assets are considered to be those that take in excess of six months to construct.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

When portions of the Company's distribution facilities are replaced or relocated, the associated costs less the salvage value of any material returned to materials and supplies are capitalized to the new asset. Depreciation is then recorded at the same rate used for the original asset.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have decommissioning obligations, constructive or otherwise. The majority of the Company's easements and rights-of-way are subject to extension or renewal and are expected to be available for a perpetual duration. As the Company expects to use the majority of its installed assets into perpetuity, no removal date can be determined and consequently no reasonable estimate of the fair value of such asset retirement obligations can be made. If, at some future date, it becomes possible to estimate the fair value cost of removing the assets that the Company is legally or constructively required to remove, a related asset retirement obligation will be recognized at that time. The discounted amount is not material.

Assets are derecognized at their carrying value upon retirement or when no remaining economic benefits are expected from its use. The related gain or loss arising on the disposal or retirement is determined as the difference between the proceeds from sale and the carrying value of the asset and is included in net income for the related fiscal year. The cost of replacing a part of an item of PP&E is recognized as an addition to the carrying amount of the asset and the carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of PP&E assets is recognized in net income as incurred.

(h) Intangible assets:

Intangible assets separately acquired or internally developed are measured on initial recognition at cost which comprises purchased software, labour, including employee benefits and consulting, engineering, directly attributable overheads and capitalized borrowing costs, if applicable. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is provided on a straight-line basis over the estimated service lives at the following annual rates:

Application software and intellectual property	33.3%
Internally generated software	20.0%

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

Software in development is not subject to amortization. The above-noted amortization rates apply to assets held within the application software and other intangible asset grouping (note 4). The amortization method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

(i) Goodwill:

Goodwill relates to the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased and is evaluated for impairment at each reporting date. Goodwill is measured at cost and is not amortized. Impairment testing for goodwill is always carried out in the context of the cash generating unit ("CGU") as goodwill does not generate cash flows independently of other assets. The Company has determined that goodwill is not impaired.

(j) Impairment of non-financial assets:

The carrying costs of non-financial assets: PP&E, intangible assets and goodwill are reviewed for impairment at each reporting date to determine whether there is any indication of impairment, in which case, the asset's recoverable amount is estimated.

For the regulated business, the carrying costs of most of the Company's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding work in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Impairment is tested at the CGU level, which is the smallest identifiable group of assets that generates independent cash flows. The Company has only one CGU, the regulated business unit. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in net income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(k) Customer deposits and advance payments:

Customers may be required to post security deposits to obtain electricity or other services. Interest is paid on customer deposits at rates prescribed by the OEB: this is currently interest at Canada's prime business rate less 2%, which was 0.7% per annum as of December 31, 2016. The Company receives advance payments from customers in relation to construction projects and recognizes them as a liability until the projects are completed.

- (I) Employee benefits:
 - (i) Short-term employee benefits:

The Company provides short-term employee benefits, such as: salaries, employment insurance, short-term compensated absences, health and dental care. These benefits are recognized as the related service is rendered and is measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of materials and supplies, PP&E, intangible assets or recoverable projects. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting period.

The Company recognizes a current liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting period. The assumptions used for estimating the amount of the liability are analogous to those used in the valuation of employee future benefits.

(ii) Defined benefit pension plan:

The Company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

OMERS plan is a multi-employer defined benefit plan providing pension to employees of municipalities, local boards, public utilities and school boards. It is funded by equal contributions from participating employers and employees, as well as by investment earnings of the plan. Each year, an independent actuary determines the plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. OMERS does not track its investments by employer and actuarial assumptions are developed based on the entire plan membership on a commingled basis and, therefore, information for individual plans cannot be determined. As a result, the Company accounts for the OMERS plan as a defined contribution plan and contributions to the plan are recognized as an employee benefit expense.

(iii) Employee future benefits:

The Company provides all employees with life insurance benefits, as well as a Health Care Spending Account ("HCSA") for those employees retiring post April 1, 2011 having completed a minimum of 20 years of service with the Company. This benefit is available until age sixty five.

The Company actuarially determines the cost of employee future benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Company applies the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected employee future benefits is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

Remeasurements of the net benefit liability comprise actuarial gains or losses that are recognized in the balance sheets with a charge or credit to other comprehensive income or loss. Current service costs are allocated to operating, maintenance and administration expenses and to capital and recoverable projects recognized in the balance sheets.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(m) Income taxes:

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes ("PILs") to Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Company uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax bases of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable in the year or a later period.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of comprehensive income in the year that includes the date of enactment or substantive enactment.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. Previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. A valuation allowance is recorded against a deferred tax asset to the extent that the Company determines that it is probable that a deferred income tax asset will not be realized in the future.

Where the Company expects the deferred taxes to be recovered from or refunded to customers as part of the rate setting process, the deferred income tax assets and liabilities result in regulatory deferral debit balances or credit balances, respectively. Deferred tax assets that are not included in the rate-setting process result in a deferred tax provision that is charged or credited to the statements of comprehensive income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(n) Provisions and contingencies:

The Company recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

(o) Use of judgments and estimates:

The preparation of financial statements requires management to make estimates, judgments and assumptions: within reasonable limits of materiality and within the framework of the significant accounting policies, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following financial notes.

- (i) Note 1(c)(i) measurement of unbilled revenue;
- (ii) Note 1(g) environmental and decommissioning liabilities;
- (iii) Notes 1(g), (h) estimation of useful lives of PP&E and intangible assets;
- (iv) Note 1(c)(i), (d) and note 6 recognition and measurement of regulatory balances;

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

- (v) Notes 1(I)(ii)(iii) and note 14 measurement of employee future benefits: key actuarial assumptions;
- (vi) Note 1(n) recognition and measurement of provisions and contingencies;
- (vii) Note 1(m) and note 7 recognition of deferred tax assets availability of future taxable profit against which tax losses carried forward can be used; and
- (viii) Note 1(c)(i) and note 22(c) allowance for doubtful accounts.

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant.

(p) Non-derivative financial instruments:

All non-derivative financial assets are classified as loans and receivables and all nonderivative liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized costs using the effective interest method less any impairment for the financial assets, as described in note 22(c).

(q) Derivative financial instruments:

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date.

The Company has not elected to apply hedge accounting for its interest rate swap contracts and does not enter into derivative agreements for speculative purposes. Changes in the fair value of the derivatives are recorded each year in the statements of comprehensive income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(r) Capital disclosures:

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns. As at December 31, 2016, the Company's definition of capital includes shareholder's equity, short-term debt (including the Corporation shareholders' promissory notes) and long-term debt, less cash and cash equivalents.

During the year, there have been no changes to how the Company assesses its capital structure.

(s) New standards and interpretations not yet adopted:

The IASB issues amendments to standards and interpretations which do not have to be adopted in the current year. The Company is still evaluating the adoption of the following new and revised standards, described below, which the Company anticipates might have an impact on its financial statements or note disclosures:

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15. The standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. It supersedes current revenue recognition guidance, including International Accounting Standard ("IAS") 18, Revenues, IAS 11, Construction Contracts and related interpretations. The new revenue model applies to all contracts with customers, except those that are within the scope of other IFRSs, such as leases, insurance contracts and financial instruments. IFRS 15 specifies how and when the entity should recognize revenue and additional disclosure requirements. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

1. Significant accounting policies (continued):

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

The IASB published the final version of IFRS 9 in July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 has an expected credit loss model for a timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. It also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements.

(iii) IFRS 16, Leases ("IFRS 16"):

The IASB published IFRS 16 in January 2016. It replaces the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective from January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. The Company intends to early adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on the financial statements.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

2. Accounts receivable:

	2016	2015
Energy revenue	\$ 29,497	\$ 19,513
Unbilled revenue	33,740	34,781
Project expenditures recoverable	3,275	3,522
Pole rentals and other	976	1,216
	67,488	59,032
Less allowance for doubtful accounts	1,070	1,070
	\$ 66,418	\$ 57,962

Unbilled revenue represents amounts for which the Company has a contractual right to receive cash through future billings and are unbilled at the period end. Unbilled revenue is considered current with no allowance for doubtful accounts.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

3. Property, plant and equipment:

December 31, 2016:

	Dece	ember 31, 2015	Addit depreci		osals/ ments	Dece	ember 31, 2016
Cost							
Land	\$	1,777	\$	_	\$ _	\$	1,777
Land rights		392		3	_		395
Buildings		16,530		801	_		17,331
Distribution station							
equipment		25,217	2	2,801	_		28,018
Transmission and							
distribution system		158,885	23	3,380	(333)		181,932
Meters		13,855		1,154	(142)		14,867
Office equipment		1,276		132	·		1,408
Computer hardware		1,540		839	_		2,379
Vehicle fleet		5,118		549	(54)		5,613
Renewable power		0,110		0.0	(0.)		0,010
generation		767		(8)	_		759
Construction in progress		10,362	2	2,322	_		12,684
		235,719		,973	(529)		267,163
Accumulated depreciation							
Land rights		22		11	_		33
Buildings		2,330	1	I,120	_		3,450
Distribution station							
equipment		1,637		907	_		2,544
Transmission and							
distribution system		9,261	5	5,524	(61)		14,724
Meters		2,433	1	,297	(36)		3,694
Office equipment		388		208	_		596
Computer hardware		719		384	_		1,103
Vehicle fleet		713		719	(45)		1,387
Renewable power					. ,		
generation		57		33	 _		90
		17,560	10),203	(142)		27,621
	\$	218,159	\$ 21	1,770	\$ (387)	\$	239,542

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

3. Property, plant and equipment (continued):

December 31, 2015:

	Dec	ember 31, 2014		tions/		osals/ ments	Dece	ember 31, 2015
		2014	deprec	allon	reure	ments		2015
Cost								
Land	\$	1,777	\$	_	\$	_	\$	1,777
Land rights		385		7		_		392
Buildings		15,945		585		_		16,530
Distribution station								
equipment		23,109		2,108		-		25,217
Transmission and								
distribution system		138,593	20	0,662		(370)		158,885
Meters		13,148		804		(97)		13,855
Office equipment		1,207		69				1,276
Computer hardware		1,365		175		_		1,540
Vehicle fleet		3,820		1,298		_		5,118
Renewable power		-,		,				-, -
generation		630		137		_		767
Construction in progress		9,556		806		_		10,362
		209,535	26	6,651		(467)		235,719
Accumulated depreciation								
Land rights		11		11		_		22
Buildings		1,154		1,176		-		2,330
Distribution station								
equipment		785		852		_		1,637
Transmission and								
distribution system		4,371	4	4,934		(44)		9,261
Meters		1,203		1,247		(17)		2,433
Office equipment		191		197				388
Computer hardware		425		294		_		719
Vehicle fleet		35		678		_		713
Renewable power								
generation		27		30		_		57
*		8,202	Q	9,419		(61)		17,560
	\$	201,333	\$ 17	7,232	\$	(406)	\$	218,159

During the year, borrowing costs of \$313 (2015 - \$254) were capitalized to PP&E and credited to finance costs. Weighted average cost of short-term debt with a maturity date of November 1, 2039 and long-term borrowings is used for capitalizing borrowing costs as part of PP&E with an average rate of 3.94% (2015 - 4.00%).

Additions to construction in progress are net of transfers to other PP&E categories.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

4. Intangible assets:

December 31, 2016:

	December 31, 2015	Additions/ amortization	Disposals/ retirements	December 31, 2016
Cost				
Application software and other	\$ 7,431	\$ 1,825	\$ –	\$ 9,256
Construction in progress related to application	100			10.1
software and other Capital contributions	126 1,212	58 -	-	184 1,212
· · ·	8,769	1,883	_	10,652
Accumulated amortization				
Application software				
and other	4,306	1,898	-	6,204
	\$ 4,463	\$ (15)	\$ -	\$ 4,448

December 31, 2015:

	Decem	ber 31, 2014	-	ditions/ ization	Dispos retireme		Decem	ber 31, 2015
Cost								
Application software and other	\$	5,654	\$	1,777	\$	_	\$	7,431
Construction in progress related to application software and other		9		117		_		126
Capital contributions		1,212		_		_		1,212
		6,875		1,894		_		8,769
Accumulated amortization								
Application software								
and other		2,229		2,077		-		4,306
	\$	4,646	\$	(183)	\$	_	\$	4,463

No borrowing costs were capitalized on intangible assets under development in 2016 or 2015.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

4. Intangible assets (continued):

Application software and other includes externally acquired, as well as internally generated computer software. The remaining amortization period is between 1 and 5 years.

5. Depreciation and amortization:

	2016	2015
Total depreciation and amortization expense	\$ 12,102	\$ 11,497
Allocated to: Depreciation/amortization of vehicle fleet	719	670
included in operating and maintenance expenses Depreciation/amortization of assets in non-regulated utility operations	719	678
included in other income	33	43
	752	721
Depreciation and amortization expense	\$ 11,350	\$ 10,776

6. Regulatory balances:

Regulatory balances can arise out of the rate-making process. Specifically, the following regulatory treatments have resulted in accounting treatments that differ from IFRS for enterprises operating in a non-regulated environment and regulated entities that did not adopt IFRS 14:

- (i) The Company records the difference between the borrowing costs capitalization rate prescribed by the OEB and the weighted average cost of borrowings rate used to capitalize PP&E under IFRS. This amount is recognized as a regulatory debit or credit balance to be recovered or paid respectively to the customers through future rates;
- (ii) The Company records regulatory debit balances arising from derecognition of assets under IFRS. These amounts will be sought for disposition through the next cost of service rebasing application and recovered from customers through future rates;
- (iii) The Company records deferred tax assets and a corresponding regulatory tax liability, as the recovery from, or refund to, customers is expected to be included in future distribution rates for its regulated business activities;

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

6. Regulatory balances (continued):

- (iv) The Company has deferred certain retail settlement variances which comprise the variances between amounts charged by the Company to customers based on regulated rates and wholesale rates incurred for the cost of electricity service; and
- (v) The Company has deferred costs related to: IFRS implementation, lost revenue adjustment mechanism costs, and OEB assessment costs.

Debit balances comprise of the following:

	Jar	nuary 1, 2016	aris	ances sing in period	R	ecovery/ reversal	move	Other	Decem	ber 31, 2016	Remaining recovery/ reversal period (years)
Approved settlement											
variances (a)	\$	1,371	\$	5	\$	(1,287)	\$	-	\$	89	1 year
One-time IFRS											
conversion costs (b)		473		6		-		-		479	Note 1
Extraordinary costs related to ice storm											
restoration (d)		205		-		(205)		-		-	
IFRS transitional											
adjustments (e)		852		267		-		-		1,119	Note 1
Other (f)		269		574		-		-		843	Note 1
	\$	3,170	\$	852	\$	(1,492)	\$	-	\$	2,530	

	Jar	nuary 1, 2015	a	alances ising in e period	R	ecovery/ reversal	mo	Other vements	Decem	ber 31, 2015	Remaining recovery/ reversal period (years)
Approved settlement											
variances (a)	\$	821	\$	2,830	\$	(2,280)	\$	-	\$	1,371	1 year
Future settlement		0.000						(0,000)			
variances (a) One-time IFRS		2,633		-		-		(2,633)		-	Note 3
		469		4						473	Note 1
conversion costs (b)				4		-		-		473	
Stranded meters (c) Extraordinary costs related to ice storm		1,457		-		-		(1,457)		-	Note 3
restoration (d) IFRS transitional		728		7		(530)		-		205	1 year
adjustments (e)		494		358		-		-		852	Note 1
Other (f)		162		107		-		-		269	Note 1
	\$	6,764	\$	3,306	\$	(2,810)	\$	(4,090)	\$	3,170	

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

6. Regulatory balances (continued):

Credit balances comprise of the following:

	Jai	nuary 1, 2016	a	alances rising in e period	overy/ eversal	move	Other ments	Decen	nber 31, 2016	Remaining recovery/ reversal period (years)
Future settlement										
variances (a)	\$	2,646	\$	5,162	\$ -	\$	-	\$	7,808	Note 1
Stranded meters (c)		18		-	_		-		18	Note 1
Other (f)		47		1	-		-		48	Note 1
Deferred taxes (g)		4,942		(2,431)	-		-		2,511	Note 2
	\$	7,653	\$	2,732	\$ -	\$	_	\$	10,385	

	Jar	nuary 1, 2015	а	alances rising in e period	ecovery/ reversal	mo	Other	Decem	nber 31, 2015	Remaining recovery/ reversal period (years)
Future settlement variances (a) Approved IFRS transitional	\$	-	\$	2,448	\$ 2,831	\$	(2,633)	\$	2,646	Note 1
adjustments (e)		3,049		-	(3,049)		-		-	
Stranded meters (c)		-		(4)	1,479		(1,457)		18	Note 1
Other (f)		40		25	(18)		_		47	Note 1
Deferred taxes (g)		6,694		(1,752)	-		-		4,942	Note 2
	\$	9,783	\$	717	\$ 1,243	\$	(4,090)	\$	7,653	

Note ¹ The Company intends to seek recovery or refund in future rate applications to the OEB.

Note ² The Company will not seek disposition of the balance since it will be reversed through timing differences in the recognition of deferred tax assets.

Note 3 These balances have been reclassified to regulatory credit balances.

The balances arising in the period column are new additions (for both debits and credits). The recovery/reversal column are amounts: collected or refunded through rate riders, disposition of OEB-approved regulatory balances, or other transactions which reduces existing regulatory balances. The other movements column consists of impairment (if the OEB disallowed certain amounts), carrying cost adjustments, and reclassification between the regulatory debit and credit balances. There is no impairment recorded for the years ended December 31, 2016 and December 31, 2015.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

6. Regulatory balances (continued):

Regulatory balances descriptions:

(a) Settlement variances:

The amounts include the variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates. This amount also includes variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers based on the OEB-approved rates. Also included are retail cost variances, being the differences between the revenue charged to retailers and the retail services costs associated with providing the retail services.

In 2015, the OEB approved the disposition of the Company's retail settlement variance accounts as at December 31, 2013.

(b) One-time IFRS conversion costs:

In accordance with an OEB directive, a deferral account has been established for the one-time administrative costs during transition to IFRS. These amounts will be sought for disposition in the Company's first cost of service rebasing application under IFRS.

(c) Stranded meters:

These amounts are related to the provincial government's directive for licensed distributors to install smart meters for specific customer classes and represent the net book value of stranded meter assets arising from the Company's smart metering program.

In 2014, the OEB approved the Company's request for recovery of these regulatory balances through a rate rider with a one-year term.

This rate rider expired April 30, 2015 with the balance to be refunded in a future rate application to the OEB.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

6. Regulatory balances (continued):

(d) Extraordinary costs related to ice storm restoration:

In December 2013, the Company recorded deferred power restoration costs related to a severe ice storm as a regulatory balance for disposition to be sought in the future.

On February 19, 2015, the OEB approved the Company's application for recovery of these costs through a rate rider which ended February 28, 2016.

(e) IFRS transitional adjustments:

Approved amounts:

In 2012, the Company began recording regulatory credit balances arising from changes in estimates of useful lives of PP&E and increases in operating expenses resulting from changes in estimation and allocation of overheads.

In 2014, the OEB approved the Company's request for refund of the amount of \$6,278 to ratepayers through a rate rider with a one-year term. This rate rider expired April 30, 2015.

Future amounts:

Commencing in 2014, the Company has recorded regulatory debit balances arising from derecognition of assets under IFRS and capitalized borrowing costs difference between weighted average long-term borrowing costs under IFRS and OEB guidelines. These amounts will be sought for disposition in the Company's first cost of service rebasing application under IFRS.

(f) Other:

These amounts relate to the deferral of costs related to lost revenue adjustment mechanism costs, renewable generation connection funding adder, OEB assessment costs and other regulatory balances.

(g) Deferred taxes:

This regulatory credit balance includes both deferred tax amounts reclassified under IFRS 14 and expected future electricity distribution rate reduction for customers arising from timing difference in the recognition of deferred tax assets.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

6. Regulatory balances (continued):

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances \$626 as at December 31, 2016 (2015 - \$399).

The deferred tax amount related to the expected future electricity distribution rate reduction for customers was \$1,885 as at December 31, 2016 (2015 - \$4,543).

7. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and effective tax rates is provided as follows:

	2016		2015
Income before income taxes	\$ 17,939	\$	14,505
Federal and Ontario statutory income tax rate	26.50%	:	26.50%
Provision for income taxes at statutory rate Increase (decrease) resulting from: Temporary differences expected to be	\$ 4,754	\$	3,844
recovered from customers Other miscellaneous	(1,857) (1,814)		(1,373) (932)
Income taxes recorded in regulatory balances movements	2,431		1,752
Income tax expense	\$ 3,514	\$	3,291
Allocated: Current Deferred	\$ 1,156 (73)	\$	1,407 132
Income taxes recorded in regulatory balances movements	2,431		1,752
Total income tax expense	\$ 3,514	\$	3,291

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

7. Income taxes (continued):

Deferred tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. The tax effects of these differences are as follows:

	2016	2015
Deferred tax assets:		
Property, plant and equipment		
and intangible assets	\$ 500	\$ 2,977
Employee future benefits	. 999	943
Sick leave liability	352	352
Unrealized loss on interest rate swaps	960	889
Deferred revenue, contingent liability		
and others	927	934
	3,738	6,095
Deferred tax liabilities:		
Regulatory balances	626	399
Moved to regulatory deferral		
account credit balances	(626)	(399)
	_	-
Deferred tax assets	\$ 3,738	\$ 6,095

8. Accounts payable and accrued liabilities:

	2016	2015
Power bill accrual Customer credit balances	\$ 28,896 3,783	\$ 26,803 6,357
Other accounts payable and accrued liabilities	11,629	10,893
	\$ 44,308	\$ 44,053

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

9. Credit facilities and short-term debt:

Credit facilities:

As at December 31, 2016, the Company had the following external credit facilities with a Canadian chartered bank (the "Bank"):

- (a) Uncommitted revolving demand credit facility. The facility at all times is required to be no greater than \$30,000 with a letter of credit ("L/C") carve-out availability;
- (b) Committed reducing term facility with a credit limit of \$40,999 and amortization term of 30 years with an optional exit strategy at 10 years, 15 years, 20 years and 25 years (note 12); and
- (c) Committed or demand revolver facility (note 12) with a combined total no greater than \$70,000 at all times.

The financial covenants to the above facilities require a funded debt to capitalization ratio of no greater than 0.60:1, and maintain a debt service coverage ratio of not less than 1.20:1. The financial covenants are tested on a consolidated basis. The Corporation and the Company have been in compliance with all the covenants.

As at December 31, 2016, nil was drawn out of facility (a); \$39,653 was outstanding out of facility (b) and \$25,000 was outstanding out of facility (c) above (note 12). To cover the risk of fluctuating interest rates, facility (b) was structured with interest rate swap agreement with the Bank, effectively converting the obligations into a fixed interest rate loan of approximately 3.715%.

The Company utilized (a) for: \$807 to issue an irrevocable L/C in favour of the IESO; and \$100 to issue an irrevocable L/C in favour of the Ministry of Environment.

The IESO requires all purchasers of electricity in Ontario to provide security to mitigate the risk of their default based on their expected purchases from the IESO administered spot market. The IESO could draw on the L/C if the Company defaults on its payment.

The Ministry of Environment requires security to ensure adequate funds are available, to effect suitable remedial action, if an event occurs resulting in a health and safety hazard to any person, or the natural environment.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

9. Credit facilities and short-term debt (continued):

Short-term debt:

As at December 31, 2016, the Company had \$43,588 notes payable to the Corporation's shareholders with the maturity date of November 1, 2039, at a rate equal to the OEB-deemed long-term debt rate less 30-basis-points. The noteholders have a right to demand repayment of this note (in whole or in part) at any time upon six months prior written notice to the Company provided that a duly enacted resolution or by-law is passed by the noteholders certifying that the funds are required for municipal purposes. As the Company does not have any unconditional right to defer settlement of this liability for at least twelve months after the reporting period, the notes are classified as a short-term debt.

10. Deferred revenue:

Deferred revenue represents the balance at year end of unearned revenue from funding received from the IESO to deliver CDM programs. On February 3, 2011, the Company entered into an agreement to deliver these CDM programs. These programs were to cover the period from January 1, 2011 to December 31, 2014. The agreement was amended on November 14, 2014, and was extended until December 31, 2015. All programs are fully funded and paid in advance by the IESO. Amounts received but not yet spent are presented on the balance sheets under current liabilities as deferred revenue.

A new agreement was entered with the IESO on December 16, 2014 and on June 8, 2015, whereby the IESO conditionally approved a CDM plan that was jointly submitted by the Company and Whitby Hydro Electric Corporation to deliver CDM programs covering the period from January 1, 2015 to December 31, 2020.

In accordance with the funding model that was approved in the Joint CDM Plan, all programs to be delivered under the IESO agreement are expected to be fully funded and paid by the IESO. The IESO is invoiced monthly for the costs incurred on various CDM programs. The Company received some initial funding from the IESO for the delivery of CDM programs under the energy conservation agreement. Amounts received but not yet spent are presented on the balance sheets under current liabilities as deferred revenue.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

11. Related party transactions:

The Company provides electricity and services to the Corporation's shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering and the City of Belleville (collectively, the "shareholders"). Electrical energy is sold to the Corporation's shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

The electricity and services amounts charged by the Company to the Corporation's shareholders for the year ended December 31, 2016 was \$8,889 (2015 - \$8,276). As at December 31, 2016, accounts receivable include \$716 (2015 - \$1,028) due from the Corporation's shareholders.

Finance costs includes interest of \$1,948 (2015 - \$1,948) on the notes payable to the Corporation's shareholders and \$1,466 (2015 - \$1,498) on the notes payable to the Corporation.

The Company paid \$429 (2015 - \$435) in property taxes to the Corporation's shareholders.

The Company paid \$2,010 (2015 - \$1,734) in compensation to the Company's key management personnel, comprising of the senior management team and members of the Board of Directors. The compensation includes salaries, performance pay, taxable benefits and OMERS contributions.

The Company declared and paid a dividend of \$4,649 (2015 - \$5,350) to the Corporation.

The Company has renewable generation projects and holds interest in the following joint operation:

Claremont Community Centre Solar:

The Company, Queen Street Solar Co-Operative Corporation and Solera Sustainable Energies Company Limited entered into a joint operation agreement with an equity interest of 39%, 51% and 10%, respectively, to build, own, operate and maintain a solar generation project at Claremont Community Centre owned by the City of Pickering, located at 4941 Old Brock Road, Pickering, Ontario L1V 7E2. This project is approved under the Feed-in Tariff government program.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

11. Related party transactions (continued):

In 2016, the Corporation financed the above project for an amount of \$264 for a 15-year term at an interest rate of 5.00%. An amount of \$101 (net of repayments) is included in the Company's long-term debt as at December 31, 2016 (note 12). The funding provided by the Corporation was in the same proportion as the equity interest: VCI 39%, Queen Street Solar Co-Operative Corporation 51% and Solera Sustainable Energies Company Limited 10%.

12. Long-term debt:

	2016	2015
Notes payable to the Corporation, maturing on December 9, 2024, at a rate of 4.77% Notes payable to the Corporation, maturing on December 17, 2039, at a rate equal to the	\$ 15,000	\$ 15,000
OEB-deemed long-term debt rate, less 30-basis-points Loan payable to the Corporation, maturing on	16,100	16,800
September 1, 2031, at a rate of 5%	101	_
Long-term debt from the Bank, maturing on March 2, 2045 (note 9) Long-term debt from the Bank, repayable no	39,653	40,433
later than December 28, 2019 (note 9)	25,000	15,000
	95,854	87,233
Less current portion	1,514	1,480
	\$ 94,340	\$ 85,753

Scheduled principal repayments for the next five years and thereafter as of December 31, 2016:

2017	\$ 1,514
2018	1,545
2019	26,577
2020	1,610
2021	1,645
Thereafter	62,963
	95,854
Less current portion	1,514
	\$ 94,340

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

12. Long-term debt (continued):

Scheduled principal repayments for the next five years and thereafter as of December 31, 2015:

2016	\$ 1,480
2017	1,509
2018	1,540
2019	16,571
2020	1,605
Thereafter	64,528
	87,233
Less current portion	1,480
	\$ 85,753

Scheduled interest payments for the next five years and thereafter as of December 31, 2016:

2017 2018 2019 2020 2021 Thereafter	\$ 5,094 5,032 4,968 4,689 4,624 60,610
	\$ 85,017

Expected weighted average borrowing costs:

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

12. Long-term debt (continued):

Finance costs related to short-term and long-term debt comprise:

	2016	2015
Interest on: Notes payable and loans Customer deposits and other	\$ 5,186 <u>67</u> 5,253	\$ 5,238 43 5,281
Less capitalized borrowing costs	313	254
	\$ 4,940	\$ 5,027

13. Deferred contributions:

Deferred contributions are the capital contributions received from electricity customers, which have not yet been recognized into other income.

The continuity of deferred contributions is as follows:

	2016	2015
Deferred contributions, beginning of year Contributions received Contributions amortized as other income	\$ 11,543 7,458 (318)	\$ 5,903 5,828 (188)
Deferred contributions, end of year	\$ 18,683	\$ 11,543

Customer contributions for the acquisition or construction of PP&E are considered to be deferred contributions and are recognized over the useful lives of the related assets as other income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

14. Employee benefits:

(a) Pensions:

During 2016, the Company made contributions totalling \$2,187 (2015 - \$2,078) to OMERS.

(b) Employee future benefits:

The Company pays certain benefits on behalf of its retired employees and recognizes these post-retirement costs in the period in which the employees render the services.

Information about the Company's non-contributory defined benefit plan to fund life insurance, health and dental care benefits and a retiree HCSA, is as follows:

	2016	2015
Accrued benefit liability recognized, January 1	\$ 2,616	\$ 2,514
Current service costs	74	72
Interest expense on accrued benefit obligation	100	101
Benefit payments	(96)	(71)
Remeasurements recognized in other	ζ,	
comprehensive income	77	-
Accrued benefit liability, December 31	\$ 2,771	\$ 2,616

The amounts presented are based upon an actuarial valuation performed as at December 31, 2014 with a measurement date of January 1, 2014. The next valuation is expected to be performed for the year ending December 31, 2017.

The main actuarial assumptions employed for the valuations are as follows:

(i) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index, are assumed at 2.00% for future years.

(ii) Interest (discount) rate:

Amounts were determined using an annual discount rate of 3.90% (2015 - 4.10%).

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

14. Employee benefits (continued):

(iii) Salary levels:

Future general salary and wage levels were assumed to increase at 3.60% (2015 - 3.60%) per annum.

(iv) Health and dental care:

The health and dental care cost increases are 6.31% and 4.60% (2015 - 6.66% and 4.60%), respectively.

(c) Risks associated with the plan:

Significant actuarial assumptions related to discount rates, future health and dental costs, mortality rates, retirement age, and utilization rate of the HCSA etc. may affect the valuation of expected accrued benefit liability.

15. Share capital:

	2016		2015	
	Number	•	Number	•
	of shares	Amount	of shares	Amount
Authorized: Unlimited common shares Issued	15,000	\$ 69,302	15,000	\$ 69,302

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

16. Dividends:

The Company's current dividend policy states:

- (a) the base annual dividend to the Corporation be set at \$4,600 from 2012 to 2017;
- (b) the base dividend would be increased or decreased depending upon:
 - (i) decrease/increase in debt to capitalization ratio of 60%;
 - (ii) net income projected to be higher/lower than budget; or
 - (iii) capital expenditure projected to be lower/higher than budget.
- (c) the Company's Board of Directors should determine annually if earnings from renewable generation be used to supplement the base dividend.

During 2016, the Board of Directors of the Company declared and paid dividends totalling \$4,649 (2015 - \$5,350) to the Corporation.

17. Contingencies and guarantees:

(a) Insurance claims:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Company.

Insurance premiums charged to each member electric utility consist of a levy per \$1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. The maximum coverage is \$24,000 per occurrence for liability insurance, \$15,000 for vehicle insurance, and \$98,685 for property insurance; plus \$10,000 excess coverage on top of the regular liability and vehicle coverage.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

17. Contingencies and guarantees (continued):

(b) Contractual obligation - Hydro One Networks Inc.:

The Company is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet the Company's anticipated electricity load growth. Construction of the project was completed during 2007 and the Company connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, the Company is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Company. The construction costs allocated to the Company for the project are \$9,975.

The Company has recorded a liability and a corresponding intangible asset for \$1,212 as at December 31, 2016 (2015 - \$1,212), based on management's best estimate of the future transformation connection revenue shortfall. Hydro One is expected to perform a true-up based on actual load at the end of the tenth and fifteenth anniversaries of the in-service date.

(c) General claims:

From time to time, the Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position and results of operations or cash flows.

18. Lease commitments:

Future minimum lease payment obligations under operating leases are as follows:

2017	\$ 41
2018	41
2019	33
2020	32
2021	33
Thereafter	60
	\$ 240

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

19. Other income (loss):

	2016	2015
Third party revenue (a)	\$ 562	\$ 1,237
Late payment charges Customer charges (b)	510	493
Pole rentals	1,843 484	1,974 484
Disposal of PP&E	(362)	(373)
Foreign exchange	(7)	(20)
Amortization of deferred contributions	318	148
	\$ 3,348	\$ 3,943

(a) Mainly includes revenue for CDM incentives related to 2011-14 programs received from IESO.

(b) Includes reconnection/disconnection, collection and change of occupancy charges from customers.

20. Operating, maintenance and administration expenses:

	Operating and maintenance		Admii	nistration
	2016	2015	2016	2015
Salaries and benefits External services Materials and supplies Vehicle Other	\$ 5,819 2,778 140 494 397	\$ 5,656 2,585 139 534 339	\$ 11,221 2,787 1 45 4,025	\$ 10,490 2,409 5 43 4,355
	\$ 9,628	\$ 9,253	\$ 18,079	\$ 17,302

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

21. Statements of cash flows:

Changes in non-cash operating working capital provided by (used in) includes the following:

	2016	2015
Accounts receivable	\$ (8,456)	\$ 697
Related parties	(46)	(37)
Materials and supplies	(389)	(275)
Prepaid expenses	(627)	389
Accounts payable and accrued liabilities	(64)	(399)
Advance payments - construction deposits	(216)	(284)
Deferred revenue	(27)	601
Developer obligations	503	(465)
	\$ (9,322)	\$ 227

22. Financial instruments and risk management:

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk due to the flow-through nature of energy purchases and costs. All variances due to timing of customer billing or regulated pricing are recorded in retail settlement variance accounts and are recovered from or returned to customers in accordance with regulatory directives. The foreign exchange risk is considered not material and is limited to U.S. dollar cash and cash equivalents holdings of \$132 (2015 - \$77) as at December 31, 2016.

(b) Interest rate risk:

The Company enters into fixed interest rate long-term debt agreements to minimize cash flow and interest rate fluctuation exposure. In February 2015, a \$40,999, 30-year fixed rate term loan was arranged from the Bank to blend and extend a \$30,000 loan and a \$15,000 loan. The Company entered into interest rate swap derivative agreements with the Bank to exchange interest rate cash flows. Under these agreements, the Company and the Bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provided the Company with fixed rate loans, which reduces the impact of fluctuating interest rates on long-term debt. The Company does not enter into any such financial instrument for speculative purposes.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

22. Financial instruments and risk management (continued):

(c) Credit risk:

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Company's distribution revenue is earned on a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any individual customer. As at December 31, 2016, there were no significant balances of accounts receivable due from any single customer.

The Company manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Company's policies and monitoring the financial condition of counterparties.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- (i) There is a broad base of customers with no one customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance.
- (ii) The Company, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or L/C from customers to mitigate risk of payment default.
- (iii) The percentage of accounts receivable that is outstanding more than 90 days is approximately 1.36% (2015 1.59%) of the total net outstanding balance.
- (iv) The Company includes an amount of accounts receivable write-offs within net income for rate-setting purposes.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

22. Financial instruments and risk management (continued):

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2016	2015
Total accounts receivable	\$ 67,488	\$ 59,034
Less allowance for doubtful accounts	1,070	1,070
Total accounts receivable, net	\$ 66,418	\$ 57,964
Of which:		
Unbilled revenue	\$ 33,740	\$ 34,781
Outstanding 1 day but not more than 30 days	30,654	21,995
Outstanding 31 days but not more than 60 days	1,788	982
Outstanding 61 days but not more than 90 days	399	355
Outstanding 91 days but not more than 120 days	439	412
Outstanding more than 120 days	468	509
	67,488	59,034
Less allowance for doubtful accounts	1,070	1,070
	\$ 66,418	\$ 57,964

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Short-term liquidity is provided through cash and cash equivalents on hand and funds from operations. Short-term liquidity is expected to be sufficient to fund normal operating requirements. The liquidity risks associated with financial commitments are as follows:

Financial commitments as of December 31, 2016:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities: Accounts payable and accrued liabilities Short-term debt (note 9) Long-term debt Lease commitments	\$ 44,308 43,588 1,514 41	\$ – – 31,376 139	\$ — — 62,964 60

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

22. Financial instruments and risk management (continued):

Financial commitments as of December 31, 2015:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities: Accounts payable and accrued liabilities Short-term debt (note 9) Long-term debt Lease commitments	\$ 44,053 43,588 1,480 34	\$ – _ 21,225 _26	\$ – 64,528 62

(e) Fair values:

The Company included \$3,621 of unrealized loss (2015 - \$3,357) in its financial statements. This is the fair value of the interest rate swap derivative which represents the amount that the Company would have paid to unwind its position as at December 31, 2016. This unrealized loss is not expected to affect cash as the Company intends to hold the financial instrument until its maturity.

Fair value measurements recognized in the statements of comprehensive income are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for assets and liabilities that are not based on observable market data.

The interest rate swap derivatives are all Level 2 as at December 31, 2016.

There were no transfers between levels during the year.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2016 and 2015

22. Financial instruments and risk management (continued):

The carrying amounts of all financial instruments, except the following: short-term debt with a maturity date of November 1, 2039, and long-term debt; approximate fair values due to the immediate or short-term maturity of these financial instruments. The estimated fair values of the loans payable, including related party loans, are as follows:

	2016	2015
Fair value	\$ 145,530	\$ 124,062
Carrying value (notes 9 and 12)	139,442	130,821

(f) Capital management:

The Company considers its capital structure to consist of shareholder's equity, short-term debt, long-term debt, less cash and cash equivalents. The Company's capital structure was as follows:

	2016	2015
Cash	\$ (4,953)	\$ (6,416)
Short-term debt Long-term debt	43,588 95,854	43,588 87,233
	139,442	130,821
Share capital	69,302 25.087	69,302
Retained earnings Contributed capital	35,087 23	28,683 23
Accumulated other comprehensive loss	<u>(340)</u> 104,072	<u>(264)</u> 97,744
Total capital	\$ 238,561	\$ 222,149

23. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Financial Statements of

VERIDIAN CONNECTIONS INC.

Years ended December 31, 2017 and 2016



KPMG LLP Vaughan Metropolitan Centre 100 New Park Place, Suite 1400 Vaughan ON L4K 0J3 Canada Tel 905-265-5900 Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Veridian Connections Inc.

We have audited the accompanying financial statements of Veridian Connections Inc., which comprise the balance sheets as at December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Veridian Connections Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 5, 2018 Vaughan, Canada

Balance Sheets (In thousands of dollars)

December 31, 2017 and 2016

	Note	2017	2016
Assets			
Current assets:			
Cash		\$ 9,363	\$ 4,953
Accounts receivable	2	52,068	66,418
Due from related parties	12	176	111
Materials and supplies		3,020	3,031
Prepaid expenses Total current assets		<u>1,280</u> 65,907	<u>1,202</u> 75,715
		03,007	70,710
Non-current assets: Property, plant and equipment	3, 22	256,503	239,542
Intangible assets	4, 22	4,131	4,448
Goodwill	.,	8,746	8,746
Deferred tax assets	7	854	3,738
Other assets		92	16
Total non-current assets		270,326	256,635
Total assets		336,233	332,350
Regulatory balances	6	2,852	2,530
Fotal assets and regulatory balances		\$ 339,085	\$ 334,880
Due to related parties Short-term debt	12 9	43 43,588 82	42 43,588 122
Income taxes payable	Ũ	83	123
Deferred revenue	10	1,767	1,850
Deposits and developer obligations	11	8,671	8,371
Long-term debt Total current liabilities	13	<u>1,545</u> 97,011	1,514 99,796
		57,011	55,750
Non-current liabilities:	13	02 705	04.24
Long-term debt Deferred contributions	13	92,795 23,311	94,340 18.683
Employee future benefits	14	23,311	2.77
Unrealized loss on interest rate swaps	23(e)	1,992	,
Other liabilities		1,002	3.62
		1 212	- / -
Lotal non-current liabilities	18(b)	<u>1,212</u> 122 201	1,212
Total non-current liabilities Total liabilities		1,212 122,201 219,212	1,212 120,627
Total liabilities		122,201	1,212 120,627
Total liabilities		122,201	1,212 120,62 220,423
Total liabilities Shareholder's equity: Share capital Contributed capital	18(b)	122,201 219,212 69,302 23	1,21: 120,62 220,42: 69,30: 2:
Total liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss	18(b)	122,201 219,212 69,302 23 (316)	1,213 120,62 220,423 69,303 23 (344
Fotal liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss Retained earnings	18(b)	122,201 219,212 69,302 23 (316) 41,122	1,213 120,62 220,423 69,300 22 (344 35,08
Total liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss <u>Retained earnings</u> Total shareholder's equity	18(b)	122,201 219,212 69,302 23 (316) 41,122 110,131	1,213 120,62 220,423 69,300 22 (344 35,08 104,072
Fotal liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss Retained earnings Total shareholder's equity Fotal liabilities and equity	18(b) 16	122,201 219,212 69,302 23 (316) 41,122 110,131 329,343	1,21 120,62 220,42 69,30 2 (34 35,08 104,07 324,49
Total liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss <u>Retained earnings Total shareholder's equity Total liabilities and equity Regulatory balances</u>	18(b) 16 6	122,201 219,212 69,302 23 (316) 41,122 110,131	1,212 120,627 220,423 69,302 23 (34(35,087 104,072 324,495
Total liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss Retained earnings Total shareholder's equity Total liabilities and equity Regulatory balances Contingencies and guarantees	18(b) 16 6 18	122,201 219,212 69,302 23 (316) 41,122 110,131 329,343	3,62 1,212 120,627 220,423 69,302 23 (340 35,087 104,072 324,495 10,385
Total liabilities Shareholder's equity: Share capital Contributed capital Accumulated other comprehensive loss Retained earnings Total shareholder's equity Total liabilities and equity Regulatory balances	18(b) 16 6	122,201 219,212 69,302 23 (316) 41,122 110,131 329,343	1,212 120,627 220,423 69,302 23 (34(35,087 104,072 324,495

See accompanying notes to the financial statements.

On behalf of the Board:

Statements of Comprehensive Income (In thousands of dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Revenue:			
Commodity		\$ 280,206	\$ 338,009
Commodity cost		(277,975)	 (331,487)
		2,231	6,522
Distribution revenue		52,225	52,264
Other income	20	2,822	3,348
		57,278	62,134
Expenses:			
Operating and maintenance	21	9,634	9,628
Administration	21	18,582	18,079
Depreciation and amortization	5	12,003	11,350
		40,219	39,057
		17,059	23,077
Finance income		132	66
Finance costs	13	(5,045)	(4,940)
Unrealized gain (loss) on interest rate swaps	23(e)	1,629	(264)
		(3,284)	(5,138)
Income before income taxes		13,775	17,939
Income tax expense	7	3,698	3,514
Net income		10,077	14,425
Net movements in regulatory balances, net of tax:	6		
Net movements in regulatory balances	0	(1,242)	(5,803)
Income tax on net movements in regulatory balar	nces	2,207	2,431
		965	(3,372)
Net income after net movements in regulatory balance	ces	11,042	11,053
Other comprehensive income (loss), net of tax:			
Remeasurements of employee future benefits		24	(77)
Total comprehensive income		\$ 11,066	\$ 10,976

See accompanying notes to the financial statements.

Statements of Changes in Equity (In thousands of dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Share capital		\$ 69,302	\$ 69,302
Contributed capital		23	23
Accumulated other comprehensive loss		(316)	(340)
		69,009	68,985
Retained earnings, beginning of year		35,087	28,683
Net income after net movements in regulatory balances		11,042	11,053
Dividends paid	17	(5,007)	(4,649)
Retained earnings, end of year		41,122	35,087
Total equity		\$ 110,131	\$ 104,072

See accompanying notes to the financial statements.

Statements of Cash Flows (In thousands of dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Cash provided by (used in):			
Operating activities:			
Net income after net movements in			
regulatory balances		\$ 11,042	\$ 11,053
Adjustments:			
Depreciation and amortization	5	12,797	12,102
Amortization of deferred contributions		(458)	(318)
Loss on disposal/retirement of property,		404	200
plant and equipment		194	362
Employee future benefits		144 (1,629)	79 264
Unrealized loss (gain) on interest rate swaps Finance income		(1,029)	(66)
Finance costs		5,045	4,940
Income tax expense		3,698	3,514
Deferred contributions		5,086	7,458
Customer deposits		(296)	625
Income taxes paid		(1,075)	(1,400)
Income taxes received		222	221
Other assets		69	69
Net movements in regulatory balances		(965)	3,372
		33,742	42,275
Changes in non-cash operating working capital	22	13,203	(9,322)
Net cash provided by operating activities		46,945	32,953
Financing activities:			
Interest received		132	66
Repayment of long-term debt		(1,514)	(1,379)
Proceeds from long-term debt		_	10,000
Dividends paid	17	(5,007)	(4,649)
Interest paid		(4,841)	(4,934)
Net cash used in financing activities		(11,230)	(896)
Investing activities:			
Additions to property, plant and equipment	22	(29,746)	(31,821)
Additions to intangible assets	22	(1,625)	(1,723)
Proceeds from disposal of			
property, plant and equipment		66	24
Net cash used in investing activities		(31,305)	(33,520)
Increase (decrease) in cash		4,410	(1,463)
Cash, beginning of year		4,953	6,416
Cash, end of year		\$ 9,363	\$ 4,953

See accompanying notes to the financial statements.

Notes to the Financial Statements (In thousands of dollars)

Years ended December 31, 2017 and 2016

Veridian Connections Inc. ("VCI" or the "Company") commenced operations on November 1, 1999. It is a wholly owned subsidiary of Veridian Corporation (the "Corporation"). The Company is licensed by the Ontario Energy Board (the "OEB") as an electricity distributor which distributes electricity in the cities of Belleville and Pickering, the towns of Ajax, Gravenhurst, Port Hope and Uxbridge, and the communities of Bowmanville, Newcastle, Orono, Beaverton, Cannington, Sunderland and Port Perry. The Company's registered office is located at 55 Taunton Road East, Ajax, Ontario L1T 3V3.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The financial statements have been prepared on the historical cost basis, except for employee future benefits and certain financial instruments that are measured at fair value.

(b) Regulated environment:

The Company is an electricity distributor licensed by the OEB. It is regulated by the OEB under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility of ensuring that distribution companies fulfill obligations to connect and service customers.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

The Ontario Energy Board Act, 1998 sets out guiding objectives for the OEB:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry;
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances;
- To facilitate the implementation of a smart grid in Ontario; and
- To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The Company is responsible for charging its customers the following revenues:

- Commodity revenue The commodity revenue is pass-through revenue for amounts payable to third parties. This revenue represents the costs of electricity consumed by the customers and passed through to the Independent Electricity System Operator ("IESO"). It also includes global adjustment revenue for non-regulated price plan consumers.
- Wholesale market services ("WMS") revenue The WMS revenue represents the recovery of wholesale market costs for the IESO to operate the electricity market and maintain the system. This revenue is passed through to the IESO.
- Retail transmission service rate ("RTSR") revenue The RTSR revenue represents the recovery of costs incurred for transmission of electricity to local distribution networks. This revenue is passed through to operators of transmission facilities.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

• Electricity distribution revenue - The electricity distribution revenue represents the recovery of costs incurred by VCI in delivering the electricity to its customers.

Electricity distribution rates:

Electricity distribution rates include both fixed monthly rates per customer and variable rates per kWh usage or kW demand. In 2015, the OEB released a policy that for residential electricity customers only, distribution delivery costs will be recovered through a monthly, fixed service charge. The policy set out that the transition to a fully fixed rate would occur over four years beginning in 2016. The fixed rate will increase gradually and the variable rate will decline. These distribution rates are subject to regulation by the OEB.

The OEB regulates electricity rates for distributors through three different rate setting options: Price Cap Incentive Rate-setting, Custom Incentive Rate-setting, and Annual Incentive Rate-setting Index. The Price Cap Incentive Rate-setting method sets a distributor's rates through a formula-based mechanism using a price cap index.

- (c) Revenue recognition:
 - (i) Electricity distribution and sale:

Revenue from the sale of electricity is recognized on an accrual basis driven by cyclical billings based on electricity usage billed at OEB-approved distribution rates. Revenue from the sale of electricity includes an estimate of unbilled revenue accrued in respect of electricity delivered but not yet billed at year end. Unbilled revenue is calculated based on OEB-approved rates for electricity consumption and electricity demand driven by number of days between a customer's last meter reading in the year and December 31. Actual billed revenue could differ from estimates due to energy demand, weather, line losses and changes in the composition of customer classes.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

The difference between the amounts charged to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO, is recorded as a settlement variance. In accordance with IFRS 14, Regulatory Deferral Accounts ("IFRS 14"), which permits a rate-regulated entity to continue to recognize and measure regulatory deferral account balances in accordance with its previous generally accepted accounting principles ("GAAP"), this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statements of comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by the Company in delivering electricity to customers. Distribution revenue also includes revenue related to collection of OEB-approved rate riders.

The carrying amount of accounts receivable is reduced through an allowance for doubtful accounts, if applicable, and all impairment losses are recognized in net income. When the Company considers that there are no realistic prospects of recovery of an account receivable, the relevant amount is determined to be impaired and is written off. If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through net income.

(ii) Other income:

Other income, which includes revenue from electricity distribution-related services, is recognized as services are rendered. Capital contributions received from electricity customers to construct or acquire property, plant and equipment ("PP&E") for the purpose of connecting a customer to a network are recorded as deferred contributions and amortized into other income at an equivalent rate to that used for the depreciation of the related PP&E. Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as income in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(iii) Deferred revenue:

Amounts received in advance in relation to the IESO supported CDM initiatives are presented as deferred revenue (note 10).

(d) Rate setting:

The electricity distribution rates of the Company are subject to regulation by the OEB and these rates are based on a revenue requirement that includes a rate of return of 9.36% effective May 1, 2014.

On November 7, 2016, the Company filed a Price Cap Incentive Rate-setting application with the OEB to change distribution rates effective May 1, 2017. The application was approved by the OEB on March 30, 2017.

On October 16, 2017, the Company filed a Price Cap Incentive Rate-setting application with the OEB for May 1, 2018 rates. The application was approved and the OEB decision released on March 22, 2018.

On January 30, 2014, the IASB issued an interim standard, IFRS 14, to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

The scope of this standard is limited to first-time adopters of IFRS and will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The interim standard introduced new presentation requirements and permitted first-time adopters to continue to recognize amounts related to rate regulation in accordance with Chartered Professional Accountants of Canada Handbook Part V - Pre-changeover Accounting Standards (subsequently referred to as "previous Canadian GAAP") requirements and was effective from January 1, 2016, with early application permitted. The Company elected to early adopt IFRS 14 in its 2015 financial statements under IFRS, with a transition date of January 1, 2014 and determined that regulatory balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the "Accounting Procedures Handbook for Electricity Distributors".

The IASB's comprehensive project on rate-regulated activities is addressing whether IFRS should require entities operating in rate-regulated environments to recognize assets and liabilities arising from the effects of rate regulation. On December 13 and 14, 2017, the IASB staff informed the IASB board members about the key messages received from members of the IASB Consultative Group for Rate Regulation at the meeting held on October 26, 2017. The IASB staff also provided an update of the proposed timetable for developing the next consultative document for the project.

On February 22, 2018, the IASB tentatively decided: (i) the accounting model will use as its unit of account the individual timing differences that create the incremental rights and obligations arising from the regulatory agreement; (ii) the present regulatory right to charge a rate increased by an amount as a result of past events meets the definition of an asset; and (iii) the present regulatory obligation to provide goods or services at a rate reduced by an amount as a result of past events meets the definition. This comprehensive project remains ongoing.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in the timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory balances. The Company's regulatory debit balances represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory credit balances, which represent obligations that are expected to be refunded to customers. The netting of regulatory debit and credit balances is not permitted under IFRS 14.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

(f) Materials and supplies:

Materials and supplies, which consists of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

Any write-downs taken on materials and supplies are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of PP&E and depreciated once they are available for use.

(g) Property, plant and equipment:

PP&E purchased or constructed by the Company are recorded at cost less accumulated depreciation. Costs include contracted services, materials, labour, engineering costs, directly attributable overheads and capitalized borrowing costs during construction when applied. Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Company and the costs can be measured reliably. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. These contributions are used to connect customers to the Company's network and provide them with ongoing access to the supply of electricity. The contributions are recognized as deferred contributions and amortized into other income over the life of the related asset.

Upon energization of residential subdivision assets, a developer liability is accrued (as per the offer to connect contract) for the amounts payable to the developer for the Company's investment in the subdivision.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

Depreciation of PP&E is charged to net income on a straight-line basis over their estimated service lives at the following annual rates:

Land rights	2.0%
Buildings	2.0% - 6.7%
Distribution station equipment	1.7% - 4.0%
Transmission and distribution system	1.7% - 10.0%
Meters	4.0% - 6.7%
Office equipment	10.0%
Computer hardware	20.0% - 33.3%
Vehicle fleet	6.7% - 16.7%
Renewable power generation	4.0%

The depreciation method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

Construction in progress comprises PP&E under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Construction in progress, land rights, major spare parts and standby equipment are not subject to depreciation until these assets are available for use. Land is not depreciated.

Borrowing costs directly attributable to the acquisition, construction or development of qualifying assets that necessarily take a substantial period of time to prepare for their intended use are capitalized, until such time as the assets are substantially ready for their intended use. The weighted average cost of long-term borrowings is used as the capitalization rate. Qualifying assets are considered to be those that take in excess of six months to construct.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

When portions of the Company's distribution facilities are replaced or relocated, the associated costs less the salvage value of any material returned to materials and supplies are capitalized to the new asset. Depreciation is then recorded at the same rate used for the original asset.

Some of the Company's distribution assets, particularly those located on unowned easements and rights-of-way, may have decommissioning obligations, constructive or otherwise. The majority of the Company's easements and rights-of-way are subject to extension or renewal and are expected to be available for a perpetual duration. As the Company expects to use the majority of its installed assets into perpetuity, no removal date can be determined and consequently no reasonable estimate of the fair value of such asset retirement obligations can be made. If, at some future date, it becomes possible to estimate the fair value cost of removing the assets that the Company is legally or constructively required to remove, a related asset retirement obligation will be recognized at that time. The discounted amount is not material.

Assets are derecognized at their carrying value upon retirement or when no remaining economic benefits are expected from its use. The related gain or loss arising on the disposal or retirement is determined as the difference between the proceeds from sale and the carrying value of the asset and is included in net income for the related fiscal year. The cost of replacing a part of an item of PP&E is recognized as an addition to the carrying amount of the asset and the carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of PP&E assets is recognized in net income as incurred.

(h) Intangible assets:

Intangible assets acquired, or internally developed, are recognized initially at cost and comprised of purchased software, labour, consulting costs, directly attributable overheads and capitalized borrowing costs, if applicable. Intangible assets qualifying for capitalized borrowing costs are considered to be those assets that take in excess of six months to develop. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

Amortization of intangible assets is provided on a straight-line basis over the estimated service lives at the following annual rates:

Application software and intellectual property	33.3%
Internally generated software	20.0%

Software in development is not subject to amortization. The above-noted amortization rates apply to assets held within the application software and other intangible asset grouping (note 4). The amortization method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

(i) Goodwill:

Goodwill relates to the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased and is evaluated for impairment at each reporting date. Goodwill is measured at cost and is not amortized. Impairment testing for goodwill is always carried out in the context of the cash generating unit ("CGU") as goodwill does not generate cash flows independently of other assets. The Company has determined that goodwill is not impaired.

(j) Impairment of non-financial assets:

The carrying costs of non-financial assets: PP&E, intangible assets and goodwill are reviewed for impairment at each reporting date to determine whether there is any indication of impairment, in which case, the asset's recoverable amount is estimated.

For the regulated business, the carrying costs of most of the Company's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding work in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

Impairment is tested at the CGU level, which is the smallest identifiable group of assets that generates independent cash flows. The Company has only one CGU, the regulated business unit. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in net income.

(k) Customer deposits and advance payments:

Customers may be required to post security deposits to obtain electricity or other services. Interest is paid on customer deposits at rates prescribed by the OEB: this is currently interest at Canada's prime business rate less 2%, which was 1.2% per annum as of December 31, 2017. The Company receives advance payments from customers in relation to construction projects and recognizes them as a liability until the projects are completed.

- (I) Employee benefits:
 - (i) Short-term employee benefits:

The Company provides short-term employee benefits, such as: salaries, employment insurance, short-term compensated absences, health and dental care. These benefits are recognized as the related service is rendered and is measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of materials and supplies, PP&E, intangible assets or recoverable projects. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting periods.

The Company recognizes a current liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting period. The assumptions used for estimating the amount of the liability are analogous to those used in the valuation of employee future benefits.

(ii) Defined benefit pension plan:

The Company accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

OMERS plan is a multi-employer defined benefit plan providing pension to employees of municipalities, local boards, public utilities and school boards. It is funded by equal contributions from participating employers and employees, as well as by investment earnings of the plan. Each year, an independent actuary determines the plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. OMERS does not track its investments by employer and actuarial assumptions are developed based on the entire plan membership on a commingled basis and, therefore, information for individual plans cannot be determined. As a result, the Company accounts for the OMERS plan as a defined contribution plan and contributions to the plan are recognized as an employee benefit expense.

(iii) Employee future benefits:

The Company provides all employees with life insurance benefits, as well as a Health Care Spending Account ("HCSA") for those employees retiring post April 1, 2011 having completed a minimum of 20 years of service with the Company. This benefit is available until age sixty five.

The Company actuarially determines the cost of employee future benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Company applies the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected employee future benefits is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

Remeasurements of the net benefit liability comprise actuarial gains or losses that are recognized in the balance sheets with a credit or charge to other comprehensive income or loss. Current service costs are allocated to operating, maintenance and administration expenses and to capital recognized in the balance sheets.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(m) Income taxes:

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Company uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax bases of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable in the year or a later period.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of comprehensive income in the year that includes the date of enactment or substantive enactment.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. Previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. A valuation allowance is recorded against a deferred tax asset to the extent that the Company determines that it is probable that a deferred income tax asset will not be realized in the future.

Where the Company expects the deferred taxes to be recovered from or refunded to customers as part of the rate setting process, the deferred income tax assets and liabilities result in regulatory deferral debit balances or credit balances, respectively. Deferred tax assets that are not included in the rate-setting process result in a deferred tax provision that is charged or credited to the statements of comprehensive income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(n) Provisions and contingencies:

The Company recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

(o) Use of judgments and estimates:

The preparation of financial statements requires management to make estimates, judgments and assumptions: within reasonable limits of materiality and within the framework of the significant accounting policies, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the years. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following financial notes.

- (i) Note 1(c)(i) measurement of unbilled revenue;
- (ii) Note 1(g) environmental and decommissioning liabilities;
- (iii) Notes 1(g), (h) estimation of useful lives of PP&E and intangible assets;
- (iv) Note 1(c)(i), (d) and note 6 recognition and measurement of regulatory balances;

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

- (v) Notes 1(I)(ii)(iii) and note 15 measurement of employee future benefits: key actuarial assumptions;
- (vi) Note 1(n) recognition and measurement of provisions and contingencies;
- (vii) Note 1(m) and note 7 recognition of deferred tax assets availability of future taxable profit against which deductible temporary differences and tax losses carried forward can and be used; and
- (viii) Note 1(c)(i) and note 23(c) allowance for doubtful accounts.

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant.

(p) Non-derivative financial instruments:

All non-derivative financial assets are classified as loans and receivables and all nonderivative liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized costs using the effective interest method less any impairment for the financial assets, as described in note 23(c).

(q) Derivative financial instruments:

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date.

The Company has not elected to apply hedge accounting for its interest rate swap contracts and does not enter into derivative agreements for speculative purposes. Changes in the fair value of the derivatives are recorded each year in the statements of comprehensive income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(r) Capital disclosures:

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns. As at December 31, 2017, the Company's definition of capital includes shareholder's equity, short-term debt (including the Corporation shareholders' promissory notes) and long-term debt, less cash and cash equivalents.

During the year, there have been no changes to how the Company assesses its capital structure.

(s) New standards and interpretations not yet adopted:

The IASB issues new standards, amendments and interpretations which do not have to be adopted in the current year. The Company continues to analyze these standards and interpretations, described below, which the Company anticipates might have an impact on its financial statements or note disclosures:

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15. The standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. It supersedes current revenue recognition guidance, including International Accounting Standard ("IAS") 18, Revenue, IAS 11, Construction Contracts and related interpretations. The new revenue model applies to all contracts with customers, except those that are within the scope of other IFRS, such as leases, insurance contracts and financial instruments. IFRS 15 specifies how and when the entity should recognize revenue and additional disclosure requirements. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has completed its assessment of revenue streams and adopted IFRS 15 on January 1, 2018 using the modified retrospective approach, recognizing the cumulative effect of applying the new standard, with no restatement of comparative periods presented. Commodity pass-through revenue and distribution revenue account for the majority of the Company's revenues and IFRS 15 does not have a material impact on the financial statements.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

The IASB published the final version of IFRS 9 in July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 has an expected credit loss model for a timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. It also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company completed its assessment of IFRS 9 and adopted IFRS 9 on January 1, 2018. IFRS 9 does not have a material impact on the financial statements.

(iii) IFRS 16, Leases ("IFRS 16"):

The IASB published IFRS 16 in January 2016. It replaces the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. IFRS 16 introduces a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has low value. IFRS 16 is effective from January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. The Company completed its assessment of operating leases and early adopted IFRS 16 on January 1, 2018. IFRS 16 does not have a material impact on the financial statements.

(iv) IFRIC 23, Uncertainty over Income Tax Treatments:

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

1. Significant accounting policies (continued):

The Interpretation requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution. It also requires an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

2. Accounts receivable:

	2017	2016
Energy revenue	\$ 21,065	\$ 29,497
Unbilled revenue	29,880	33,740
Project expenditures recoverable	1,352	3,275
Pole rentals and other	841	976
	53,138	67,488
	1,070	1,070
	\$ 52,068	\$ 66,418

Unbilled revenue represents amounts for which the Company has a contractual right to receive cash through future billings and are unbilled at the period end. Unbilled revenue is considered current with no allowance for doubtful accounts.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

3. Property, plant and equipment:

December 31, 2017:

	Dece	ember 31, 2016	Additi deprecia			osals/ ments	Dece	ember 31, 2017
Cost								
Land	\$	1,777	\$	_	\$	_	\$	1,777
Land rights		395		9		_		404
Buildings		17,110		185		_		17,295
Distribution station								,
equipment		28,018	1	,311		_		29,329
Transmission and		-,		, -				- ,
distribution system		182,153	20	,257		(230)		202,180
Meters		14,867		,022		(85)		15,804
Office equipment		1,408		45		(00)		1,453
Computer hardware		2,379		687		_		3,066
Vehicle fleet		6,032	1	,760		33		7,825
Renewable power		0,002	•	,100		00		1,020
generation		759		_		_		759
Construction in progress		12,684	2	,987		_		15,671
		267,582		,263		(282)		295,563
Accumulated depreciation								
Land rights		33		11		_		44
Buildings		3,434	1	,134		_		4,568
Distribution station								
equipment		2,544		956		_		3,500
Transmission and								
distribution system		14,740	6	,085		(55)		20,770
Meters		3,694		,346		(28)		5,012
Office equipment		596		216		`_´		812
Computer hardware		1,103		500		_		1,603
Vehicle fleet		1,806		761		61		2,628
Renewable power								, -
generation		90		33		_		123
~		28,040	11	,042		(22)		39,060
	\$	239,542	\$ 17	,221	\$	(260)	\$	256,503

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

3. Property, plant and equipment (continued):

December 31, 2016:

	Dec	ember 31, 2015	Addit deprecia			osals/ ments	Dece	ember 31, 2016
Cost		2010	doproon		Totilo	monto		2010
0031								
Land	\$	1,777	\$	—	\$	-	\$	1,777
Land rights		392		3		-		395
Buildings		16,360		750		-		17,110
Distribution station								
equipment		25,217	2	.,801		-		28,018
Transmission and								
distribution system		159,055	23	,431		(333)		182,153
Meters		13,855	1	,154		(142)		14,867
Office equipment		1,276		132		_		1,408
Computer hardware		1,540		839		_		2,379
Vehicle fleet		5,118		968		(54)		6,032
Renewable power						. ,		
generation		767		(8)		_		759
Construction in progress		10,362	2	2,322		_		12,684
<u>_</u>		235,719	32	,392		(529)		267,582
Accumulated depreciation								
Land rights		22		11		_		33
Buildings		2,320	1	,114		_		3,434
Distribution station								
equipment		1,637		907		_		2,544
Transmission and								
distribution system		9,271	5	,530		(61)		14,740
Meters		2,433		.297		(36)		3,694
Office equipment		388		208		`_		596
Computer hardware		719		384		_		1,103
Vehicle fleet		713	1	,138		(45)		1,806
Renewable power						~ /		,
generation		57		33				90
		17,560	10	,622		(142)		28,040
	\$	218,159	\$ 21	,770	\$	(387)	\$	239,542

During the year, borrowing costs of \$309 (2016 - \$313) were capitalized to PP&E and credited to finance costs. Weighted average cost of short-term debt with a maturity date of November 1, 2039 and long-term borrowings is used for capitalizing borrowing costs as part of PP&E with an average rate of 3.80% (2016 - 3.94%).

Additions to construction in progress are net of transfers to other PP&E categories.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

4. Intangible assets:

December 31, 2017:

	December 31, 2016	Additions/ amortization	Disposals/ retirements	December 31, 2017
Cost				
Application software				
and other	\$ 9,256	\$ 1,473	\$ -	\$ 10,729
Construction in progress related to application				
software and other	184	(35)	-	149
Capital contributions	1,212	-	-	1,212
	10,652	1,438	_	12,090
Accumulated amortization				
Application software				
and other	6,204	1,755	-	7,959
	\$ 4,448	\$ (317)	\$ -	\$ 4,131

December 31, 2016:

	December 31, 2015	Additions/ amortization	Disposals/ retirements	December 31, 2016	
Cost					
Application software					
and other	\$ 7,431	\$ 1,825	\$ –	\$ 9,256	
Construction in progress related to application					
software and other	126	58	-	184	
Capital contributions	1,212	-	-	1,212	
	8,769	1,883	-	10,652	
Accumulated amortization					
Application software					
and other	4,306	1,898	_	6,204	
	\$ 4,463	\$ (15)	\$ -	\$ 4,448	

No borrowing costs were capitalized on intangible assets under development in 2017 or 2016.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

4. Intangible assets (continued):

Application software and other includes externally acquired, as well as internally generated computer software. The remaining amortization period is between 1 and 5 years.

5. Depreciation and amortization:

	2017	2016
Total depreciation and amortization expense	\$ 12,797	\$ 12,102
Allocated to:		
Depreciation/amortization of vehicle fleet included in operating and maintenance expenses	761	719
Depreciation/amortization of assets in non-regulated utility operations		
included in other income	33	33
	794	752
Depreciation and amortization expense	\$ 12,003	\$ 11,350

6. Regulatory balances:

Regulatory balances can arise out of the rate-making process. Specifically, the following regulatory treatments have resulted in accounting treatments that differ from IFRS for enterprises operating in a non-regulated environment and regulated entities that did not adopt IFRS 14:

- (i) The Company records the difference between the borrowing costs capitalization rate prescribed by the OEB and the weighted average cost of borrowings rate used to capitalize PP&E under IFRS. This amount is recognized as a regulatory debit or credit balance to be recovered or paid respectively to the customers through future rates;
- (ii) The Company records regulatory debit balances arising from derecognition of assets under IFRS. These amounts will be sought for disposition through the next cost of service rebasing application and recovered from customers through future rates;
- (iii) The Company records deferred tax assets and a corresponding regulatory tax liability, as the recovery from, or refund to, customers is expected to be included in future distribution rates for its regulated business activities;

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

6. Regulatory balances (continued):

- (iv) The Company has deferred certain retail settlement variances which comprise the variances between amounts charged by the Company to customers based on regulated rates and wholesale rates incurred for the cost of electricity service; and
- (v) The Company has deferred costs related to: IFRS implementation, lost revenue adjustment mechanism costs, and OEB assessment costs.

Debit balances comprise of the following:

	January 1, 2017		ari	lances sing in period	ecovery/ reversal	mov	Other rements	Decem	iber 31, 2017	Remaining recovery/ reversal period (years)
Approved settlement										
variances (a)	\$	89	\$	-	\$ -	\$	(89)	\$	-	Note 3
One-time IFRS										
conversion costs (b)		479		5	_		-		484	Note 1
IFRS transitional										
adjustments (e)		1,119		156	-		-		1,275	Note 1
Other (f)		843		819	(521)		(48)		1,093	Note 1, 3
	\$	2,530	\$	980	\$ (521)	\$	(137)	\$	2,852	

	Jar	nuary 1, 2016	aris	ances sing in period	R	ecovery/ reversal	Other ments	Decem	ber 31, 2016	Remaining recovery reversal period (years
Approved settlement										
variances (a)	\$	1,371	\$	5	\$	(1,287)	\$ _	\$	89	1 yea
One-time IFRS										,
conversion costs (b)		473		6		-	-		479	Note 2
Extraordinary costs related to ice storm										
restoration (d)		205		-		(205)	-		-	
IFRS transitional										
adjustments (e)		852		267		-	-		1,119	Note
Other (f)		269		574		-	-		843	Note
	\$	3,170	\$	852	\$	(1,492)	\$ _	\$	2,530	

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

6. Regulatory balances (continued):

Credit balances comprise of the following:

	January 1, 2017		a	alances rising in e period	ecovery/ reversal	mov	Other rements	Decem	nber 31, 2017	Remaining recovery/ reversal period (years)
Future settlement										
variances (a)	\$	7,808	\$	1,968	\$ (726)	\$	-	\$	9,050	Note 1
Approved settlement										
variances (a)		-		85	373		(89)		369	1 year
Stranded meters (c)		18		1	_		_		19	Note 1
Other (f)		48		-	_		(48)		-	Note 1
Deferred taxes (g)		2,511		(2,207)	-		-		304	Note 2
	\$	10,385	\$	(153)	\$ (353)	\$	(137)	\$	9,742	

	Jar	nuary 1, 2016	а	alances rising in e period	overy/ eversal	move	Other ments	Decen	nber 31, 2016	Remaining recovery/ reversal period (years)
Future settlement										
variances (a)	\$	2,646	\$	5,162	\$ _	\$	_	\$	7,808	Note 1
Stranded meters (c)		18		· –	_		_		[′] 18	Note 1
Other (f)		47		1	_		_		48	Note 1
Deferred taxes (g)		4,942		(2,431)	-		-		2,511	Note 2
	\$	7,653	\$	2,732	\$ -	\$	_	\$	10,385	

Note 1 The Company intends to seek recovery or refund in future rate applications to the OEB.

Note ² The Company will not seek disposition of the balance since it will be reversed through timing differences in the recognition of deferred tax assets.

^{Note 3} These balances have been reclassified to regulatory credit balances.

The balances arising in the period column are new additions (for both debits and credits). The recovery/reversal column are amounts: collected or refunded through rate riders, disposition of OEB-approved regulatory balances, or other transactions which reduces existing regulatory balances. The other movements column consists of impairment (if the OEB disallowed certain amounts), carrying cost adjustments, and reclassification between the regulatory debit and credit balances. There is no impairment recorded for the years ended December 31, 2017 and December 31, 2016.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

6. Regulatory balances (continued):

Regulatory balances descriptions:

(a) Settlement variances:

The amounts include the variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates. This amount also includes variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers based on the OEB-approved rates. Also included are retail cost variances, being the differences between the revenue charged to retailers and the retail services costs associated with providing the retail services.

In 2017, the OEB approved the disposition of the Company's retail settlement variance accounts as at December 31, 2015.

(b) One-time IFRS conversion costs:

In accordance with an OEB directive, a deferral account has been established for the one-time administrative costs during transition to IFRS. These amounts will be sought for disposition in the Company's first cost of service rebasing application under IFRS.

(c) Stranded meters:

These amounts are related to the provincial government's directive for licensed distributors to install smart meters for specific customer classes and represent the net book value of stranded meter assets arising from the Company's smart metering program.

In 2014, the OEB approved the Company's request for recovery of these regulatory balances through a rate rider with a one-year term.

This rate rider expired April 30, 2015 with the balance to be refunded in a future rate application to the OEB.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

6. Regulatory balances (continued):

(d) Extraordinary costs related to ice storm restoration:

In December 2013, the Company recorded deferred power restoration costs related to a severe ice storm as a regulatory balance for disposition to be sought in the future.

On February 19, 2015, the OEB approved the Company's application for recovery of these costs through a rate rider which ended February 28, 2016.

(e) IFRS transitional adjustments:

Commencing in 2014, the Company has recorded regulatory debit balances arising from derecognition of assets under IFRS and capitalized borrowing costs difference between weighted average long-term borrowing costs under IFRS and OEB guidelines. These amounts will be sought for disposition in the Company's first cost of service rebasing application under IFRS.

(f) Other:

These amounts relate to the deferral of costs related to lost revenue adjustment mechanism costs, renewable generation connection funding adder, OEB assessment costs and other regulatory balances.

(g) Deferred taxes:

This regulatory credit balance includes both deferred tax amounts reclassified under IFRS 14 and expected future electricity distribution rate increase or reduction for customers arising from timing difference in the recognition of deferred tax assets.

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances of \$906 as at December 31, 2017 (2016 - \$626).

The deferred tax amount related to the expected future electricity distribution rate increase for customers was \$602 as at December 31, 2017 (2016 – rate reduction \$1,885).

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

7. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and effective tax rates is provided as follows:

	2017	2016
Income before income taxes	\$ 13,776	\$ 17,939
Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for income taxes at statutory rate Increase (decrease) resulting from: Temporary differences expected to be	\$ 3,651	\$ 4,754
recovered from customers	(1,812)	(1,857)
Over provided in prior years Other miscellaneous	(219)	(167)
Income taxes recorded in regulatory	(129)	(1,647)
balances movements	2,207	2,431
Income tax expense	\$ 3,698	\$ 3,514
Allocated:		
Current	\$ 813	\$ 1,156
Deferred (recovery)	678	(73)
Income taxes recorded in regulatory	0.007	0.404
balances movements	2,207	2,431
Total income tax expense	\$ 3,698	\$ 3,514

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

7. Income taxes (continued):

Deferred tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Company's assets and liabilities. The tax effects of these differences are as follows:

	2017	2016
Deferred tax assets:		
Property, plant and equipment		
and intangible assets (a)	\$ (1,979)	\$ 500
Employee future benefits	1,042	999
Sick leave liability	358	352
Unrealized loss on interest rate swaps	528	960
Deferred revenue, contingent liability		
and others	905	927
	854	3,738
Deferred tax liabilities:		
Regulatory balances	906	626
Moved to regulatory deferral		
account credit balances	(906)	(626)
	_	_
Deferred tax assets	\$ 854	\$ 3,738

(a) Taxable temporary difference, book value is more than tax value.

8. Accounts payable and accrued liabilities:

	2017	2016
Power bill accrual Customer credit balances	\$ 23,207 7,698	\$ 28,896 3,783
Other accounts payable and accrued liabilities	10,409	11,629
	\$ 41,314	\$ 44,308

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

9. Credit facilities and short-term debt:

Credit facilities:

As at December 31, 2017, the Company had the following external credit facilities with a Canadian chartered bank (the "Bank"):

- (a) Uncommitted revolving demand credit facility. The facility at all times is required to be no greater than \$30,000 with a letter of credit ("L/C") carve-out availability;
- (b) Committed reducing term facility with a credit limit of \$40,999 and amortization term of 30 years with an optional exit strategy at 10 years, 15 years, 20 years and 25 years (note 13); and
- (c) Committed or demand revolver facility (note 13) with a combined total no greater than \$70,000 at all times.

The financial covenants to the above facilities require a funded debt to capitalization ratio of no greater than 0.60:1, and maintain a debt service coverage ratio of not less than 1.20:1. The financial covenants are tested on a consolidated basis. The Corporation and the Company have been in compliance with all the covenants.

As at December 31, 2017, nil was drawn out of facility (a); \$38,844 was outstanding out of facility (b) and \$25,000 was outstanding out of facility (c) above (note 13). To cover the risk of fluctuating interest rates, facility (b) was structured with interest rate swap agreement with the Bank, effectively converting the obligations into a fixed interest rate loan of approximately 3.715%.

The Company utilized (a) for: \$807 to issue an irrevocable L/C in favour of the IESO; and \$100 to issue an irrevocable L/C in favour of the Ministry of Environment.

The IESO requires all purchasers of electricity in Ontario to provide security to mitigate the risk of their default based on their expected purchases from the IESO administered spot market. The IESO could draw on the L/C if the Company defaults on its payment.

The Ministry of Environment requires security to ensure adequate funds are available, to effect suitable remedial action, if an event occurs resulting in a health and safety hazard to any person, or the natural environment.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

9. Credit facilities and short-term debt (continued):

Short-term debt:

As at December 31, 2017, the Company had \$43,588 in notes payable to the Corporation's shareholders with the maturity date of November 1, 2039, at a rate equal to the OEB-deemed long-term debt rate less 30-basis-points. The noteholders have a right to demand repayment of this note (in whole or in part) at any time upon six months prior written notice to the Company provided that a duly enacted resolution or by-law is passed by the noteholders certifying that the funds are required for municipal purposes. As the Company does not have any unconditional right to defer settlement of this liability for at least twelve months after the reporting period, the notes are classified as a short-term debt.

10. Deferred revenue:

Deferred revenue represents the balance at year end of unearned revenue from funding received from the IESO to deliver CDM programs.

An agreement was entered with the IESO on December 16, 2014 and on June 8, 2015, whereby the IESO conditionally approved a CDM plan that was jointly submitted by the Company and Whitby Hydro Electric Corporation to deliver CDM programs covering the period from January 1, 2015 to December 31, 2020. This CDM plan was most recently updated on April 18, 2017 and conditionally approved by the IESO on May 12, 2017.

In accordance with the funding model that was approved in the Joint CDM Plan, all programs to be delivered under the IESO agreement are expected to be fully funded and paid by the IESO. The IESO is invoiced monthly for the costs incurred on various CDM programs. The Company received some initial funding from the IESO for the delivery of CDM programs under the energy conservation agreement. Amounts received but not yet spent are presented on the balance sheets under current liabilities as deferred revenue.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

11. Deposits and developer obligations:

	2017	2016
Advance payments - construction deposits Customer deposits Developer obligations	\$ 348 5,503 2,820	\$ 629 5,799 1,943
Deposits and developer obligations	\$ 8,671	\$ 8,371

12. Related party transactions:

The Company provides electricity and services to the Corporation's shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering and the City of Belleville (collectively, the "shareholders"). Electrical energy is sold to the Corporation's shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

The electricity and services amounts charged by the Company to the Corporation's shareholders for the year ended December 31, 2017 was \$9,169 (2016 - \$8,889).

As at December 31, 2017, accounts receivable includes \$959 (2016 - \$716) due from the Corporation's shareholders.

Finance costs includes interest of \$1,948 (2016 - \$1,948) on the notes payable to the Corporation's shareholders and \$1,435 (2016 - \$1,466) on the notes payable to the Corporation.

The Company paid \$408 (2016 - \$439) in property taxes to the Corporation's shareholders.

The Company paid \$2,131 (2016 - \$2,010) in compensation to the Company's key management personnel, comprising of the senior management team and members of the Board of Directors. The compensation includes salaries, performance pay, taxable benefits and OMERS contributions.

The Company purchases or supplies administrative and management services from and to the Corporation. Charges for these services are recorded at exchange amounts established and agreed to by the related parties.

The Company recovered \$185 (2016 - \$181) for administrative and management services provided to the Corporation.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

12. Related party transactions (continued):

The Company has \$176 (2016 - \$111) of current receivables related to services rendered, without interest or terms of repayment from the Corporation and \$43 (2016 - \$42) is owed to the Corporation related to interest accrued on the Corporation promissory notes.

The Company declared and paid a dividend of \$5,007 (2016 - \$4,649) to the Corporation.

The Company has renewable generation projects and holds interest in the following joint operation:

Claremont Community Centre Solar:

The Company, Queen Street Solar Co-Operative Corporation and Solera Sustainable Energies Company Limited entered into a joint operation agreement with an equity interest of 39%, 51% and 10%, respectively, to build, own, operate and maintain a solar generation project at Claremont Community Centre owned by the City of Pickering, located at 4941 Old Brock Road, Pickering, Ontario L1V 7E2. This project is approved under the Feed-in Tariff government program.

In 2016, the Corporation financed the above project for an amount of \$264 for a 15-year term at an interest rate of 5.00%. An amount of \$96 (net of repayments and intercompany funding) is included in the Company's long-term debt as at December 31, 2017 (note 13). The funding provided by the Corporation was in the same proportion as the equity interest: VCI 39%, Queen Street Solar Co-Operative Corporation 51% and Solera Sustainable Energies Company Limited 10%.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

13. Long-term debt:

	2017	2016
Notes payable to the Corporation, maturing on December 9, 2024, at a rate of 4.77% Notes payable to the Corporation, maturing on December 17, 2039, at a rate equal to the	\$ 15,000	\$ 15,000
OEB-deemed long-term debt rate, less 30-basis-points Loan payable to the Corporation, maturing on	15,400	16,100
September 1, 2031, at a rate of 5.00%	96	101
Long-term debt from the Bank, maturing on March 2, 2045 (note 9) Long-term debt from the Bank, repayable no	38,844	39,653
later than December 28, 2019 (note 9)	25,000	25,000
	94,340	95,854
Less current portion	1,545	1,514
	\$ 92,795	\$ 94,340

Scheduled principal repayments for the next five years and thereafter as of December 31, 2017:

2018	\$ 1,545
2019	26,577
2020	1,610
2021	1,645
2022	1,680
Thereafter	61,283
Less current portion	94,340 1,545
	\$ 92,795

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

13. Long-term debt (continued):

Scheduled principal repayments for the next five years and thereafter as of December 31, 2016:

2017	\$ 1,514
2018	1,545
2019	26,577
2020	1,610
2021	1,645
Thereafter	62,963
	95,854
Less current portion	1,514
	\$ 94,340

Scheduled interest payments for the next five years and thereafter as of December 31, 2017:

2018 2019 2020 2021 2022 Thereafter	\$ 5,221 5,158 4,689 4,624 4,557 56,053
	\$ 80,302

Expected weighted average borrowing costs:

2018	3.79%
2019	3.78%
2020	3.48%
2021	4.28%
2022	4.28%

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

13. Long-term debt (continued):

Finance costs related to short-term and long-term debt comprises:

	2017	2016
Interest on:		
Notes payable and loans	\$ 5,304	\$ 5,186
Customer deposits and other	50	67
	5,354	5,253
Less capitalized borrowing costs	309	313
	\$ 5,045	\$ 4,940

14. Deferred contributions:

Deferred contributions are the capital contributions received from electricity customers, which have not yet been recognized into other income.

The continuity of deferred contributions is as follows:

	2017	2016
Deferred contributions, beginning of year Contributions received Contributions amortized as other income	\$ 18,683 5,086 (458)	\$ 11,543 7,458 (318)
Deferred contributions, end of year	\$ 23,311	\$ 18,683

Customer contributions for the acquisition or construction of PP&E are considered to be deferred contributions and amortized over the useful lives of the related assets as other income.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

15. Employee future benefits:

(a) Pensions:

During 2017, the Company made contributions totalling \$2,200 (2016 - \$2,187) to OMERS.

(b) Post-retirement benefits other than pensions:

The Company pays certain benefits on behalf of its retired employees and recognizes these post-retirement costs in the period in which the employees render the services.

Information about the Company's non-contributory defined benefit plan to fund life insurance, health and dental care benefits and a retiree HCSA, is as follows:

	2017	2016
Accrued benefit liability recognized, January 1	\$ 2,771	\$ 2,616
Current service costs	78	74
Past service costs	80	_
Interest costs	105	100
Benefit payments	(119)	(96)
Remeasurements recognized in other	. ,	()
comprehensive income	(24)	77
Accrued benefit liability, December 31	\$ 2,891	\$ 2,771

The amounts presented are based upon an actuarial valuation performed as at December 31, 2017. The next valuation is expected to be performed for the year ending December 31, 2020.

The main actuarial assumptions employed for the valuations are as follows:

(i) General inflation:

Future general inflation levels, as measured by changes in the Consumer Price Index, are assumed at 2.00% for future years.

(ii) Interest (discount) rate:

Amounts were determined using an annual discount rate of 3.50% (2016 - 3.90%).

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

15. Employee future benefits (continued):

(iii) Salary levels:

Future general salary and wage levels were assumed to increase at 3.20% (2016 - 3.60%) per annum.

(iv) Health and dental care:

The health and dental care cost increases are 6.20% and 4.50% (2016 - 6.31% and 4.60%), respectively.

(c) Risks associated with the plan:

Significant actuarial assumptions related to discount rates, future health and dental costs, mortality rates, retirement age, and utilization rate of the HCSA etc. may affect the valuation of expected accrued benefit liability.

16. Share capital:

	2017		2016	
	Number of shares	Amount	Number of shares	Amount
Authorized: Unlimited common shares Issued	15,000	\$ 69,302	15,000	\$ 69,302

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

17. Dividends:

The Company's current dividend policy states:

- (a) a base annual dividend to the Corporation be set at \$4,600 from 2012 to 2017;
- (b) the base dividend would be increased or decreased depending upon:
 - (i) decrease/increase in debt to capitalization ratio of 60%;
 - (ii) net income projected to be higher/lower than budget; or
 - (iii) capital expenditure projected to be lower/higher than budget.
- (c) the Company's Board of Directors should determine annually if earnings from renewable generation be used to supplement the base dividend.

During 2017, the Board of Directors of the Company declared and paid dividends totalling \$5,007 (2016 - \$4,649) to the Corporation.

18. Contingencies and guarantees:

(a) Insurance claims:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Company.

Insurance premiums charged to each member electric utility consist of a levy per \$1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. The maximum coverage is \$30,000 per occurrence for liability insurance, \$21,000 for vehicle insurance, and \$119,736 for property insurance; plus \$10,000 excess coverage on top of the regular liability and vehicle coverage.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

18. Contingencies and guarantees (continued):

(b) Contractual obligation - Hydro One Networks Inc.:

The Company is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet the Company's anticipated electricity load growth. Construction of the project was completed during 2007 and the Company connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, the Company is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Company. The construction costs allocated to the Company for the project are \$9,975.

The Company has recorded a liability and a corresponding intangible asset for \$1,212 as at December 31, 2017 (2016 - \$1,212), based on management's best estimate of the future transformation connection revenues shortfall. Hydro One is expected to perform a true-up based on actual load at the end of the tenth and fifteenth anniversaries of the in-service date.

(c) General claims:

From time to time, the Company is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position and results of operations or cash flows.

19. Lease commitments:

Future minimum lease payment obligations under operating leases are as follows:

2018	\$ 41
2019	33
2020	32
2021	24
2022	2
Thereafter	58

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

20. Other income (loss):

	2017	2016
Late payment charges	\$ 413	\$ 510
Customer charges (a)	1,102	1,843
Pole rentals	490	484
Disposal of PP&E	(194)	(362)
Foreign exchange gain (loss)	3	(7)
Amortization of deferred contributions	458	318
Miscellaneous revenue	550	562
	\$ 2,822	\$ 3,348

(a) Includes reconnection/disconnection, collection and change of occupancy charges from customers.

21. Operating, maintenance and administration expenses:

	Operat main	ing an tenanc		 Admi	nistrat	ion
	2017		2016	 2017		2016
Salaries and benefits External services	\$ 5,586 2,977	\$	5,819 2,778	\$ 10,983 3,055	\$	11,221 2,787
Materials and supplies Vehicle	208 539		140 494	- 49		45
Other	324		397	4,495		4,026
	\$ 9,634	\$	9,628	\$ 18,582	\$	18,079

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

22. Statements of cash flows:

Changes in non-cash operating working capital provided by (used in) includes the following:

	2017	2016
Accounts receivable	\$ 14,350	\$ (8,456)
Related parties	(66)	(46)
Materials and supplies	`11 [´]	(389)
Prepaid expenses	(78)	(627)
Accounts payable and accrued liabilities	(1,527)	(64)
Advance payments - construction deposits	(281)	(216)
Deferred revenue	(83)	(27)
Developer obligations	877	503
	\$ 13,203	\$ (9,322)

Reconciliation between the amount presented on the statements of cash flows and total additions to property, plant and equipment and intangible assets:

	2017	2016
Purchase of PP&E, cash basis Net change in accruals related to PP&E	\$ 29,746 (1,483)	\$ 31,821 571
Total additions to PP&E	\$ 28,263	\$ 32,392
Purchase of intangible assets, cash basis Net change in accruals related to intangible assets	\$ 1,625 (187)	\$ 1,723 160
Total additions to intangible assets	\$ 1,438	\$ 1,883

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

23. Financial instruments and risk management:

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Company does not have commodity risk due to the flow-through nature of energy purchases and costs. All variances due to timing of customer billing or regulated pricing are recorded in retail settlement variance accounts and are recovered from or returned to customers in accordance with regulatory directives. The foreign exchange risk is considered not material and is limited to U.S. dollar cash and cash equivalents holdings of \$204 (2016 - \$132) as at December 31, 2017.

(b) Interest rate risk:

The Company enters into fixed interest rate long-term debt agreements to minimize cash flow and interest rate fluctuation exposure. In February 2015, a \$40,999, 30-year fixed rate term loan was arranged from the Bank to blend and extend a \$30,000 loan and a \$15,000 loan. The Company entered into interest rate swap derivative agreements with the Bank to exchange interest rate cash flows. Under these agreements, the Company and the Bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provided the Company with fixed rate loans, which reduces the impact of fluctuating interest rates on long-term debt. The Company does not enter into any such financial instrument for speculative purposes.

(c) Credit risk:

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Company's distribution revenue is earned on a broad base of customers. As a result, the Company did not earn a significant amount of revenue from any individual customer. As at December 31, 2017, there were no significant balances of accounts receivable due from any single customer.

The Company manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Company's policies and monitoring the financial condition of counterparties.

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

23. Financial instruments and risk management (continued):

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- (i) There is a broad base of customers with no one customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance.
- (ii) The Company, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or L/C from customers to mitigate risk of payment default.
- (iii) The percentage of accounts receivable that is outstanding more than 90 days is approximately 0.92% (2016 1.36%) of the total net outstanding balance.
- (iv) The Company includes an amount of accounts receivable write-offs within net income for rate-setting purposes.

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2017	2016
Total accounts receivable Less allowance for doubtful accounts	\$ 53,138 1,070	\$ 67,488 1,070
Total accounts receivable, net	\$ 52,068	\$ 66,418
Of which: Unbilled revenue Outstanding 1 day but not more than 30 days Outstanding 31 days but not more than 60 days Outstanding 61 days but not more than 90 days Outstanding 91 days but not more than 120 days Outstanding more than 120 days	\$ 29,880 21,495 1,007 275 209 272	\$ 33,740 30,654 1,788 399 439 468
Less allowance for doubtful accounts	53,138 1,070	67,488 1,070
	\$ 52,068	\$ 66,418

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

23. Financial instruments and risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Short-term liquidity is provided through cash and cash equivalents on hand and funds from operations. Short-term liquidity is expected to be sufficient to fund normal operating requirements. The liquidity risks associated with financial commitments are as follows:

Financial commitments as of December 31, 2017:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities: Accounts payable and			
accrued liabilities	\$ 41,314	\$ -	\$ –
Short-term debt (note 9)	43,588	_	_
Long-term debt	1,545	31,512	61,283
Lease commitments	41	91	58

Financial commitments as of December 31, 2016:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities: Accounts payable and accrued liabilities Short-term debt (note 9) Long-term debt Lease commitments	\$ 44,308 43,588 1,514 41	\$ — 31,376 	\$ — _ 62,964 60

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

23. Financial instruments and risk management (continued):

(e) Fair values:

The Company included \$1,992 of unrealized loss (2016 - \$3,621) in its financial statements. This is the fair value of the interest rate swap derivative which represents the amount that the Company would have paid to unwind its position as at December 31, 2017. This unrealized loss is not expected to affect cash as the Company intends to hold the financial instrument until its maturity.

Fair value measurements recognized in the statements of comprehensive income are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for assets and liabilities that are not based on observable market data.

The interest rate swap derivatives are all Level 2 as at December 31, 2017.

There were no transfers between levels during the year.

The carrying amounts of all financial instruments, except the following: short-term debt with a maturity date of November 1, 2039, and long-term debt; approximate fair values due to the immediate or short-term maturity of these financial instruments. The estimated fair values of the loans payable, including related party loans, are as follows:

	2017	2016
Fair value	\$ 137,908	\$ 145,530
Carrying value (notes 9 and 13)	137,928	139,442

Notes to the Financial Statements (continued) (In thousands of dollars)

Years ended December 31, 2017 and 2016

23. Financial instruments and risk management (continued):

(f) Capital management:

The Company considers its capital structure to consist of shareholder's equity, short-term debt, long-term debt, less cash and cash equivalents. The Company's capital structure was as follows:

	2017	2016
Cash	\$ (9,363)	\$ (4,953)
Short-term debt	43,588	43,588
Long-term debt	94,340	95,854
	137,928	139,442
Share capital	69,302	69,302
Retained earnings	41,122	35,087
Contributed capital	23	23
Accumulated other comprehensive loss	(316)	(340)
	110,131	104,072
Total capital	\$ 238,696	\$ 238,561

24. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment P Filed: July 30, 2018

ATTACHMENT P WHITBY LDC 2016 AND 2017 FINANCIAL STATEMENTS

Financial Statements of

WHITBY HYDRO ELECTRIC CORPORATION

Years ended December 31, 2016 (Expressed in thousands of dollars)



KPMG LLP Commerce Place 21 King Street West, Suite 700 Hamilton Ontario L8P 4W7 Canada Telephone (905) 523-8200 Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Whitby Hydro Electric Corporation

We have audited the accompanying financial statements of Whitby Hydro Electric Corporation ("the Entity"), which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in equity and cash flows for the year then, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Whitby Hydro Electric Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 6, 2017 Hamilton, Canada

Statement of Financial Position December 31, 2016 (in thousands of dollars)

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	5	\$ 735	\$ 3,072
Accounts receivable	6	10,707	7,971
Due from related parties	20	411	343
Unbilled revenue		13,173	12,908
Materials and supplies	7	1,143	1,083
Prepaid expenses		79	88
Total current assets		 26,248	25,465
Non-current assets			
Property, plant and equipment	8	90,601	84,288
Intangible assets	9	458	543
Deferred tax assets	10	400	733
Total non-current assets		91,459	85,564
Total assets		117,707	 111,029
Regulatory balances	11	4,348	6,201

Total assets and regulatory balances	\$	122,055	\$	117,230
--------------------------------------	----	---------	----	---------

	Note	2016		2015
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	12	\$ 14,323	\$	12,717
Income taxes payable		248		470
Due to related parties	20	5,544		3,433
Long-term debt due within one year	13	400		400
Customer deposits		2,007		1,619
Total current liabilities		22,522	_	18,639
Non-current liabilities				
Customer deposits		219		141
Long-term debt	13	31,938		32,338
Deferred revenue		13,652		11,543
Total non-current liabilities		45,809		44,022
Total liabilities		 68,331		62,661
Equity				
Share capital	14	20 40 4		00.404
Retained earnings	14	29,494		29,494
Total equity		 19,162		18,199
		 48,656		47,693
Total liabilities and equity		 116,987		110,354
Regulatory balances	11	5,068		6,876

122,055	\$	117,230
_	122,055	122,055 \$

See accompanying notes to the financial statements.

On behalf of the Board:

Director

auffer P _ Director

Statement of Comprehensive Income

Year ended December 31, 2016, with comparative information for 2015 (in thousands of dollars)

	Note		2016		2015
Revenue					
Distribution revenue		\$	10 945	¢	04 054
Other	15	φ	19,845 1,895	\$	21,951
		<u> </u>	21,740		2,038
Sale of energy					,
Total revenue			119,091		105,607
Total levellue		-	140,831		129,596
Operating expenses					
Operations and maintenance			5,500		5,463
Administration expense			6,974		6,276
Depreciation and amortization			4,677		4,442
	16		17,151		16,181
Cost of power purchased			116,492		105,367
Total expenses			133,643		121,548
Income from operating activities			7,188		8,048
Finance income	17				(0)
Finance costs	17		- 2,188		(3)
Income before income taxes			5,000		2,159 5,892
Income tax expense	10		1,316		1,248
Net income for the year			3,684		4,644
					.,
Net movement in regulatory balances, net of tax	11				
Net movement in regulatory balances			(377)		(1,191)
Income tax on net movement in regulatory balances			333		287
			(44)		(904)
Net income for the year and net movement in reg	ulatory				
balances, which is comprehensive income	-	\$	3,640	\$	3,740

See accompanying notes to the financial statements.

Statement of Changes in Equity Year ended December 31, 2016, with comparative information for 2015

(in thousands of dollars)

	Share capital	cc Retained earnings	Total	
Balance at January 1, 2016 Net income and net movement in regulatory balances Dividends	\$ 29,494	\$ 18,199 3,640 (2,677)	(loss) \$ - -	\$ 47,693 3,640 (2,677)
Balance at December 31, 2016	\$ 29,494	\$ 19,162	\$ -	\$ 48,656
Balance at January 1, 2015 Net income and net movement in regulatory balances Dividends	\$ 29,494 - -	\$ 16,979 3,740 (2,520)	\$ - - -	\$ 46,473 3,740 (2,520)
Balance at December 31, 2015	\$ 29,494	\$ 18,199	\$-	\$ 47,693

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

(in thousands of dollars)

		2016		2015
Operating activities				
Net income and net movement in regulatory balances	\$	3,640	\$	3,740
Adjustments for:	Ŧ	0,010	Ψ	0,740
Depreciation and amortization		4,677		4,442
Amortization of deferred revenue		(849)		(945)
Losses on disposal of property, plant and equipment		86		193
Net finance costs		2,188		2,156
Income tax expense		1,316		1,248
Contributions received from customers		2,962		8,890
Change in non-cash operating working capital:				
Accounts receivable		(2,736)		(2)
Due to/from related parties		2,043		(1,513)
Unbilled revenue		(265)		(909)
Materials and supplies		(60)		(83)
Prepaid expenses		9		2
Accounts payable and accrued liabilities		1,606		536
Customer deposits		466	_	35
		15,083		17,790
Net change in regulatory balances		44		904
Income tax paid		(1,275)		(489)
Income tax received		69		637
Interest paid		(2,190)		(2,159)
Interest received				3
Net cash from operating activities		11,731		16,686
Investing activities				
Purchase of property, plant and equipment		(10,926)		(15,251)
Purchase of intangible assets		(65)		(142)
Net cash used by investing activities		(10,991)		(15,393)
Financing activities				
Dividends paid		(2,677)		(2,520)
Repayment of long-term debt		(400)		(400)
Net cash used by financing activities		(3,077)		(2,920)
Change in cash and cash equivalents		(2,337)		
		3,072		(1,627) 4,699
Cash and cash equivalents, beginning of year		.5 U/2		1 600

See accompanying notes to the financial statements.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

1. Reporting entity

Whitby Hydro Electric Corporation (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Whitby of the Region of Durham. The address of the Corporation's registered office is 100 Taunton Rd. East, Whitby Hydro, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in Whitby. The Corporation is wholly owned by Whitby Hydro Energy Corporation and the ultimate parent company is the Corporation on the Town of Whitby.

The financial statements are for the Corporation as at and for the year ended December 31, 2016.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 6, 2017.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

- (d) Use of estimates and judgments
 - (i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

2. Basis of presentation (continued)

- (d) Use of estimates and judgments (continued)
 - (i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3(b) measurement of unbilled revenue
- Notes 8, 9, estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 11 recognition and measurement of regulatory balances
- (iv) Note 18 recognition and measurement of provisions and contingencies
- (ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- (i) Note 19 leases: whether an arrangement contains a lease
- (e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

(i) Distribution revenue

For the distribution revenue, the Corporation files a "Cost of Service" ("COS") rate application with the OEB approximately every five years. The COS filing timeline may be extended if the Corporation is able to maintain good reliability and operations under the existing approved rate structure, and has either received approval by the OEB for such a deferral or has elected to follow the Annual Incentive Rate Setting Index ("Annual IR Index") approach. The COS rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism ("IRM") or an Annual IR Index application is filed. Both of these annual applications result in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor. The only difference in the rate calculations under each type of annual application is the "stretch factor" applied. An annual IR Index is applicable if an LDC anticipates a cost of service deferral for multiple years.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in January 2010 for rates effective May 1, 2010. The Corporation has filed an Annual IR Index application annually since 2011. The GDP IPI-FDD for 2016 is 2.10%, the Corporation's productivity factor is (0.0) % and the stretch factor is 0.3%, resulting in a net adjustment of 1.8% to the previous year's rates.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

(ii) Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB issued a new distribution rate design for residential electricity customers which will be phased in over a four year period commencing January 2016. Under this new policy, electricity distributors will structure residential rates so that all of the distribution charge will be collected through a fully fixed monthly charge instead of the current fixed and variable charge.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements:

(a) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition

Sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Sale and distribution of electricity (continued)

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Useful life
Computer software	5 years
Land rights	Indefinite

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

- (f) Impairment (continued)
 - (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

(i) Regulatory balances

Regulatory asset balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory asset balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for ratemaking purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory asset balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory liability balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The liability balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Leased assets

Leases, where the terms cause the Corporation to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

3. Significant accounting policies (continued)

(k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(I) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(m) Income taxes

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

4. Future changes in accounting policy and disclosures

The Corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2014, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

Leases

In January 2016, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS17 and it is effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

5. Cash and cash equivalents

	 2016	2015
Bank balances	\$ 735	\$ 3,072
Cash and cash equivalents	\$ 735	\$ 3,072

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

6. Accounts receivable

	 2016	2015
Trade receivables Other trade receivables – WHESC	\$ 9,632	\$ 7,501 12
Other trade receivables Billable work	 414 <u>1,095</u>	571 <u>415</u>
	11,141	8,499
Less allowance for doubtful accounts	(434)	(528)
	\$ 10,707	\$ 7,971

7. Materials and supplies

No amounts written down due to obsolescence in 2016 (2015 - \$6).

8. Property, plant and equipment

	Land and buildings		stribution quipment	Oth	er fixed assets		struction		Total
Cost or deemed cost Balance at January 1, 2016 Additions	6 15,077 962	\$	73,313 9,451	\$	2,526 285	\$	1,234	\$	92,150
Transfers Disposals/retirements			1,088 (496)		200		228 (1,088) -		10,926 - (496)
Balance at December 31, 2016	6 16,039	\$	83,356	\$	2,811	\$	374	\$	102,580
Balance at January 1, 2015 Additions Transfers Disposals/retirements	5 15,100 72 - (95)	\$	58,496 13,683 1,414 (280)	\$	2,095 431 -	\$	1,583 1,065 (1,414)	\$	77,274 15,251 - (375)
Balance at December 31, 2015	15,077	\$	73,313	\$	2,526	\$	1,234	\$	
Accumulated depreciation Balance at January 1, 2016 \$ Depreciation Disposals/retirements	5 (763) (446)	\$	(6,495) (3,765) 410	\$	(604) (316) -	\$	-	\$	(7,862) (4,527) 410
Balance at December 31, 2016 \$	(1,209)	\$	(9,850)	\$	(920)	\$	-	\$	(11,979)
Balance at January 1, 2015 \$ Depreciation Disposals/retirements	(368) (435) 40	\$	(3,112) (3,524) 141	\$	(275) (329) -	\$	-	\$	(3,755) (4,288) 181
Balance at December 31, 2015 \$	(763)	\$	(6,495)	\$	(604)	\$	-	\$	(7,862)
Carrying amounts At December 31, 2016 \$ At December 31, 2015 \$		\$ \$	73,506 66,818	\$ \$	1,891 1,922	\$ \$	374 1,234	\$ \$	90,601 84,288

During the year, no borrowing costs were capitalized as part of the cost of property, plant and equipment (2015 – \$nil).

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

9. Intangible assets

	omputer		Land		
	 software		rights		Tota
Cost or deemed cost					
Balance at January 1, 2016	\$ 949	\$	11	\$	96
Additions (disposals)	76		(11)	Ŧ	6
Balance at December 31, 2016	\$ 1,025	\$	-	\$	1,02
Balance at January 1, 2015	\$ 807	\$	11	\$	81
Additions	142	•	-	Ŧ	14
Balance at December 31, 2015	\$ 949	\$	11	\$	96
Accumulated amortization					
Balance at January 1, 2016	\$ (418)	\$	-	\$	(418
Amortization	 (149)		-	•	(149
Balance at December 31, 2016	\$ (567)	\$	-	\$	(567
Balance at January 1, 2015	\$ (264)	\$	_	\$	(264
Amortization	(153)		-		(153
Balance at December 31, 2015	\$ (417)	\$	-	\$	(417
Carrying amounts					
At December 31, 2016	\$ 458	\$	-	\$	45
At December 31, 2015	\$ 532	\$	11	\$	54
Income tax expense					
Current tax expense					
			2016		201
Current year		\$	908	\$	96
Adjustment for prior years		Ŧ	75	Ŧ	
		\$	983	\$	96

Deferred tax expense

	2016	 2015
Origination and reversal of temporary differences	\$ 332	\$ 288

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

10. Income tax expense (continued)

Reconciliation of effective tax rate

	2016	2015
Income before taxes	\$ 5,000	\$ 5,892
Canada and Ontario statutory Income tax rates	 26.5%	 26.5%
Expected tax provision on income at statutory rates Increase (decrease) in income taxes resulting from:	1,325	1,562
Permanent differences	2	3
Tax on regulatory timing differences	(11)	(317)
Income tax expense	\$ 1,316	\$ 1,248

Significant components of the Corporation's deferred tax balances

	2016	 2015
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ 61	\$ 383
Cumulative eligible capital	130	123
Other reserves	(108)	(17)
Timing differences on regulatory assets and liabilities	317	244
	\$ 400	\$ 733

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

11. Regulatory balances

Regulatory deferral account debit balances	Ji	anuary 1, 2016	Additions		Recovery/ reversal	Dec	cember 31, 2016	Remaining recovery/ reversal years
Deferred meter costs Group 1 deferred accounts Retail services variances Other regulatory assets	\$	980 3,681 526 751	\$ (103) 501 71 327	\$	(2,537)	\$	877 1,645 597 1,078	2 2 2 2
Regulatory recovery account Future income tax		263	(40) 144)	47 (263)		7 144	2 N/A
	\$	6,201	\$ 900	\$	(2,752)	\$	4,348	
Regulatory deferral account debit balances	Ji	anuary 1, 2015	Additions		Recovery/	Dec	cember 31,	0
Deferred meter costs Group 1 deferred accounts Retail services variances Other regulatory assets Future income tax	\$	1,090 2,837 455 519 271	(110) 844 71 232 263	\$	reversal - - - (271)	\$	2015 980 3,681 526 751 263	years 3 3 3 3 N/A
	\$	5,172	\$ 1,300	\$	(271)	\$	6,201	
Regulatory deferral account credit balances	Ja	anuary 1, 2016	Additions		Recovery/ reversal	Dec	cember 31, 2016	Remaining years
Group 1 deferred accounts Regulatory recovery account Other regulatory liabilities Future income taxes	\$	2,446 215 3,218 997	1,217 - 14 545	\$	(382) (215) (1,991) (997)	\$	3,282 - 1,241 545	2 0 1 N/A
	\$	6,876	\$ 1,776	\$	(3,585)	\$	5,068	
	Já	anuary 1,			Recovery/	Dec	ember 31,	Remaining
Regulatory deferral account credit balances		2015	 Additions		reversal		2015	years
Group 1 deferred accounts Regulatory recovery account Other regulatory liabilities Future income taxes	\$	708 925 2,018 1,292	\$ 1,738 - 1,201 997	\$	- (710) - (1,292)	\$	2,446 215 3,218 997	3 1 2 N/A
	\$	4,943	\$ 3,936	\$	(2,002)	\$	6,876	

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by the Corporation's customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Deferred meter costs arose as a result of the Ontario Governments' initiative - the Provincial Smart Meter Program. The current deferred balance represents the residual net book value of stranded meters. The Corporation is required to address the balance during its next COS rate application but may request the OEB consider them as part of a stand-alone application.

Group 1 deferral accounts represent retail settlement variances between purchase costs and amounts billed to customers. Settlement to clear these amounts is done through an application to the OEB is done on an annual basis when the audited balances exceed an OEB standard threshold test. The Corporation received approval from the OEB to recover an amount of \$1,890 effective January 1, 2016. At the beginning of 2016, the Corporation moved the approved account balance to the regulatory recovery account for recovery over the one year period ending December 31, 2016.

The retailer service variance captures the difference between revenue collected and the associated costs to support retailer activities and transactions. These balances are settled as part of the COS rate process or may be considered in a stand-alone application.

Other regulatory assets include the lost revenue adjustment variance of \$828. This account captures the difference between the results of actual verified impacts of authorized CDM program activities and the level of CDM program activities included in the Corporation's 2011 load forecast. Incremental costs incurred to prepare and complete the transition to IFRS accounting represent \$205, while the remaining amount is primarily related to an OEB assessment cost variance. These balances must be settled during a COS rate application process but lost revenue may also be settled as part of the annual rate setting process.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

The regulatory recovery account is comprised primarily of Group 1 deferral accounts which have been previously approved for disposition by the OEB. Rate riders related to these balances have expired. The 2016 balance represents a credit of \$50 related to Shared Tax Savings which have been approved for deferral plus a small residual balance for the difference between approved balances and rate rider amounts.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

14. Share capital

	 2016	2015
Authorized: Unlimited number of common shares Issued: 165 common shares	\$ 29 494	\$ 29,494
165 common shares	\$ 29,494	\$ 29,4

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid dividends in the year of \$2,677 (2015 - \$2,520).

15. Other revenue

	 2016	 2015
Contributions received from customers	\$ 853	\$ 945
Late payment charges	368	381
Collection and other service charges	368	338
Pole and other rental income	135	137
Conservation and Demand Management performance bonus,		
revenues	40	53
Miscellaneous	131	184
	\$ 1,895	\$ 2,038

16. Operating expenses

	2016	 2015
Service agreement contract expense	\$ 9,442	\$ 9,046
Depreciation and amortization	4,677	4,442
Contract/consulting/service fees	1,975	1,435
Salaries, wages and benefits	694	807
Community relations	106	105
Losses on disposal of property, plant and equipment	86	193
Other	171	153
	\$ 17,151	\$ 16,181

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

17. Finance income and costs

	 2016	 2015
Finance income		
Interest income on bank deposits	\$ -	\$ (3)
Finance costs		
Interest expense on long-term debt	2,153	2,146
Interest expense on customer deposits	12	13
Other	23	-
	2,188	2,159
Net finance costs recognized in profit or loss	\$ 2,188	\$ 2,156

18. Commitments and contingencies

General Liability Insurance

The Corporation maintains appropriate types and levels of insurance with major insurers. With respect to liability insurance, the Corporation is a member of the Municipal Electricity Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or interinsurance with each other. MEARIE is licensed to provide general liability insurance to its members. All members of the pool could potentially be subjected to an assessment for losses experiences by the pool for the years in which they were members on a pro-rata basis on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2016, no such assessments have been made.

Contractual Obligations

The Corporation is party to a connection and cost recovery agreement with Hydro One Networks Inc. ("Hydro One") related to the construction by Hydro One of a transformer station designated to meet the Corporation's anticipated load growth. Construction of the project was completed during 2007 and the Corporation connected to the transformer station in November 2007.

To the extent that the cost of the project is not recoverable from future transformer connection revenues, the Corporation is obliged to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Corporation. Hydro One performs a trueup based on actual load on a periodic basis. There is currently no revenue shortfall owing by the Corporation based on the most recent true-up. Any estimated short fall in the future would be recorded as a liability and a corresponding intangible asset when determined.

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

19. Operating leases

The Corporation is committed to lease agreements for various vehicles and equipment.

The future minimum non-cancellable annual lease payments are as follows:

	 2016	 2015
Less than one year Between one and five years More than five years	\$ 332 1,657 111	\$ 227 880 69
	\$ 2,100	\$ 1,176

During the year ended December 31, 2016 an expense of \$176 (2015 – \$145) was recognized in net income in respect of operating leases.

20. Related party transactions

(a) Parent and ultimate controlling party

The Parent of both the Corporation and Whitby Hydro Services Corporation is Whitby Hydro Energy Corporation, which in turn is wholly-owned by the ultimate controlling party, the Corporation of the Town of Whitby ("Town of Whitby"). The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances due from related parties

	-	2016	 2015
Town of Whitby Whitby Hydro Energy Services	\$	398 13	\$ 331 12
	\$	411	\$ 343
Outstanding balances due to related parties			
		2016	2015
Whitby Hydro Energy Services Town of Whitby	\$	5,544 28,338	\$ 3,433 28,338
	\$	33,882	\$ 31,771

Transactions between Whitby Hydro Energy Corporation, Whitby Hydro Electric Corporation, and the Whitby Hydro Energy Services Corporation are pursuant to an annual agreement and recorded at the exchange amount.

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

20. Related party transactions

(c) Transactions with Town of Whitby

The Corporation had the following significant transactions with the Town of Whitby, a government entity:

The Corporation delivers electricity to the Town of Whitby throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB.

The Corporation pays interest expense on outstanding promissory notes. Included in Operation, maintenance, and administration expense are fees remitted to the Town for providing fleet maintenance services on an ongoing basis in order for the Corporation to maintain its fleet.

2016		2015
	÷	
\$ 4,175	\$	4,219
\$ 2,000	\$	2,000
994		335
\$ 2,994	\$	2,335
· · · · ·	\$ 4,175 \$ 2,000 994	\$ 4,175 \$ \$ 2,000 \$ 994

(d) Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2016	2015
ectors' fees aries and other short-term benefits	\$ 135 216	\$ 148 260
	\$ 351	\$ 408

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

21. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of customer deposits and the notes payable due to the Town both approximate fair value because the amounts are payable upon demand.

The fair value of the Infrastructure Ontario long-term debt at December 31, 2016 is \$4,031 (2015 - \$4,452). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2016 was 3.25% (2015 – 3.17%).

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Whitby. No single customer accounts for a balance in excess of 5.4% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2016 is \$434 (2015 – \$528).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2016, approximately \$675 (2015 – \$728) is considered over 60 days past due. The Corporation has just over 42 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2016, the Corporation holds security deposits in the amount of \$2,228 (2015 – \$1,760).

Notes to Financial Statements (continued) Year ended December 31, 2016 (in thousands of dollars)

21. Financial instruments and risk management (continued)

Financial risks (continued)

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2016 would have increased interest expense on the long-term debt by \$319 (2015 – \$323), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$5,000 revolving credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2016, \$520 had been drawn under the Corporation's \$5,000 credit facility.

The Corporation also has a bilateral facility for 6,900 (2015 - 6,900) for the purpose of issuing letters of credit to support the prudential requirements of the IESO.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2016, shareholder's equity amounts to \$49,733 (2015 – \$47,693) and long-term debt amounts to \$31,938 (2015 – \$32,338).

22. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Financial Statements of

WHITBY HYDRO ELECTRIC CORPORATION

Year ended December 31, 2017 (Expressed in thousands of dollars)



KPMG LLP Commerce Place 21 King Street West, Suite 700 Hamilton Ontario L8P 4W7 Canada Telephone (905) 523-8200 Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Whitby Hydro Electric Corporation

We have audited the accompanying financial statements of Whitby Hydro Electric Corporation ("the Entity"), which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Whitby Hydro Electric Corporation as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada April 13, 2018

Statement of Financial Position December 31, 2017 (in thousands of dollars)

	Note		2017		2016
Assets					
Current assets					
Cash and cash equivalents	5	\$	2,785	\$	735
Accounts receivable	6	Ť	9,177	•	10,707
Due from related parties	20		395		411
Unbilled revenue			9,530		13,173
Materials and supplies	7		1,152		1,143
Income tax receivable			291		1,145
Prepaid expenses			80		79
Total current assets			23,410		26,248
	2 2				
Non-current assets					
Property, plant and equipment	8		96,290		90,601
Intangible assets	9		253		458
Deferred tax assets	10		121		508
Total non-current assets			96,664		91,567
Total assets		1	20,074		117,815
Regulatory balances	11		5,646		4,348

Total assets and regulatory balances	\$ 125,720	\$	122,163
	 1	÷	,

\$ 13,671	\$	14,323
7,858		5,544
400		400
2,352		2,007
-		248
24,281		22,522
146		219
		31,938
		13,652
•		108
46,645		45,917
70,926		68,439
29.494		29,494
		19,162
50,451		48,656
 121,377	1	117,095
4,343		5,068
\$	7,858 400 2,352 24,281 146 31,538 14,430 531 46,645 70,926 29,494 20,957 50,451 121,377	7,858 400 2,352 24,281 146 31,538 14,430 531 46,645 70,926 29,494 20,957 50,451 121,377 1

Total liabilities, equity and regulatory balances

See accompanying notes to the financial statements.

On behalf of the Board: Director

Director

125,720

\$

122,163

\$

2

Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016 (in thousands of dollars)

(in thousands of dollars)					
	Note		2017		2016
Revenue					
Distribution revenue		\$	21,865	\$	19,845
Other	15	•	1,856	Ψ	1,895
			23,721	-	21,740
Sale of energy			100,554		119,091
Total revenue		· · · · · · · · · · · ·	124,275		140,831
Operating expenses					
Operations and maintenance			5,527		5,500
Administration expense			7,575		6,974
Depreciation and amortization			4,784		4,677
	16		17,886		17,151
Cost of power purchased			100,712		116,492
Total expenses			118,598		133,643
Income from operating activities			5,677		7,188
Net finance costs	17		2,141		2,188
Income before income taxes			3,536		5,000
Income taxes					
Current	10		433		983
Future	10		811		333
			1,244		1,316
Net income for the year			2,292		3,684
Net movement in regulatory balances, net of tax					
Net movement in regulatory balances	11		4 0 4 0		(077)
Income tax on net movement in regulatory balances			1,212		(377)
income tax of fiel movement in regulatory balances			<u>811</u> 2,023		333
			2,023		(44)
Net income for the year and net movement in reg	ulatory				
balances, which is comprehensive income		\$	4,315	\$	3,640

See accompanying notes to the financial statements.

Statement of Changes in Equity Year ended December 31, 2017, with comparative information for 2016

(in	thousands	of dollars)	

				imulated other ehensive	
	 Share capital	-	Retained earnings	 income (loss)	Total
Balance at January 1, 2017 Net income and net movement	\$ 29,494	\$	19,162	\$, -	\$ 48,656
in regulatory balances Dividends	-		4,315 (2,520)	-	4,315 (2,520)
Balance at December 31, 2017	\$ 29,494	\$	20,957	\$ -	\$ 50,451
Balance at January 1, 2016 Net income and net movement	\$ 29,494	\$	18,199	\$ -	\$ 47,693
in regulatory balances Dividends	-		3,640 (2,677)	-	3,640 (2,677)
Balance at December 31, 2016	\$ 29,494	΄\$	19,162	\$ -	\$ 48,656

See accompanying notes to the financial statements.

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016 (in thousands of dollars)

		2017		2016
Operating activities				
Net income and net movement in regulatory balances	\$	4,315	\$	3,640
Adjustments for:	Ψ	4,010	Ψ	5,040
Depreciation and amortization		4,784		4,677
Amortization of deferred revenue		(1,017)		(849)
Losses on disposal of property, plant and equipment		72		86
Net finance costs		2,141		2,188
Income tax expense		1,244		1,316
Contributions received from customers		1,795		2,962
Change in non-cash operating working capital:				,
Accounts receivable		1,530		(2,736)
Due to/from related parties		2,330		2,043
Unbilled revenue		3,643		(265)
Materials and supplies		(9)		(60)
Prepaid expenses		(1)		9
Accounts payable and accrued liabilities		(652)		1,606
Customer deposits		272		466
		20,447		15,083
Net movement in regulatory balances		(2,023)		44
Income tax paid		(1,071)		(1,275)
Income tax received		122		69
Interest paid		(2,162)		(2,190)
Net cash from operating activities		15,313		11,731
nvesting activities				
Purchase of property, plant and equipment		(10,194)		(10,926)
Purchase of intangible assets		(147)		(65)
Net cash used by investing activities		(10,341)		(10,991)
inancing activities				
Dividends paid		(2,520)		(2,677)
Repayment of long-term debt		(400)		(400)
Net cash used by financing activities		(2,920)		(3,077)
Change in cash and cash equivalents		2,050		(2,337)
Cash and cash equivalents, beginning of year		735		3,072
Cash and cash equivalents, end of year	\$	2,785	\$	735

See accompanying notes to the financial statements.

Notes to Financial Statements Year ended December 31, 2017 (in thousands of dollars)

1. Reporting entity

Whitby Hydro Electric Corporation (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Whitby of the Region of Durham. The address of the Corporation's registered office is 100 Taunton Rd. East, Whitby Hydro, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in Whitby. The Corporation is wholly owned by Whitby Hydro Energy Corporation and the ultimate parent is the Corporation of the Town of Whitby.

The financial statements are for the Corporation as at and for the year ended December 31, 2017.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 13, 2018.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

- (d) Use of estimates and judgments
 - (i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

2. Basis of presentation (continued)

- (d) Use of estimates and judgments (continued)
 - (i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3(b) measurement of unbilled revenue
- (ii) Notes 3(d) and 3(e) estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 3(i) recognition and measurement of regulatory balances
- (iv) Note 18 recognition and measurement of provisions and contingencies
- (ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following note:

- (i) Note 3(j) leases: whether an arrangement contains a lease and classification as an operating lease versus financing
- (e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

(i) Distribution revenue

For the distribution revenue, the Corporation files a "Cost of Service" ("COS") rate application with the OEB approximately every five years. The COS filing timeline may be extended if the Corporation is able to maintain good reliability and operations under the existing approved rate structure, and has either received approval by the OEB for such a deferral or has elected to follow the Annual Incentive Rate Setting Index ("Annual IR Index") approach. The COS rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners; rates are approved based upon this review, including any revisions resulting from the review.

In the intervening years an Incentive Rate Mechanism ("IRM") or an Annual IR Index application is filed. Both of these annual applications result in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor. The only difference in the rate calculations under each type of annual application is the "stretch factor" applied. An annual IR Index is applicable if an LDC anticipates a cost of service deferral for multiple years.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in January 2010 for rates effective May 1, 2010. The Corporation has filed an Annual IR Index application annually since 2011. The GDP IPI-FDD for 2017 is 1.90%, the Corporation's productivity factor is 0.0% and the stretch factor is 0.3%, resulting in a net adjustment of 1.6% to the previous year's rates.

(ii) Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting (continued)

(ii) Electricity rates (continued)

The OEB issued a new distribution rate design for residential electricity customers which will be phased in over a four year period commencing January 2016. Under this new policy, electricity distributors will structure residential rates so that all of the distribution charge will be collected through a fully fixed monthly charge instead of the current fixed and variable charge.

Effective 2017, all electricity distributors in Ontario are required to bill their customers on a monthly basis rather than the historical bi-monthly basis. This policy change incorporates an expectation that distributors will issue bills based on actual meter readings rather than estimates at least 98% of the time.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements:

(a) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition

Sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Sale and distribution of electricity (continued)

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Buildings & fixtures Distribution lines Distribution transformers Distribution meters Smart meters Electricity generation equipment General office equipment Computer equipment Maior tools	10-50 years 25-60 years 40 years 30 years 12 years 20 years 10 years 3-5 years
Major tools	10 years

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Computer software Land rights

5 years Indefinite

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

- (f) Impairment (continued)
 - (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

(i) Regulatory balances

Regulatory debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for ratemaking purposes. The offsetting amount is recognized in net movement in regulatory balances in profit (loss) or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Leased assets

Leases, where the terms cause the Corporation to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

3. Significant accounting policies (continued)

(k) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on borrowings and customer deposits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(I) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

4. Future changes in accounting policy and disclosures

The Corporation is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

In May 2014, the IASB has issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation will adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on the financial statements.

Financial Instruments

In July 2014, the IASB issued a new standard, IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Corporation will adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on the financial statements.

Leases

In January 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

5. Cash and cash equivalents

	2017	2016
Bank balances	\$ 2,785	\$ 735
Cash and cash equivalents	\$ 2,785	\$ 735

6. Accounts receivable

	2017	 2016
Trade receivables Other trade receivables <u>Billable work</u>	\$ 7,993 606 918	\$ 9,632 414 1,095
	 9,517	 11,141
Less allowance for doubtful accounts	(340)	(434)
	\$ 9,177	\$ 10,707

7. Materials and supplies

No amounts written down due to obsolescence in 2017 (2016 - \$nil).

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

8. Property, plant and equipment

		Land and buildings	_	istribution equipment	Oth	er fixed assets		struction progress	Total
<i>Cost or deemed cost</i> Balance at January 1, 2017 Additions Transfers Disposals/retirements	\$	16,039 2,430 - -	\$	83,355 6,932 356 (342)	\$	2,811 281 -	\$	374 551 (356)	\$ 102,579 10,194 - (342)
Balance at December 31, 2017	\$	18,469	\$	90,301	\$	3,092	\$	569	\$ 112,431
Balance at January 1, 2016 Additions Transfers Disposals/retirements	\$	15,077 962 -	\$	73,313 9,451 1,088 (496)	\$	2,526 285 -	\$	1,234 228 (1,088)	\$ 92,150 10,926 - (496)
Balance at December 31, 2016	\$	16,039	\$	83,356	\$	2,811	\$	374	\$ 102,580
Accumulated depreciation Balance at January 1, 2017 Depreciation Disposals/retirements	\$	(1,209) (479) -	\$	(9,850) (3,617) 270	\$	(921) (335) -	\$	-	\$ (11,980) (4,431) 270
Balance at December 31, 2017	\$	(1,688)	\$	(13,197)	\$	(1,256)	\$	-	\$ (16,141)
Balance at January 1, 2016 Depreciation Disposals/retirements	\$	(763) (446) -	\$	(6,495) (3,765) 410	\$	(604) (316)	\$	- -	\$ (7,862) (4,527) 410
Balance at December 31, 2016	\$	(1,209)	\$	(9,850)	\$	(920)	\$	-	\$ (11,979)
<i>Carrying amounts</i> At December 31, 2017 At December 31, 2016	\$ \$	16,781 14,830	\$ \$	77,104 73,506	\$ \$	1,836 1,891	\$ \$	569 374	\$ 96,290 \$ 90,601

During the year, no borrowing costs were capitalized as part of the cost of property, plant and equipment (2016 – \$nil).

At December 31, 2017, property, plant and equipment with a carrying value of \$96,290 (2016 – \$90,601) are subject to a general security agreement.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

Origination and reversal of temporary differences

9. Intangible assets

		computer software	Land rights	Tot
	<u> </u>	Solution	 nynts	 101
Cost or deemed cost Balance at January 1, 2017 Additions (disposals)	\$	1,025 147	\$ -	\$ 1,02 14
Balance at December 31, 2017	\$	1,172	\$ -	\$ 1,1
Balance at January 1, 2016 Additions (disposals)	\$	949 76	\$ 11 (11)	\$ 96
Balance at December 31, 2016	\$	1,025	\$ -	\$ 1,02
<i>Accumulated amortization</i> Balance at January 1, 2017 Amortization	\$	(567) (352)	\$ -	\$ (56 (35
Balance at December 31, 2017	\$	(919)	\$ -	\$ (91
Balance at January 1, 2016 Amortization	\$	(418) (149)	\$ -	\$ (41 (14
Balance at December 31, 2016	\$	(567)	\$ -	\$ (56
<i>Carrying amounts</i> At December 31, 2017 At December 31, 2016	\$ \$	253 458	\$ -	\$ 25 45
Income tax expense				
Current tax expense				
			2017	201
Current year Adjustment for prior years			\$ 433	\$ 90 7
			\$ 433	\$ 98
Deferred tax expense				
			 2017	 201

\$

811

\$

333

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

10. Income tax expense (continued)

Reconciliation of effective tax rate

		2017	2016
Income before taxes	\$	3,536	\$ 5,000
Canada and Ontario statutory income tax rates	<u>-</u>	26.5%	 26.5%
Expected tax provision on income at statutory rates Increase (decrease) in income taxes resulting from:		937	1,325
Permanent differences		4	2
Tax on regulatory timing differences		303	(11)
Income tax expense	\$	1,244	\$ 1,316

Significant components of the Corporation's deferred tax balances

	2	2017	 2016
Deferred tax assets:			
Cumulative eligible capital	\$	121	\$ 130
Deferred tax liabilities:			
Property, plant and equipment		(435)	61
Timing differences on regulatory assets and liabilities		(29)	317
Other reserves		(67)	(108)
	\$	(410)	\$ 400

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

11. Regulatory balances

Regulatory deferral account debit balances		January 1, 2017		Additions		Recovery/ reversal	De	cember 31, 2017	
Deferred meter costs Group 1 deferral accounts Retail services variances Other regulatory assets Regulatory recovery account Future income tax	\$	877 1,645 597 1,078 7 144	Ŧ	- 1,111 65 501 - 558		(96) (56) - (634) (7) (144)	\$	781 2,700 662 945 - 558	2 1 3 N/A
	\$	4,348		2,235		(144)	\$	5,646	
									Remaining
Regulatory deferral account debit balances	J	anuary 1, 2016		Additions		Recovery/ reversal	De	cember 31, 2016	
Deferred meter costs Group 1 deferral accounts Retail services variances Other regulatory assets Regulatory recovery account Future income tax	\$	980 3,681 526 751 - 263	\$	501 71 327 47 144	\$	(103) (2,537) - (40) (263)	\$	877 1,645 597 1,078 7 144	2 2 2 2 2
	\$	6,201	\$	1,090	\$	(2,943)	\$	4,348	
Regulatory deferral account credit balances	J	anuary 1, 2017		Additions		Recovery/ reversal	Dec	cember 31, 2017	Remaining years
Group 1 deferral accounts Regulatory recovery account Other regulatory liabilities Future income taxes	\$	3,282 - 1,241 545	\$	907 6 - 148	\$	- - (1,241) (545)	\$	4,189 6 - 148	2 N/A
	\$	5,068	\$	1,061	\$	(1,786)	\$	4,343	
Regulatory deferral account credit balances	Ji	anuary 1, 2016		Additions	_	Recovery/ reversal	Dec	cember 31, 2016	Remaining years
Group 1 deferral accounts Regulatory recovery account Other regulatory liabilities Future income taxes	\$	2,447 215 3,218 997	\$	1,217 - 14 545	\$	(382) (215) (1,991) (997)	\$	3,282 - 1,241 545	2 0 1 *
	\$	6,877	\$	1,776	\$	(3,585)	\$	5,068	<u></u>

* These balances will reverse as the related deferred income taxes reverse.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by the Corporation's customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Deferred meter costs arose as a result of the Ontario Governments' initiative - the Provincial Smart Meter Program. The current deferred balance represents the residual net book value of stranded meters. The Corporation has received approval to dispose of this balance in 2018.

Group 1 deferral accounts represent retail settlement variances between purchase costs and amounts billed to customers. Settlement to clear these amounts is done through an application to the OEB on an annual basis when the audited balances exceed an OEB standard threshold test. The Corporation received approval from the OEB to dispose of a net credit amount of \$1,774 effective January 1, 2018. At the beginning of 2018, the Corporation will move the approved account balance to the regulatory recovery account for disposition over the one year period ending December 31, 2018.

The retail services variance captures the difference between revenue collected and the associated costs to support retailer activities and transactions. These balances are generally settled as part of the COS rate application process however the Corporation has filed a stand-alone application and received approval to dispose of \$603 (representing December 31, 2016 ending balances plus interest) over a one year period ending December 31, 2018.

Other regulatory assets include amounts for the following:

• Lost revenue adjustment variance of \$586. This account captures the difference between the results of actual verified impacts of authorized CDM program activities and the level of CDM program activities included in the Corporation's 2011 load forecast. The lost revenue balances may be settled as part of the annual rate setting process;

• Incremental costs incurred to prepare and complete the transition to IFRS accounting and the OEB assessment cost variance of \$306. These balances are generally settled during a COS rate application process, however, the Corporation received approval to dispose of \$253 (representing December 31, 2016 balances plus interest) during 2018 as part of a stand-alone application; and

• Differences associated with required regulatory accounting changes under CGAAP which were implemented in 2013 of \$53. The OEB has previously approved two interim dispositions in order to begin to return funds to customers. This account will continue to track the differences each year until the next COS application is completed and the regulatory changes to IFRS accounting are incorporated in approved distribution rates. Alternatively, the Corporation may propose a final disposition as part of a stand- alone application. Additional transactions in 2017 resulted in a shift from an opening regulatory credit amount to a closing regulatory debit balance.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

11. Regulatory balances (continued)

The regulatory recovery account is comprised primarily of Group 1 deferral accounts which have been previously approved for disposition by the OEB. Rate riders related to these balances have expired. The 2017 balance represents a credit of \$102 related to Shared Tax Savings which have been approved for deferral plus small residual balances for the difference between approved balances and rate rider amounts.

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Other regulatory liabilities reflect the differences associated with required regulatory accounting changes under CGAAP which were implemented in 2013. The OEB has previously approved two interim dispositions in order to begin to return funds to customers. The most recent approval included a return of \$1,285 to customers over a one year period starting January 1, 2017. This account will continue to track the differences each year until the next COS application is completed and the regulatory changes to IFRS accounting are incorporated in approved distribution rates. Alternatively the Corporation may propose a final disposition as part of a stand-alone application.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2017 the rate was 1.10% for the first three quarters of the year and then increased to 1.50% in the final quarter.

	 2017	 2016
Accounts payable – IESO energy purchases Customer credit balances Debt retirement charge payable to OEFC Interest payable Accounts payable – WHESC Other	\$ 7,970 1,600 251 13 - 3,837	\$ 10,601 611 249 15 35 2,812
	\$ 13,671	\$ 14,323

12. Accounts payable and accrued liabilities

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

13. Long-term debt

	2017	 2016
Town of Whitby notes payable	\$ 28,338	\$ 28,338
Ontario Infrastructure loans	 3,600	4,000
	31,938	32,338
Less current portion	400	400
Long-term portion	\$ 31,538	\$ 31,938

The notes payable bear interest at an average rate of 7.06% and are due on demand to the Town of Whitby. The Town of Whitby has waived its right to demand payment until January 1, 2019.

The Ontario Infrastructure loans have a maturity date of December 1, 2026 and have an interest rate of 3.36% per annum. Interest is payable in equal monthly installments, in advance, commencing on January 3, 2012. The loans are secured by a general security agreement over the assets of the Corporation.

14. Share capital

	2017	2016
Authorized: Unlimited number of common shares Issued: 165 common shares	\$ 29,494	\$ 29,494

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. The Corporation paid dividends in the year of 2,520 (2016 – 2,677).

15. Other revenue

	2017		2016
Contributions received from customers \$	1,017	\$	853
Collection and other service charges	352	Ŧ	368
Late payment charges	221		368
Pole and other rental income	134		135
Conservation and Demand Management performance adjustment	-		40
Miscellaneous	132		131
\$	1,856	\$	1,895

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

16. Operating expenses

		2017		2016
Service agreement contract expense	\$	9,615	\$	0.445
Depreciation and amortization	Ψ	4,784	φ	9,442
Contract/consulting/service fees		2,280		4,677
Salaries, wages and benefits		2,200		1,975
Community relations		131		694
Losses on disposal of property, plant and equipment		72		106
Other				86
		96		171
	\$	17,886	\$	17,151
Net finance costs		2017		2016
		2017		2016
Finance income Interest income on bank deposits		2017		2016
Finance income Interest income on bank deposits	\$		\$	2016
Finance income Interest income on bank deposits Finance costs	\$	15	\$	
Finance income Interest income on bank deposits Finance costs Interest expense on long-term debt	\$	15 2,128	\$	- 2,153
Finance income Interest income on bank deposits Finance costs Interest expense on long-term debt Interest expense on customer deposits	\$	15 2,128 14	\$	- 2,153 12
Finance income Interest income on bank deposits Finance costs Interest expense on long-term debt	\$	15 2,128 14 (16)	\$	- 2,153 12 23
Finance income Interest income on bank deposits Finance costs Interest expense on long-term debt Interest expense on customer deposits	\$	15 2,128 14	\$	- 2,153 12

18. Commitments and contingencies

General Liability Insurance

The Corporation maintains appropriate types and levels of insurance with major insurers. With respect to liability insurance, the Corporation is a member of the Municipal Electricity Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or interinsurance with each other. MEARIE is licensed to provide general liability insurance to its members. All members of the pool could potentially be subjected to an assessment for losses experiences by the pool for the years in which they were members on a pro-rata basis on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2017, no such assessments have been made.

Contractual Obligations

The Corporation is party to a connection and cost recovery agreement with Hydro One Networks Inc. ("Hydro One") related to the construction by Hydro One of a transformer station designated to meet the Corporation's anticipated load growth. Construction of the project was completed during 2007 and the Corporation connected to the transformer station in November 2007.

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

18. Commitments and contingencies (continued)

To the extent that the cost of the project is not recoverable from future transformer connection revenues, the Corporation is obliged to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Corporation. Hydro One performs a true-up based on actual load on a periodic basis. There is currently no revenue shortfall owing by the Corporation based on the most recent true-up. Any estimated short fall in the future would be recorded as a liability and a corresponding intangible asset when determined.

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

19. Operating leases

The Corporation is committed to lease agreements for various vehicles and equipment.

The future minimum non-cancellable annual lease payments are as follows:

	2017	2016
Less than one year Between one and five years More than five years	\$ 401 2,007 138	\$ 332 1,657 111
	\$ 2,546	\$ 2,100

During the year ended December 31, 2017 an expense of 159 (2016 - 176) was recognized in net income in respect of operating leases.

20. Related party transactions

(a) Parent and ultimate controlling party

The Parent of both the Corporation and Whitby Hydro Services Corporation is Whitby Hydro Energy Corporation, which in turn is wholly-owned by the ultimate controlling party, the Corporation of the Town of Whitby ("Town of Whitby"). The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances due from related parties

 2017		2016
\$ 381 14	\$	398 13
\$ 395	\$	411
\$	\$ 381 14	\$ 381 \$ 14

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

20. Related party transactions (continued)

(b) Outstanding balances due from related parties (continued)

Outstanding balances due to related parties

	 2017	2016
Whitby Hydro Energy Services Town of Whitby	\$ 7,858 28,338	\$ 5,544 28,338
	\$ 36,196	\$ 33,882

Transactions between Whitby Hydro Energy Corporation, Whitby Hydro Electric Corporation, and the Whitby Hydro Energy Services Corporation are pursuant to an annual agreement and recorded at the exchange amount.

(c) Transactions with the Town of Whitby

The Corporation had the following significant transactions with the Town of Whitby, a government entity:

The Corporation delivers electricity to the Town of Whitby throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB.

The Corporation pays interest expense on outstanding promissory notes. Included in Operation, maintenance, and administration expense are fees remitted to the Town for providing fleet maintenance services on an ongoing basis in order for the Corporation to maintain its fleet.

	 2017	2016
Revenue		
Energy and distribution	\$ 3,671	\$ 4,175
_		
Expenses		
Interest	\$ 2,000	\$ 2,000
Operations, maintenance and administration	 497	994
	\$ 2,497	\$ 2,994

(d) Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2017	2016
Directors' fees Salaries and other short-term benefits	\$ 117 213	\$ 135 216
	\$ 330	\$ 351

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

20. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of customer deposits approximates fair value as the deposits bear interest at current rates.

The fair value of the Town of Whitby notes payable at December 31, 2017 is 41,929 (2016 – 42,243). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2017 was 3.64% (2016 – 3.25%).

The fair value of the Ontario Infrastructure long-term debt at December 31, 2017 is 3,574 (2016 – 4,031). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2017 was 3.61% (2016 – 3.25%).

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Whitby. No single customer accounts for a balance in excess of 4.8% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2017 is \$340 (2016 – \$434).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately \$584 (2016 – \$675) is considered over 60 days past due. The Corporation has just over 42 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with direction provided by the OEB. As at December 31, 2017, the Corporation holds security deposits in the amount of \$2,498 (2016 – \$2,228).

Notes to Financial Statements (continued) Year ended December 31, 2017 (in thousands of dollars)

20. Financial instruments and risk management (continued)

Financial risks (continued)

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$5,000 revolving credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2017, no amounts have been drawn under the Corporation's \$5,000 credit facility.

The Corporation also has a bilateral facility for \$6,900 (2016 – \$6,900) for the purpose of issuing letters of credit to support the prudential requirements of the IESO.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2017, shareholder's equity amounts to 50,451 (2016 – 48,656) and long-term debt amounts to 31,538 (2016 – 31,938).

21. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment Q Filed: July 30, 2018

ATTACHMENT Q LDC MERGECO PRO FORMA FINANCIAL STATEMENT

	2019
LDC MergeCo	Combined
	Proforma
	(in \$000's)
BALANCE SHEET	
ASSETS	
Current assets	
Cash	8,000
Accounts receivable	73,634
Other current assets	6,394
Total current assets	88,028
Capital Assets	
Net fixed assets	357,252
Other Assets	
Other non-current assets	18,311
Total Assets	463,591
LIABILITIES	
Current Liabilities	
Accounts Payable	60,621
Developer & customer obligations	11,281
Other current liabilities	11,696
Total current liabilities	83,598
Long-term Liabilities	
Long-term debt	195,779
Other long-term liabilites	14,498
Total Liabilities	293,875
SHAREHOLDER'S EQUITY	00.040
Share capital	98,819
Retained earnings	70,897
Total Liabilities and Shareholder's Equity	463,591
	-100,001

DC MergeCo	2019 Combined Proforma (in \$000's)
NCOME STATEMENT	
Distribution revenue	80,527
Cost of Power revenue	407,213
Sale of electrical energy	487,740
Less: Cost of power expense	407,213
Net sale of electrical energy	80,527
Other revenues	4,295
Total Revenues	84,822
OM&A expenses	50,226
EBITDA	34,596
Amortization	16,807
Operating income	17,790
Interest	6,265
EBT	11,524
Taxes	1,556
Net Income	9,968

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment R Filed: July 30, 2018

ATTACHMENT R LISTING OF EXISTING RATE RIDERS

Whitby Hydro Electric Corporation Schedule of Rate Riders effective January 1, 2018

Description	Unit	Amount
RESIDENTIAL SERVICE CLASSIFICATION		
Rate Rider for Disposition of Group Two Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$	\$ 0.76
Rate Rider for Recovery of Stranded Meter Assets - effective until December 31, 2019	\$	\$ 0.60
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018*	\$	N/A
Rate Rider for Smart Metering Entity Charge - effective January 1, 2018 until December 31, 2022 (implementation date of April 1, 2018)**	\$	\$ 0.57
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	\$ 0.0013
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	\$ (0.0028)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	\$ 0.0002
	******	• • • • • • • •
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION		
Rate Rider for Recovery of Stranded Meter Assets - effective until December 31, 2019	\$	\$ 4.02
Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018*	\$	N/A
Rate Rider for Smart Metering Entity Charge - effective January 1, 2018 until December 31, 2022 (implementation date of April 1, 2018)**	\$	\$ 0.57
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	\$ 0.0013
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	\$ (0.0028)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	\$ 0.0002
Rate Rider for Disposition of Group Two Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	\$ 0.0010
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION		
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	\$ 0.0013
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018 Applicable only for Non-Wholesale Market Participants	\$/kW	\$ (1.4329)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	\$ 0.2829
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kW	\$ 0.0866
Rate Rider for Disposition of Group Two Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	\$ 0.4172
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION		
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	\$ (0.0031)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kWh	\$ 0.0002
Rate Rider for Disposition of Group Two Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kWh	\$ 0.0010
SENTINEL LIGHTING SERVICE CLASSIFICATION		
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	\$ (0.9666)
STREET LIGHTING SERVICE CLASSIFICATION		
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	\$/kWh	\$ 0.0013
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	\$ (1.0827)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	\$/kW	\$ 0.0810
Rate Rider for Disposition of Group Two Deferral/Variance Accounts (2018) - effective until December 31, 2018	\$/kW	\$ 0.3674

* Superseded by new Smart Meter Entity Charge effective January 1, 2018 (implemented April 1, 2018) per OEB letter (March 1, 2018) and guidance (March 23, 2018).

** See note above

Veridian Connections Inc. Schedule of Rate Riders effective May 1, 2018

Description	Unit	Am	nount
RESIDENTIAL SERVICE CLASSIFICATION			
Smart Metering Entity Charge - effective until December 31, 2022	\$	\$	0.57
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh	\$	(0.0018)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kWh	\$	(0.0001)
SEASONAL RESIDENTIAL SERVICE CLASSIFICATION			
Smart Metering Entity Charge - effective until December 31, 2022	\$	\$	0.57
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh	\$	(0.0018)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kWh	\$	(0.0001)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION			
Smart Metering Entity Charge - effective until December 31, 2022	\$	\$	0.57
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028)
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh		(0.0018)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kWh		(0.0001)
GENERAL SERVICE 50 TO 2.999 KW SERVICE CLASSIFICATION			
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019 (Applicable only for Non-Wholesale Market Participants)	\$/kW		(0.8680
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW		0.1393
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kW		(0.0282
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION			
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW		(0.7941
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kW		(0.0266)
LARGE USE SERVICE CLASSIFICATION			
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW	\$	(1.0403)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION			
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kWh		(0.0018
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kWh		(0.0001)
SENTINEL LIGHTING SERVICE CLASSIFICATION			
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW		(0.6400)
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kW		(0.0247)
STREET LIGHTING SERVICE CLASSIFICATION			
Rate Rider for Disposition of Global Adjustment Account (2018) - effective until April 30, 2019 (Applicable only for Non-RPP Customers)	\$/kWh	\$	(0.0028
Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until April 30, 2019	\$/kW		(0.6382
Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until April 30, 2019 (Applicable only for Class B Customers)	\$/kW		(0.0247
	φ/ΚVV	\$	(0.02

EB-2018-0236 Veridian & Whitby Hydro (MAAD Application) Attachment S Filed July 30, 2018

ATTACHMENT S DRAFT LDC MERGECO DISTRIBUTION LICENCE APPLICATION



Application for Electricity Distribution Licence Ontario Energy Board 2300 Yonge Street P.O. Box 2319 Toronto, ON M4P 1E4 Telephone: 1-888-632-6273 Facsimile: (416) 440-7656 Commission de l'Énergie de l'Ontario 2300 rue Yonge C.P. 2319 Toronto, ON M4P 1E4 Téléphone: 1-888-632-6273 Télécopieur: (416) 440-7656

Application Instructions

1. Purpose of this form

The purpose of this form is to collect information to determine whether the Applicant will be granted a licence to distribute electricity.

2. Structure of the Application Form

This form contains the following sections:

- A General Information;
- B Distribution Facilities Information;
- C Supporting Information
- D Notice and Consent and
- E Acknowledgement

Note: The information in section C16 shall be kept confidential, with the exception of names and positions held of key individuals. All other information filed as part of this application will be considered public. Where the applicant objects to public disclosure of the information, the applicant must follow the Ontario Energy Board's approved Guidelines for Treatment of Filing made in Confidence, effective March19, 2001.

3. Completion Instructions

PRINT CLEARLY or TYPE all information in BLACK. Please send two copies of the completed form and all attachments to:

Board Secretary Ontario Energy Board 2300 Yonge Street P.O. Box 2319, 26th Floor Toronto, ON M4P 1E4

4. Licence Fees:

A non-refundable application fee is required to process your application. Please enclose a cheque or money order made payable to the **ONTARIO ENERGY BOARD**.

Note: If a licence is issued, the Licensee will be required to pay an annual fee of \$800.00.

5. <u>Important Information:</u>

As a licenced Electricity Distributor, the licencee may be subject to additional obligations as required by the Independent Electricity System Operator (IESO) and as established under section 70 or section 78 of the *Ontario Energy Board Act*, *1998*.

REMARQUE: Ce document est disponible en français.

OEB App05A - July/05

Ontario Energy Board Commission de l'Énergie de l'Ontario Application for Electricity Distribution Licence

Ontario Energy Board 2300 Yonge Street P.O. Box 2319 Toronto, ON M4P 1E4 Telephone: 1-888-632-6273 Facsimile: (416) 440-7656 Commission de l'Énergie de l'Ontario 2300 rue Yonge C.P. 2319 Toronto, ON M4P 1E4 Téléphone: 1-888-632-6273 Télécopieur: (416) 440-7656

For Office Use Only						
Application Number						
Date Received						

A. General information

1. Type of Application

New licence			
Renewal			
Amendment to an existing Licence			

2. Ownership/Operation

Please indicate whether the Application is for:	
 Ownership and Operation of a distribution system This application is being made in conjunction with a "MAADs" application to the OEB under s.86 of the Ontario Energy Board Act, 1998, as amended, for the relief necess to effect the amalgamation of Veridian Connections Inc. (OEB Distributor Licence ED-2002-0503) and Whitby Hydro Electric Corporation (OEB Distributor Licence ED-2002-0571) into a single licensed, rate regulated electricity distributor that will serve over 163,000 customers. As part of the MAADs application, the two consolidating utilities are requesting that the OEB transfer their existing Distributor licences to the new, consolidated distributor (referred to in the MAADs application as "LDC Mergecce") Ownership of a distribution system only. Please provide the name and licence no., if any, of the operator of the distribution system? 	,
Operation of a distribution system only. Please provide the name and licence no., if any, of the owner of the distribution system?	

3. Applicant

Full Legal Name of A LDC Mergeco (Le determined)	••	Ontario Corporation Number, Can Corporation Number or Business Registration Number Will be available within thirty days follo of OEB approval for the proposed am	owing receipt
		ix or 100 Taunton Road East Whi 's following receipt of OEB approv	itby. A decision on the business val for the proposed amalgamation
City see above	Province Ontario	Country Canada	Postal/Zip Code

Phone Number	FAX Number	E-Mail Address (if applicable)	

4. Primary Contact for this Application

Please	Please provide the following information about the Primary Contact for this Application: See Section 4 Attachment						chment	
Mr. Miss Other:				Last Na	ame:	Full First Name:		Initial:
				Position	n Held:			
Contac	ct Ado	dress	(if R.R.	, give Lot	, Concession No. and Township)			
City					Province	Country	Postal/Z	lip Code
Phone Number					FAX Number	E-mail Address (if applicable)		

5. Service Area

Please indicate the location (name of municipality or unorganized territory) of the Applicant's distribution facilities and provide a description of the extent (size, length, coverage) of the distribution facilities involved in this Application. This description will be used for the purpose of stating a service area in which the licensee would be authorized to distribute electricity:

LDC Mergeco's service area will consist of the current service areas of Veridian Connections Inc. ("Veridian LDC", OEB Distributor Licence ED-2002-0503) and Whitby Hydro Electric Corporation ("Whitby LDC", OEB Distributor Licence ED-2002-0571). These service areas are described in detail in the two current Distributor Licences. A map providing an overview of the service area resulting from the proposed amalgamation is provided in the MAADs application, as referenced in Sections 3.2 and 3.3 and at attachment B.

6. Facilities Use

Please indicate whether the distribution facilities are for exclusive use by	
the Applicant.	

Yes	No

B. Distribution Facilities Information

<u>7. Faci</u>	ilities Type	
Please	e indicate whether the Applicant's distribution facil	ities are:
	New assets to be constructed? Proposed In-set	rvice date:
	If Applicant is to be the owner, please attach a st	tatement explaining the financing arrangements.
	Existing assets presently owned and/or operated	by the Applicant?
	LDC Mergeco's distribution facilities will be comprised of	of the existing assets of Veridian LDC and Whitby LDC.
	Existing assets not presently owned and/or operative	ated by the Applicant (ie to be purchased)?
		LDC Mergeco's distribution facilities will be comprised of the existing assets of Veridian LDC and Whitby LDC.
	om whom assets will be purchased:	oard?
	Other (please describe):	

Pleas	se indicate the intended purpose(s) of the Applicant's distribution facilities:
	To provide a connection between a generator and a transmission/distribution system.
	To provide a connection between a transmission/distribution system and a load customer or customers.
	To provide a connection between a generator and a load customer or customers.
	To provide distribution services to the general public.
	Other (please describe):

9. Description of Facilities

Please describe the Applicant's distribution facilities indicating operating voltage(s) (kV), length of distribution line (km), number of substations and approximate total supply capacity (MW):

Veridian LDC is serviced by 10 Hydro One-owned transformer stations and 5 Hydro One-owned distribution substations. Veridian LDC is supplied from 188 sub-transmission and distribution feeders: 29 at 44 kV, 11 at 27.6 kV, 66 at 13.8 kV, 13 at 12.47kV, 6 at 8.32kV and 63 at 4.16 kV. Veridian LDC owns and operates 1 regulator station and 50 municipal substations with a combined transformation capacity of 529.5 MVA of which 3 MVA is provided at 600V, 124.5 MVA is provided at 4.16 kV, 5 MVA is provided at 8.32 kV, 7.5 MVA at 12.47kV, 369.5 MVA at 13.8 kV and 20 MVA at 27.6kV. Power is distributed across 2,634 circuit-length-km of line (4955 conductor-length-km); 1,168 circuit-length-km (1,599 conductor-length-km) of which are installed underground with the remainder 1,466 circuit-length-km (3,356 conductor-length-km) carried on 30,046 Veridian LDC-owned poles.

Whitby LDC is serviced by 3 Hydro One-owned transformer stations (Whitby TS DESN 1, and DESN2 and Thornton TS). Whitby LDC is supplied from 50 sub-transmission and distribution feeders: 13 at 44 kV and 37 at 13.8 kV. Whitby LDC owns and operates 11 municipal substations with combined transformation capacity of 294 MVA and provided at 13.8 kV. Power is distributed across 1,104 circuit-length-km of line (2,118 conductor-length-km); 599 circuit-length-km (827 conductor-length-km) of which are installed underground with the remaining 505circuit-length-km (1,291 conductor-length-km) carried on 8,057 Whitby LDC-owned poles.

10. Location of Facilities

Please indicate whether the distribution facilities will be located on, over or under public streets or highways.

C. Supporting Information Organizational Information

11. Business Classification

PartnershipICorporationIOtherI	Sole Proprietor		
	Partnership		
Other	Corporation		
	Other		

12. Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant (attach a copy of 12(a) for each affiliate).				
Full Legal Name of Affiliate Company: Merged Holdco (to be named later) (Merged Holdco will be the holding company of the Applicant), Veridian Energy Inc., Whitby Hydro Energy Services Corporation, Quinte Solar Generation Inc.				
Business Address:				
City	Province	Country	Postal/Zip Code	
Tel. Number	Tel. Number FAX Number E-Mail Address (if applicable)			
Description of Business Activitie	es:			
Please refer to section 3.1 of the Applicant's MAADs application for descriptions of the business activities of Veridian Energy Inc., Whitby Hydro Energy Services Corporation, and Quinte Solar Generation Inc.				
b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.				
A corporate organization chart is provided as part of the Applicant's MAADs application, as referenced in section 3.5.				

13. Energy Sector Activities

Has the Applicant or an Affiliate undertaken any energy sector activities in Ontario or any other jurisdiction? If yes, please provide the following information for each:	Yes No
Full Legal Name of Company: Please see Section 13 Attachment	Licence/Registration Number:
Jurisdiction: Ontario (primary) May service clients in other locations	Type of Business Activity (e.g. Generation, Transmission, Distribution):

Technical Capability and Experience Information 14. Business Activities

Please provide a description of the Applicant's business activities:

Electricity distribution, as detailed in the Applicant's MAADs application.

15. Technical Ability

a) Please describe the applicant's technical ability to carry out the activities applied for including the Applicant's specific experience in Ontario and in other jurisdictions.

The Applicant is the distributor that will be created by the consolidation of Veridian LDC and Whitby LDC. These predecessor LDCs of LDC Mergeco have operated as electricity distributors in Ontario for many years, and both hold OEB licences in good standing. LDC Mergeco intends to continue providing reliable and high quality distribution services with employees transferred from its predecessor companies. In respect of the functions identified below, like the utilities which merged to form LDC Mergeco, the Applicant will continue to use its own staffing resources to undertake most of these functions. Where a decision is made to engage an outside vendor or contractor to undertake all or any part of these functions, LDC Mergeco will apply its policy of only engaging duly qualified and experienced vendors and contractors pursuant to its procurement policy.

b)	If the Applicant intends to utilize the capability of others by contracting distribution activities, please indicate below which
	activities and to whom they will be contracted:

Design	Contracted to:
Construction	Contracted to:
Inspection & Maintenance	Contracted to:
Operation	Contracted to:
Customer Connection	Contracted to:
Standard Supply Service	Contracted to:
Metering & Metering Services	Contracted to:
Settlement & Billing	Contracted to:
Other (describe):	Contracted to:

16. Information About Each Key Individual					
Mr. □ Mrs.□	Last Name:	Full First Name:	Initial:		
Miss I Ms. I Other: see below Position Held:					
Please explain the person's experience in the electrical distribution business and in the energy field in general. <u>Veridian Connections Inc Officers:</u> Michael Angemeer, President & CEO/ Rob Scarffe, Executive Vice President, Customer Service & Information Technology/ Laurie McLorg, Vice President, Financial Services & CFO/George Armstrong, Vice President, Corporate Services/Peter Petriw, Vice President, Engineering/Adrian Foster, Board Chair/Kevin Ashe, Board Vice Chair <u>Whitby Hydro Electric Corporation - Officers:</u> John Sanderson, President & CEO/Ramona Abi-Rashed, Treasurer/Mike Chase, Deputy Treasurer/Susan Reffle, Vice- President					
	a proprietor, partner, officer or director or Part V of the Ontario Energy Board		Yes No		
If yes, provide busine experience.	ss names and licence number(s) and	describe the individuals specific related			
Please see Section	16 Attachment.				
	b) Has this person been a proprietor, partner, officer, or director of a business that was registered or Yes No licenced under this or any other acts or legislation?				
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.					
Please see Section	16 Attachment.				
	a proprietor, partner, officer or director fused, suspended, revoked or cancelle	r of a business that had a registration or ed?	Yes No		
If yes, please provide of licence.	company name and describe the situa	ation, including the jurisdiction and type			
Please see Section 16 Attachment.					

Note:

Attach a copy of Item 16 for each Key Individual: Officer and Director, Partner or sole Proprietor.

Financial Information <u>17. Financial Statements</u>				
Please attach financial statements of the Applicant for each of the past two fiscal years. This may include audited financial statements, annual reports, prospectuses or other such information. <i>The Applicant has provided the predecessor distributors' financial statements for 2016 and 2017 as referenced in</i>				
Other Information section 5.2.6 of the MAADs application. 18. Delivery 18. Delivery				
Please indicate whether the Applicant's distribution facilities are to be used to deliver electricity to one or Yes No more parties other than the Applicant. If yes, please provide the following information:				
 a) if the purpose of the Applicant's distribution facilities is to provide distribution services to specific generators or load customers rather than the general public (see question #8) please indicate the names of these participants: Not applicable 				
 b) a summary of the business plans relating to the Applicant's proposed distribution business for the next five years. This should include the following: 				
 a forecast of annual growth in terms of factors such as the amount of electricity distributed (MW and/or MWH), number of customers served, amount of distribution facilities (lines and/or stations), etc. 				
 annual pro forma financial statements including forecasts of costs, revenues and project financing indicating the underlying assumptions on which the forecasts are based. 				
c) estimates of net annual cash flows for subsequent periods to demonstrate financial feasibility and security.				
Please see the MAADs Application for details of the Applicant's proposed business plan.				
d) indication of the Applicant's plans to seek Ontario Energy Board approval for electricity distribution rates.				

In the MAADs application, the Applicants have indicated that they will be deferring rebasing for a period of 10 years from the completion of the consolidation. During the rebasing deferral period, LDC Mergeco will be applying for approval of rates in a manner applicable to each of the predecessor distributors. More particularly

- the Veridian LDC service areas will be the subject of Price Cap Incentive Rate-Setting rate applications through the rebasing deferral period
- the Whitby LDC service area will be the subject of Annual Incentive Rate-Setting Index rate applications through the rebasing deferral period

19. Proposed Business Transactions

Please provide a brief summary of the expected impact of the proposed business transactions on the Ontario electricity market under the following headings:

a) Facilitate competition and enhance access to transmission/distribution services:

The proposed transaction related to this Application is the consolidation of two existing licensed electricity distributors. The proposed transaction will have no adverse impact on competition, nor will it have an adverse impact on access to distribution services.

b) Improve reliability and quality of supply:

The proposed transaction will have no adverse impact on reliability and quality of supply. Moreover, the consolidation proposed in the MAADs application will create opportunities for the improvement of existing reliability and quality of supply.

c) Promote economic and energy efficiency:

The Applicant anticipates that the proposed transaction will promote economic and energy efficiency. The consolidation of the two existing distributors will create opportunities for improved efficiency in the distribution of electricity in the predecessor distributors' service areas, and more opportunities for the promotion of energy efficiency and conservation in those areas.

20. Electricity Sector Activities

Please indicate whether the Applicant intends to be involved with electricity sector activities in the Ontario market other than distribution and provision of Standard Supply Service?

Buy or Sell (Wholesale) electricity	Yes	No	
Transmit electricity			
Retail electricity			
Generate electricity			
If yes to any of the above:			
a) If affiliates have not yet been established, please indicate when this is planned:			
Please see section 3.5 of the MAADs application for the post-merger corporate organization chart.			

b) Has the Applicant or an affiliate applied for Ontario Energy Board Licences? If no, when planned?	Yes No

D. Notice and Consent for Ontario Board to Collect Additional Information

AS REQUIRED BY THE FREEDOM OF IN	IFORMATION AND PROTECTION OF INDIVIDUAL PI	RIVACY ACT		
In order to complete or verify the information provided on this form, it may be necessary for the Ontario Energy Board to collect additional information from some or all of the following sources: federal, provincial/state and municipal governments; licensing bodies; banks; professional and industry associations; and former and current employers. Only information relevant to your application will be collected.				
The public official who can answer questions about	the collection of information is:			
Board Secretary Ontario Energy Board 2300 Yonge Street, P.O. Box 2319 Toronto, Ontario M4P 1E4				
Note: The issuance of an electricity distribution to a transmission or distribution system.	licence does not guarantee accreditation by the IES	SO, or connection		
NOTE: This application must be signed by th director of the organization.	e proprietor or by at least one partner, officer or			
WARNING: It is an offence to knowingly provide false information on this application.				
	aise information on this application.	Voc		
I/We consent to the collection of this information as 1998.		Yes		
	authorized under the <i>Ontario Energy Board Act,</i>			

E. Acknowledgement of Market Rules, Codes and Conditions

NOTE:	OTE: This acknowledgement must be signed by the proprietor or by at least one partner, officer or director of the organization.				
l understar	nd and acknowledge that, as a l	icenced electricity distributor, I will be require	ed, unless otherwise exempted:		
• To	• To provide non-discriminatory access to all persons wishing to connect to the distribution system.				
 To comply with all licence conditions including the provisions of: Affiliate Relationships Code for Electricity Distributors and Transmitters Distribution System Code Retail Settlement Code Standard Supply Service Code Retail Metering Code Market Rules made under section 32 of the <i>Electricity Act, 1998.</i> 					
Preside	e and Title 1 Angemeer nt & C.E. O. n Connections Inc.	Signature of Applicant(s)	Date Signed		

Print Name and Title	Signature of Applicant(s)	Date Signed
John Sanderson President & C.E.O.		
Whitby Hydro Electric Corporation		

CHECKLIST

Have You:

1.	Properly and fully completed this form? (Illegible, incomplete or improperly completed forms do not qualify for registration and will be delayed or returned.)	
2.	Enclosed a cheque or money order payable to the ONTARIO ENERGY BOARD in the amount prescribed?	
3.	Attached Section D, the signed "Notice and Consent" form, as specified?	
4.	Attached Section E, the "Acknowledgement" form, as specified?	
5.	Submitted two copies of the application?	
Please	send the completed form and all attachments to:	
	Board Secretary Ontario Energy Board 2300 Yonge Street P.O. Box 2319, 26th Floor Toronto, ON M4P 1E4	
NOTE:	You are not required to return the cover page or this checklist to the Ontario Energy Board.	

SECTION 4 ATTACHMENT

Primary Contacts for this Application:

Mr. George Armstrong Vice President, Corporate Services Veridian Connections Inc. 55 Taunton Road East Ajax, ON L1T 3V3 garmstrong@veridian.on.ca 905-427-9870, ext. 2202

Ms. Susan Reffle Vice President Whitby Hydro Electric Corporation 100 Taunton Road East, P.O. Box 59 Whitby, ON L1N 5R8 <u>sreffle@whitbyhydro.on.ca</u> 905-444-1983

SECTION 13 ATTACHMENT

Has the Applicant or an Affiliate undertaken	Yes
any energy sector activities in Ontario or any	\boxtimes
other jurisdiction?	
If yes, please provide the following information for each:	
The Applicant represents the consolidation of Veridian LDC and Whitby LDC. Those consolidating entities and their affiliates are identified below.	
Full Legal Name of Company:	Licence/Registration Number: <i>ED-2002-0571</i>
Whitby Hydro Electric Corporation	
Jurisdiction:	Type of Business Activity (e.g. Distribution,
	Generation):
Ontario	Distribution, Generation
Full Legal Name of Company:	Licence/Registration Number:
Whitby Hydro Energy Services Corporation	ES-2013-0257
Jurisdiction:	Type of Business Activity (e.g. Generation, Transmission, Distribution):
Ontario (primary) May service clients in other locations	
	Energy Services (see Section 3.1.2 of MAADs application)
Full Legal Name of Company:	Licence/Registration Number:
Veridian Connections Inc.	ED-2002-0503
Jurisdiction:	Type of Business Activity (e.g. Generation,
Ontario	Transmission, Distribution):
	Distribution, Generation
Full Legal Name of Company:	Licence/Registration Number:
Veridian Energy Inc.	Not applicable
	1

Jurisdiction:	Type of Business Activity (e.g. Generation, Transmission, Distribution):
Ontario	Energy Services (historically – currently inactive)

SECTION 16 ATTACHMENT

Key Individuals	a) Proprietor, partner, officer or director of business that was granted a licence under Part IV or V of the Ontario Energy Board Act, 1998	 b) Proprietor, partner, officer or director of a business that was registered or licenced under this or any other acts of legislation 	c) Proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled
 Mr. Michael Angemeer President & CEO Veridian Connections Inc. Professional Engineer 32 years in the energy sector 	Current Officer, Veridian Connections Inc.	Current Officer, Veridian Corp. Current Officer, Veridian Energy Inc. Current Director, 2016 Quinte Hydraulic Generation Inc. Past Officer, Enersource Corp.	No
 Mr. Rob Scarffe Executive Vice President, Customer Service & Information Technology 18 years in the energy sector 	Current Officer, Veridian Connections Inc.	No	No
 Ms. Laurie McLorg Vice President, Financial Services & CFO CPA 23 years in the energy sector 	Current Officer, Veridian Connections Inc.	Current Officer, Veridian Corp. Current Officer, Veridian Energy Inc.	No

SECTION 16 ATTACHMENT

Key Individuals	a) Proprietor, partner, officer or director of business that was granted a licence under Part IV or V of the Ontario Energy Board Act, 1998	b) Proprietor, partner, officer or director of a business that was registered or licenced under this or any other acts of legislation	c) Proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled
 Mr. Michael Angemeer President & CEO Veridian Connections Inc. Professional Engineer 32 years in the energy sector 	Current Officer, Veridian Connections Inc. Past Officer, Enersource Hydro Mississauga Inc.	Current Officer, Veridian Corp. Current Officer, Veridian Energy Inc. Current Director, 2016 Quinte Hydraulic Generation Inc. Past Officer, Enersource Corp.	No
 Mr. Rob Scarffe Executive Vice President, Customer Service & Information Technology 18 years in the energy sector 	Current Officer, Veridian Connections Inc.	No	No
 Ms. Laurie McLorg Vice President, Financial Services & CFO CPA 23 years in the energy sector 	Current Officer, Veridian Connections Inc.	Current Officer, Veridian Corp. Current Officer, Veridian Energy Inc.	No

 Mr. George Armstrong Vice President, Corporate Services C.E.T., B. Comm. 33 years in the energy sector Mr. Peter Petriw Vice President, Engineering Professional Engineer 29 years in the energy sector 	Current Officer, Veridian Connections Inc. Past Director, First Source Energy Corp. Current Officer, Veridian Connections Inc.	Current Officer, Veridian Corp. Past Officer, Veridian Energy Inc. No	No No
 Mr. John Sanderson President, C.E.O Whitby Hydro Electric Corporation Professional Engineer 40 years in the energy industry 	Current Officer, Whitby Hydro Electric Corporation Past Officer and Director, Aurora Hydro Connections Limited	Current Officer, Whitby Hydro Energy Services Corporation Current Director, Mearie Management Inc. Current Director, Peel Mutual Insurance Company	No
Ms. Ramona Abi-Rashed Treasurer Whitby Hydro Electric Corporation • CPA • 32 years in the energy industry	Current Officer, Whitby Hydro Electric Corporation	Current Officer, Whitby Hydro Energy Services Corporation	No
 Mr. Mike Chase Deputy Treasurer Whitby Hydro Electric Corporation MBA, CPA 15 years in the energy industry 	Current Officer, Whitby Hydro Electric Corporation	Current Officer, Whitby Hydro Energy Services Corporation	No

Ms. Susan Reffle Vice-President Whitby Hydro Electric Corporation	Current Officer, Whitby Hydro Electric Corporation	No	No
 CPA 15 years in the energy industry 			

33289420.1